

2025/26 Annual Audit Report and Audited Annual Accounts 2025/26

1. Introduction

1.1 This report presents the:

1.1.1 The 2025/26 Annual Audit Report by Audit Scotland and

1.1.2 the Audited Annual Accounts for the year ended 31st March 2026.

2. Main Report

2.1 The unaudited Annual Accounts were noted by the Partnership at its meeting on 19th June 2026.

2.2 The Partnership's appointed External Auditor, Audit Scotland, has completed the annual audit. The Annual Audit Report is presented at Appendix 1.

2.3 The Audited Annual Accounts for the year ended 31st March 2026 are presented at Appendix 2.

2.4 The Annual Audit Report states the accompanying financial statements:

- give a true and fair view of the state of affairs of the Partnership as at 31 March 2026 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Code; and;
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

2.5 The Audit Opinion is included in the Independent Auditor's report at pages 51 to 53 of the Audited Annual Accounts.

2.6 The Performance and Audit Committee reviewed the External Auditor's report and the Audited Accounts at its' meeting on 11th September 2026.

3 Recommendations

It is recommended that the Partnership Board:

3.1 note the Annual Audit Report to members of South East of Scotland Transport Partnership and the Controller of Audit;

3.2 authorise the Audited Annual Accounts for signature.

Richard Lloyd-Bithell

Treasurer

18th September 2026**Appendix**

1 - Annual Audit Report to members of South East of Scotland
Transport Partnership and the Controller of Audit

2 - Audited Annual Accounts 2025/26

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Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	There are no financial implications arising following issue of an unqualified Audit certificate.
Equalities Implications	There are no equality implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.

South East Scotland Transport Partnership

2025/26 Annual Audit Report



Prepared for SEStran and the Controller of Audit
September 2026

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Summary of audit opinions and conclusions

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by SEStran.

Financial Sustainability and Best Value audit

- 3 SEStran has appropriate arrangements in place for securing financial sustainability. It has developed longer-term financial plans and forecasts balanced budgets until 2028/29.
 - 4 The performance information reported within the annual accounts should be improved by developing and reporting a suite of meaningful performance indicators and associated targets.
-

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 audit of South East Scotland Transport Partnership's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to South East Scotland Transport Partnership, hereafter referred to as 'SEStran' or 'the partnership' and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Christopher Gardner, of Audit Scotland, has been appointed as external auditor of SEStran for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, the appointed auditor and the audit team are independent of SEStran in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from SEStran, including no provision of non-audit services.

Acknowledgements

4. We would like to thank SEStran and its staff, particularly those involved in the preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope, responsibilities, and fee

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Concluding on the financial sustainability of SEStran and a review of the Annual Governance Statement.
- Reporting on SEStran's arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of SEStran and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on SEStran's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve SEStran from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The responsibilities of SEStran

10. SEStran has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements that give a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit Fee

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £13,360. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National and performance audit reporting

12. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the partnership's board. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by SEStran.

Audit opinions on the annual accounts

13. SEStran's annual accounts were approved by the partnership board on 25 September 2026. The Independent Auditor's Report is included in SEStran's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

14. The unaudited annual accounts and all working papers were received on 1 June 2026 in accordance with the agreed audit timetable.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for SEStran were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for SEStran

Materiality	Amount
Materiality – set at 2% of gross expenditure	£157,000
Performance materiality – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£102,000
Reporting threshold – set at 5% of materiality.	£7,000

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) requires auditors to communicate significant findings from the audit to those charged with governance, which for SEStran is the partnership board.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. There are no significant findings or key audit matters to report. We did, however, identify a number of presentation and accounting adjustments which management agreed to adjust in the accounting statements. These include:

- **Presentation of overall financial performance** – The information within the Management Commentary should provide a clear and accessible picture of financial performance against approved budgets and planned targets. On our recommendation, the management commentary was revised to clearly highlight SEStran's overall net expenditure position.

- **Classification of liability** – Our testing identified that a contribution of £138,000 received in advance had been incorrectly presented on the balance sheet. The balance should have been classified as a short-term creditor. This was corrected in the audited financial statements.
- **Restatement of asset balances** – As part of management's ongoing review of asset records, the prior year figure for derecognised assets was revised from £476,000 to £408,000. We reviewed the supporting evidence and are satisfied the restatement is appropriately reflected in the financial statements.
- **'Holding' account** – The partnership operates a bank account primarily for the receipt of funding, while routine financial transactions eg payments to suppliers are administered through the City of Edinburgh's financial ledger system. As the partnership relies on City of Edinburgh to pay suppliers, there was no straightforward audit trail linking payments from the holding account to individual supplier transactions.

Recommendation 1

We recommend the partnership explores ways to improve the audit trail for payments from its holding account to be able to readily identify supplier details.

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of SEStran's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by SEStran was assessed as part of the audit. These were considered to be appropriate to the circumstances of SEStran, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting 25/26.

Accounting estimates

24. Accounting estimates are used in number of areas in SEStran's financial statements, including the estimation of the useful life of assets and the valuation of the pension liability. Audit work considered the process management SEStran has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

25. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail or clarification identified in areas such as the management commentary and remuneration report.

Audit adjustments

26. Management of the body processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatements to report.

Significant risks of material misstatement identified in the Annual Audit Plan

27. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3, \(page 11\)](#).

Exhibit 3**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journal entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No transactions outside the normal course of business were identified. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. Conclusion: no evidence of fraud caused by management override of controls.

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud in expenditure recognition The Code of Audit Practice expands the consideration of fraud under ISA (UK) 240 to include the risk of fraud over expenditure. There is a risk that expenditure may be materially misstated in the 2025/26 financial statements due to the significant extent and nature of SEStran's project and grant-related expenditure streams.	The audit team will: • Test expenditure transactions, focusing on areas of greatest risk, including grant awards. • Review of budget monitoring reports, focusing on significant budget variances. • Review of arrangements in place to prevent and detect fraud.	Audit work performed found: • No instances of fraud in the expenditure testing. • Financial management reporting is accurate and appropriate from reviewing budget monitoring reports presented at committee meetings. Conclusion: no evidence of fraud in expenditure recognition
Accounting for non-current assets SEStran holds several non-current assets which are disclosed on its balance sheet. The measurement, valuation and related disclosures for these assets involve the use of accounting estimates and professional judgement.	The audit team will: • Evaluate SEStran's arrangements for the valuation and accounting for non-current assets. • Review the appropriateness of the key data and assumptions used in the 2025/26 valuation process and challenge these where required. • Test non-current asset entries to confirm existence of assets and the completeness of the asset register.	Audit work performed found: • Arrangements for the valuation and accounting of non-current assets was appropriate. • Assumptions used in valuation were reasonable. • No issues with the existence of assets or the completeness of the asset register. Conclusion: accounting for non-current assets was appropriate.

Source: Audit Scotland

Prior year recommendations

28. SEStran has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with SEStran and are outlined in [Appendix 1](#).

Financial Sustainability and Best Value audit

Conclusion

SEStran has appropriate arrangements in place for securing financial sustainability. It has developed longer-term financial plans and forecasts balanced budgets until 2028/29.

Audit approach to wider scope and Best Value

Wider scope

29. The Annual Audit Plan reported SEStran was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of SEStran.

Best Value

30. Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973, which SEStran does.

31. Consideration of the arrangements SEStran has in place to secure Best Value have been carried out alongside the wider scope audit.

Conclusions on Financial Sustainability

32. The audit work performed on the arrangements SEStran has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by SEStran:

- making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Corporate Plan and priorities.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.

Conclusions on Financial Sustainability

33. The partnership receives most of its funding from the Scottish Government via Transport Scotland, and requisitions from constituent council members. The budget for 2025/26 was agreed in March 2025, setting out total revenue expenditure of £7.426 million. Of this, £6.369 million of funding was initially budgeted for the People and Place Programme, an increase of 20% (£1.043 million) from the previous year.

34. The partnership has reported a net underspend in its core revenue budget of £0.022 million in 2025/26. The core budget relates to the day-to-day running costs of the partnership, such as staff and premises costs.

35. On its projects budget, it incurred costs of £6.801 million against income of £6.534 million, representing overall net expenditure of £0.267 million.

The partnership has developed longer-term financial plans and forecasts a balanced budget for future years

36. In 2024/25, we recommended that the partnership could improve its financial planning by considering medium-term projections beyond the following financial year, linked to business plan and strategic priorities. As SEStran's financial function is delivered through the City of Edinburgh, further strengthening this strategic link with its finance department may improve coordination, improve financial oversight and support more integrated planning and decision-making.

37. SEStran now has an indicative financial plan for 2027/28 to 2028/29, the most recent of which was presented to the March 2026 board. Total budgeted expenditure for 2026/27 was set at £9.952 million, split by:

- Core plus projects – £1.008 million
- People and Place Programme – £6.356 million
- Transport Employment Programme - £2.588 million

38. SEStran holds an unallocated General Fund reserve of £0.243 million and projects a balanced budget for both 2027/28 and 2028/29. These projections are based on planning assumptions that project funding will continue to support core costs and reflects assumptions around annual pay awards, efficiency savings and increases in constituent council requisitions. The achievement of the projected financial position will require these assumptions to be closely monitored and kept under review.

Arrangements for securing Best Value

39. The [Scottish Government has set out guidance](#) to help public bodies to demonstrate securing Best Value and continuous improvement in their performance. The guidance sets out the key characteristics of best value and to make arrangements to secure continuous improvement in

performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development.

40. Procurement decisions are important to securing best value, and the partnership's governance scheme sets out processes which aim to contribute to the achievement of best value in procuring goods and services. The partnership's risk register also recognises the risk of not being able to achieve best value.

41. In assessing SEStran's arrangements to secure Best Value, we have drawn on our work on financial sustainability and considered the partnership's arrangements in the context of its size and nature. SEStran has strengthened its approach to longer-term financial planning in response to a recommendation made in our prior year annual audit report, demonstrating a commitment to continuous improvement.

42. To further enhance its ability to evidence Best Value, the partnership should strengthen its performance management framework by developing clear performance measures and targets, and systematically reporting performance against its strategic objectives and areas of activity. The management commentary in the accounts should provide an overview of relevant indicators to demonstrate how its interventions and activity is making a difference.

Recommendation 2

The performance information reported within the annual accounts should be improved by developing and reporting a suite of meaningful performance indicators and associated targets. These should clearly demonstrate progress against the 2035 Regional Transport Strategy and the partnership's strategic priorities.

Appendix 1

Action plan 2025/26

2025/26 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Holding Account The partnership operates a bank account primarily for the receipt of funding, while routine financial transactions are administered through the City of Edinburgh Council's financial ledger system. As the partnership relies on City of Edinburgh Council to pay suppliers, there was no straightforward audit trail linking payments from the holding account to individual supplier transactions.	We recommend that the partnership explores ways to improve the audit trail for payments from its holding account to be able to readily identify suppliers.	Accepted We agree to explore ways to improve the audit trail with the City of Edinburgh Council, and where achievable and cost effective, make improvements. Responsible officer – Finance. Agreed date – by 31 December 2026.
2. Performance indicators There is scope to improve the management commentary to provide a clearer overview of performance during the year and be supported by performance indicators including financial and non-financial information.	The performance information reported within the annual accounts should be improved by developing and reporting a suite of meaningful performance indicators and associated targets. These should clearly demonstrate progress against the Regional Transport Strategy and the partnership's strategic priorities.	Accepted As part of the 2027/28 business planning process, SEStran will develop key performance indicators to demonstrate progress against the Regional Transport Strategy and wider strategic priorities. These will be reported on from the 2027/28 year, but retrospective reporting may be possible on some of these for 2026/27 Responsible officer – Partnership Director. Agreed date – 31 March 2027.

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Derecognition of non-current assets SEStran has undertaken a review of its non-current asset register and overall asset strategy. Our audit identified further improvements could be made to provide a robust audit trail for all disposals of non-current assets.	The partnership should improve its processes and documentation around the disposal of assets. In addition, given the complex accounting requirements around non-current assets, management should ensure sufficient co-ordination and advice is sought from its finance partners. Agreed action: The Asset Management Policy will be amended to include a requirement for recommendations for the derecognition of specific assets to be approved by the Partnership Director before they can be removed from the asset register. Responsible officer: Partnership Director Target date: December 2025	Implemented The partnership has updated their Asset Management Policy and approval of the Partnership Director is now required before an asset can be removed from the asset register. This is evidenced by a signed Asset Derecognition Form for each asset removed from the register.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. Financial planning It is important that the partnership has appropriate financial planning in place to ensure it can achieve its priorities and improve resilience. This is particularly important as the partnership's budget and activity increases.	The partnership should improve its financial planning by considering the medium-term projections beyond the following financial year, and link this to its business plan and strategic priorities. Agreed action: The financial planning horizon will be extended from 2 years to a longer period. The exact details will be agreed internally and submitted to the partnership board for approval as part of a new Financial Planning procedure. Responsible officer: Finance/Partnership Director Target date: December 2025	Implemented An Indicative Financial Plan covering 3 years and an updated Financial Planning Procedure was approved at the December 2025 partnership board meeting.

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/24: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026

South East Scotland Transport Partnership

2025/26 Annual Audit Report



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**The South East of Scotland
Transport Partnership
(SESTRAN)**

**Audited
Annual Accounts**

2025/2026

The South East of Scotland Transport Partnership (SESTRAN)

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The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary

1. Basis of Accounts

The Partnership prepares its Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Code of Practice is based on International Financial Reporting Standards (IFRS).

2. Statutory Background

The South East of Scotland Transport Partnership (SESTRAN) was established on 1st December 2005 under the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005.

The Partnership's main source of funding is an annual revenue grant from Transport Scotland. Under Section 3 of the Transport (Scotland) Act 2005, the net expenses of SEStran, after allowing for the government grant and any other income, are met by its constituent councils. The constituent councils are City of Edinburgh, Clackmannanshire, East Lothian, Falkirk, Fife, Midlothian, Scottish Borders and West Lothian. In accordance with Section 122 of the Transport (Scotland) Act 2019, the Partnership has established a General Fund reserve.

3. Corporate Strategy

Regional Transport Partnerships (RTPs) have a statutory remit which includes developing a Regional Transport Strategy (RTS) in partnership with member local authorities and other stakeholders, monitoring and reporting on progress of the strategy's implementation. The current RTS - SEStran 2035 - was approved by Scottish Ministers in March 2023 and replaces the Regional Transport Strategy 2015 - 2025 Refresh published in July 2015. It addresses the transport problems and issues being experienced in the SEStran region.

The SEStran region covers 8,400km², which is just over 10% of Scotland's landmass. It has 11,821 km of roads and over 870,000 cars. It is hugely diverse and includes areas which fall into every one of the Scottish Government's six-fold urban-rural classification. The total population of the SEStran area was estimated as 1,619,460 in 2024 (National Records of Scotland mid-year population estimate 2024). Drivers in our region covered 3,201 million km in 2025.

The majority of the population is concentrated in the centre of the SEStran area with large, sparsely populated rural areas to the north, south, and east particularly the remote rural areas in north and east Fife, Scottish Borders and East Lothian. The greatest concentration of population is within the City of Edinburgh, which accounts for approximately 32% of the total SEStran region population.

The new RTS sits within a policy hierarchy which spans the national, regional and local levels. In particular, the RTS has been developed within the policy framework provided by the National Transport Strategy 2 which was published in February 2020, and set out four strategic priorities, as well as defining a Sustainable Travel Hierarchy. These four priorities and hierarchy have been used to guide the development of this RTS. The Partnership's Vision Statement is "a South-East of Scotland, fully integrated transport system that will be efficient, connected and safe; create inclusive, prosperous and sustainable places to live, work and visit; be affordable and accessible to all, enabling people to be healthier; and delivering the region's contribution to net zero emissions targets."

The 4 key strategy objectives outlined in the RTS are:

- Transitioning to a sustainable, post-carbon, transport system
- Facilitating healthier travel options
- Transforming public transport connectivity and access across the region
- Supporting safe, sustainable and efficient movement of people and freight across the region.

Work to deliver the RTS takes various forms including:

- Collaborating with local authority partners to ensure that their Local Transport Strategies, Development Plans and related strategies or policies, all align with the RTS
- Leading on the development of strategies to help partners to tackle transport issues which can be more effectively addressed at a regional level
- Influencing senior stakeholders such as Scottish and UK governments, Transport Scotland, local authority partners, community planning partnerships, other RTPs, NHS, transport operators, and transport users' groups
- Building test cases for, and piloting, innovative solutions to transport problems, particularly where this would not be feasible for individual local authorities
- Seeking innovative funding mechanisms to support the delivery of priority projects
- Supporting on-the-ground delivery of regional projects by working with partners, consultants etc to develop detailed project plans and, where relevant, funding delivery of these plans.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

3. Corporate Strategy (*continued*)

The Corporate Strategy for 2026/27 will include a focus on transport governance and the regionalisation of key public sector activities including economic growth, land use planning and transport. These discussions are described in detail in the Risks and opportunities section of this report.

4. Risks and Opportunities

The principal risks and uncertainties faced by the Partnership in recent years have traditionally fallen into two main categories - financial and transport governance.

Financial Risks and Opportunities

In recent years, the Partnership has had 3 main sources of funding:

- Annual grant funding from Transport Scotland
- Ringfenced funding for specific projects or activities e.g. People and Place (active travel behaviour change)
- A requisition from each of the eight local authority partners

Annual grant funding from Transport Scotland

The annual grant from Transport Scotland remained at the same level since at least 2011/12, but, in 2024/25, it was reduced by 5% in line with reductions across the Scottish Government. This reduced level of funding from Transport Scotland continued into 2025/26 and will remain at this level in 2026/27. In absolute terms, Council requisitions have reduced by 15% over the same period. Taken together, funding from Transport Scotland and our Council partners has reduced by 7% over the last 15 years. There remains a real risk that there will be further reductions to our core grant, which is designed to cover the Partnership's core costs, in 2027/28 and beyond.

In addition, Transport Scotland is currently reviewing future core funding for RTPs. This could impact on our funding but it is currently unclear to what extent or whether any change will be positive or negative.

Ringfenced project funding

In 2025/26, the Partnership received an additional £6.45m of grant funding for the People and Place active travel behaviour change programme. This funding is ringfenced and most was passed through to local authorities and active travel delivery partners whose projects qualified for funding under the grant standing orders (SOs) and funding processes which have been approved by the Partnership.

People and Place funding for 2026/27 has been reduced by £1.2m, reflecting revenue pressures facing the Scottish Government. This reduction does not have a significant impact on SEStran, but does impact our ability to deliver this important aspect of the Regional Transport Strategy.

RTPs have also been awarded around £10m in 2026/27 to tackle transport barriers to reducing child poverty. SEStran will receive £2.8m of this Transport to Employment funding and we are working with our partner local authorities to help low income families with children to access paid employment or training opportunities. This funding has only been confirmed for one year, but all RTPs will aim to make a strong case that it should be continued in future if improvements in access are to be maintained beyond this year.

Council requisitions

Transport Scotland has encouraged RTPs to increase Council requisitions and we had planned to seek an increase of 10% for the 2026/27 financial year. However, this was postponed and it is now anticipated that, at the September 2026 meeting of our Partnership Board, we will submit a paper proposing an updated mechanism for agreeing funding of future workstreams. We are hopeful that this will provide a greater degree of certainty about future funding.

Mitigations are in place both to reduce the probability and impact of these risks, and to respond to them if they become issues. Primary amongst these are:

- Influencing central and local government partners by building strong cases for further investment in SEStran
- Making prudent planning assumptions
- Monitoring income and expenditure on a monthly basis and adjusting expenditure to mitigate against any forecast overspends
- Holding an appropriate cash reserve to be used in the event that an overspend cannot be prevented by other controls.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

Transport Governance

Transport Scotland is planning to review transport governance in 2026/27, and discussions on strengthening Regional Economic Partnerships will take place in 2026 with legislation earmarked for 2027/28. In addition, Transport Scotland will be absorbed into the Scottish Government, although the exact timeframe is uncertain, which will also impact on transport governance.

These initiatives present both a risk and an opportunity to SEStran.

Transport governance refers to the respective roles and responsibilities of Transport Scotland, the 7 Regional Transport Partnerships, 32 local authorities and selected other partners.

Over recent years, there has been much discussion about the need for this review. Successive independent reports have proposed that Transport Scotland should devolve much of its workload to other organisations which, due to better understanding of regional or local requirements, may be better placed to prioritise and deliver projects in their region or local authority area.

The recent transfer of People and Place responsibilities, and subsequent award of Transport to Employment funding to RTPs demonstrates that Transport Scotland supports a regional approach to the governance of at least some transport functions. SEStran is aiming to build on this by actively engaging with Transport Scotland about other matters where it believes it can make a significant positive impact.

The Scottish Government has also committed to strengthening the ability of regional partnerships to drive economic growth. Although not explicitly mentioned to date, transport will form a key part of these discussions since it is a key enabler of land use planning and economic growth.

The government is currently consulting on models and the powers required to support this change, and all RTPs including SEStran will be part of this process. We are currently developing a 'gold standard' model for how transport would be improved in the SEStran region, for presentation to our Partnership Board, at its June meeting. This will then form the basis of our input into discussions on regionalisation.

5. Results for the Year

The Partnership's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 19. An Expenditure and Funding Analysis has been provided to reconcile the Partnership's financial performance between Funding and Accounting Basis. The Expenditure and Funding Analysis can be found in Note 6.

The outturn position for the Partnership's 2025/26 financial results on a funding basis compared to budget is summarised in the table below.

	Revised Budget 2025/26 £'000	Outturn 2025/26 £'000	Overspend/ (Underspend) £'000
Core	856	864	8
Net Cost of Projects	77	267	190
Net Cost of Services	933	1,131	198
Government Grant	(743)	(743)	0
Constituent Council Requisitions	(190)	(190)	0
Interest paid / (received)	0	(30)	(30)
Sources of funding total	(933)	(963)	(30)
Transfer (to) / from Reserves	0	168	168

The outturn for the year shows an overall overspend of £0.168m, mainly comprising of spend on approved project budgets which were slipped into 2025-26. Consequently:

- £0.190m has been transferred from the earmarked portion of the General Fund Reserve associated with project slippage.
- The project slippage earmarked balance has reduced from £0.348m to £0.158m.
- £0.022m has been transferred to the unallocated General Fund Reserve increasing the reserve from £0.221m to £0.243m.

More information on the usable reserves can be found in Note 16.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

5. Results for the Year (*continued*)

Core budget

The Core budget provides for the day-to-day running costs of the Partnership and includes employee costs, premises costs and supplies and services. The principal favourable variances on the Core budget arose due to:

- £37,000 of additional employee costs being recharged to the Projects budget
- £30,000 of interest received on revenue balances reflecting the additional cash balances that the Partnership benefited from through the People and Place Programme.

The principal adverse variances which arose on the Core budget were:

- employee costs (£33,000)
- IT device refresh (£11,000)

resulting in a net Core budget underspend of £22,000.

Projects budget

In 2025-26 the Partnership incurred expenditure of £6.801m on revenue projects and received external grants and contributions of £6.534m resulting in net expenditure of £0.267m.

- £0.190m was transferred from the earmarked Project Budget slippage reserve to manage the overspend
- £0.158 of earmarked reserve is carried forward into 2026-27 to cover project slippage from 2025-26 including £0.061m to meet future lease commitments for an electronic bicycle scheme.

Reserves

In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy and established an unallocated reserve. At 1st April 2025, the Partnership had an unallocated General Fund Reserve of £221,000. At 31st March 2026, this increased to £243,000. Slippage on project delivery from 2025/26 to 2026/27 will be managed by establishment of an earmarked balance per the Partnership's Reserves Policy.

Treasury Management

The Partnership has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector. The Partnership maintains its bank account as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council and is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Partnership. Interest is given on month end net indebtedness between the Council and the Partnership. For 2025/26, interest of £30,248 was calculated in accordance with the (withdrawn) Local Authority (Scotland) Accounts Advisory Committee's Guidance Note 2 on Interest on Revenue Balances. The role of Treasury Management in the management of financial risks is referenced in Note 24. In line with the CIPFA Code of Practice, an annual Treasury Management report is submitted to the Partnership at the end of each financial year.

Non Financial Results

During 2025/26, the Partnership progressed work on a number of exciting projects and on the development of strategies essential to facilitate delivery of the RTS.

Regional Transport Strategy Delivery Plan

The Regional Transport Strategy is the guiding light for everything required to improve transport across our region. Its Delivery Plan provides a mechanism to assess and prioritise regional projects required over the next ten years to realise the ambitions of the Regional Transport Strategy. The Regional Transport Strategy Delivery Plan supports the delivery of a transport network that:

- Takes climate action
- Addresses inequalities and accessibility
- Improves health and wellbeing
- Supports sustainable and inclusive economic growth
- Improves safety and resilience.

The Regional Transport Strategy Delivery Plan complements Strategic Transport Projects Review 2 (STPR2), highlighting projects within and outside the plan that contribute to the Partnership's vision for transport in South East Scotland. Over the course of 2025/26, the Partnership worked with transport, planning and economic development colleagues from both the Edinburgh and South East of Scotland City Region Deal and other partner local authorities to develop a matrix of regional projects. They agreed scoring and weighting that brings parity across our eight authorities.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

5. Results for the Year (*continued*)

Regional Transport Strategy Delivery Plan (*continued*)

These priorities were split into 6 key themes:

- Decarbonisation
- Digital
- Freight
- Active Travel
- Mass Transit
- Interchanges

One of these themes, Mass Transit, has now been formed into the SEStransit Programme which is described below.

SEStransit

A key theme from the RTS Delivery Plan, SEStransit is a transformational, once-in-a-generation opportunity to reshape how people move across South East Scotland. It will deliver a faster, greener and more reliable regional transport system - one that matches the scale of our economic ambition, supports inclusive economic growth, and enables tens of thousands more people to travel sustainably every day.

At its heart, SEStransit imagines a region where buses, trains, trams and other shared modes operate not as fragmented services but as a single, fully integrated, high-capacity mobility system, supported by seamless interchanges, smart ticketing, real-time information and world-class digital tools. This is a bold step toward creating a regional network that is coherent, coordinated and futureproof - a system where passengers can move effortlessly between modes, access employment, housing, healthcare and education sites, and rely on a transport network that works for every community. In doing so, it will accelerate decarbonisation and reduce congestion, expand opportunity and strengthen the resilience, wellbeing and economic opportunity of communities across the region.

SEStransit will provide the robust evidence, modelling and delivery pathways required to unlock major investment, drive regional cohesion and support Scotland's climate, modal shift and economic priorities.

In 2025/26 work was undertaken to develop a Strategic Business Case, which will be completed in autumn 2027. When this Business Case has been approved, we will move to an Outline Options appraisal which will identify a number of potential solutions to each of the challenges identified.

People and Place

The People & Place Programme is a region-shaping initiative designed to reshape how communities move, connect and thrive. In 2025/26 we funded over 100 project across the region, delivering multi million pound targeted investment in the local authorities, third sector delivery partners, and community groups that support making active and sustainable travel not just possible, but the preferred choice for everyday journeys. By empowering schools, workplaces, communities and local authorities, the programme drives a fundamental shift away from car dependency and towards healthier, fairer and cleaner daily journeys for everyone.

At its core, this programme unlocks real behaviour change at scale - removing barriers to access, widening participation, and embedding the skills, systems and confidence needed to create lasting change. It results in expanded access to cycles across the region, increasing active journeys to schools through projects such as walking buses and cycle training, supporting increased use of public transport through provision of mobility hubs and enhanced bus stop information, and working with community groups to deliver change at a local level to achieve regional impact.

Coordinated at a regional level to achieve maximum impact through concentrated investment, it advances inclusion, enhances accessibility, and strengthens local capability, while supporting the shift to net zero and Scotland's wider climate, health and economic ambitions.

Specifically, the programme aims to:

- Increase the proportion of active and sustainable journeys in the region
- Increase awareness of the benefits of active and sustainable travel to encourage future behaviour change
- Increase the use of active and sustainable travel modes among underrepresented groups in the region who might face additional barriers
- Collaborate with local authorities and third-sector partners to strengthen capacity and capability in active and sustainable travel

The results for 2025/26 are currently being evaluated and will be reported to the Partnership Board in June 2026. It is anticipated that the evaluation report will demonstrate that we have built on the very positive evaluation of the programme's first year 2024/25.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

5. Results for the Year (*continued*)

Transport to Health (TtH)

Getting to and from an appointment at a hospital, at the local doctor's surgery or other healthcare setting can be difficult for many people. The result of not getting appropriate treatment where and when it is needed can be poorer health outcomes which impact people and the NHS.

The Partnership is working with healthcare partners across the region to better understand the barriers to healthcare and to find ways to tackle them.

During 2025/26 we conducted a Literature Review and developed a Case for Change, both of which were approved by the Partnership Board. These demonstrated that there are significant barriers to healthcare, which disproportionately affect older people, and those living in rural or deprived areas.

As well as worse health outcomes for individuals, these barriers increase costs to the NHS and reduce economic activity rates which are a key component of productivity and economic growth.

Therefore tackling these barriers will result in significant returns elsewhere in the economy.

Regional Bus Strategy

In November 2025 the Partnership Board approved the development of a world-class bus service for the SEStran region. Pre-covid, almost half of residents in the region used a bus at least once a month. The impact of covid saw this reduce drastically, and many operators have had to reduce the number and frequency of services they offer due to falling patronage and increased costs.

Buses remained by far the most commonly form of public transport in 2024-25, with 73% of public transport journeys made by bus. Reduced service provision disproportionately affects deprived areas and impacts people's ability to access employment, education and healthcare. This means that there is an impact on the economy, education levels, and poverty.

As a result, SEStran began developing a Regional Bus Strategy in 2024/25. The strategy was launched in December 2025 and the associated Action Plan kicks off in May 2026 when the Programme Board meets for the first time.

Grounded in our 2025/26 consultation that heard from thousands of voices from across our communities and driven by a clear vision for affordable, reliable, inclusive mobility, this programme will reshape how the region moves - strengthening opportunities, reducing inequalities, and positioning public transport as the natural first choice for everyday travel.

We are building a system that delivers consistently, connects communities fairly, and competes confidently with private car travel. Our work will unlock faster and more dependable journeys through targeted bus priority measures; simplified and integrated fares and ticketing; moving toward a clear and trusted network identity; and ensuring all users benefit from high-quality information, infrastructure, and customer experience.

Thistle Assistance and Realtime Passenger Information (RTPI)

Thistle Assistance provides support to people who find using public transport challenging, and we manage this initiative on behalf of all RTPs across Scotland. The scheme has exceeded all expectations in 2025/26, with usage ballooning from previous levels due to the excellent efforts of the team. We continue to support the rollout of RTPI screens across the region. These play a crucial role in journey planning and in improving the perception of safety when using public transport – because people know exactly when a bus will arrive at their stop.

The Team

The entire SEStran team is involved in developing and delivering the Business Plan. Team members' skills and experience are recognised and they are encouraged to take ownership of any activities or projects in which they are involved. This empowers them to drive the organisation's workplan, subject to approval of the Business Plan.

From 2026/27, SEStran will reintroduce an annual review and development process to ensure that team members receive the development and training required to support delivery of our programme portfolio and to enhance their skill base in line with their future career aspirations provided that these are in line with organisational objectives.

Equalities

Improving equality of opportunity is a key focus for SEStran. No particular group of people should be disadvantaged by transport barriers that do not exist for others. We already have robust processes in place, including compliance with Public Sector Equality Duties and the publication of an Equalities and Mainstreaming report. However during 2026/27 we will provide staff training on Inclusive Transport and implement an enhanced Integrated Impact Assessment process.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

5. Results for the Year (*continued*)

Tackling the Negative Impacts of Transport

As has been previously outlined, transport is an essential enabler of economic growth and land use planning, and for linking people with employment, education, healthcare, leisure and with each other.

However, it can also have serious negative impacts which fall disproportionately on the people in the most deprived areas, and who are responsible for much less of the impacts than people in less deprived neighbourhoods.

The Regional Transport Strategy tackles all of these challenges, which include:

- Deaths and serious injuries due to traffic collisions
- Illness and deaths due to pollution
- An increase in global warming due to the emission of greenhouse gases
- Reduction in economic productivity due to congestion
- Loss of greenspace to roads and car parks
- Communities ruptured and connectivity reduced by busy roads

6. Future Developments

The Partnership's Business Plan for 2026/27 builds further on the work undertaken in 2025/26. It identifies seven priority workstreams, including five continuing programmes:

- Regional Transport Strategy Delivery Plan
- SEStran
- People and Place
- Transport to Health
- Regional Bus Strategy Delivery Plan

And two new programmes:

- Travel to Employment
- Workforce Mobility

All supported by a number of cross-cutting initiatives including:

- Thistle Assistance
- Realtime Passenger Information
- Digital

Regional Transport Strategy Delivery Plan

Work on two of the six themes in the Delivery Plan, Mass Transit (SEStran) and Active Travel (People and Place), is progressing well and plans for 2026/27 are described below. Further work will be done on other elements of the Delivery Plan, primarily on the Digital and Interchanges themes, both of which are required to support SEStran.

SEStran

At the time of writing we are waiting on Transport Scotland to confirm funding through the Bus Infrastructure Fund for the next phase of the programme. This will allow us to complete all elements of the Strategic and Outline Business Cases during 2026/27 (exact timescales to be confirmed).

The programme has access to additional funding from the Local Growth Fund via the Edinburgh and South East Scotland City Region and it is likely that we will seek funding from all programme partners. They have been advised of this likelihood, but the exact amounts cannot be confirmed until Transport Scotland have confirmed whether and how much funding we will receive. This additional funding means that we can continue work ahead of Transport Scotland confirmation.

People and Place Plan

The Partnership developed a Delivery Plan that establishes the medium to long term regional priorities for change, how funding will be prioritised, and how the Partnership will work with local authorities and delivery partners to provide a holistic approach to support broader transport outcomes. SEStran will continue to work with partners to review progress annually, learn lessons from robust monitoring and evaluation, and make changes as required.

The £1.2m reduction in revenue funding described earlier will impact partners' ability to drive behaviour change. They have worked with us to adjust their plans and timetables and we will still make measurable inroads in 2026/27.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

6. Future Developments (*continued*)

Transport to Health

We are aiming to develop an Outline Business Case and, possibly, a Detailed Business Case in 2026/27. Planning is currently underway and, until finalised, timescales remain indicative. However the tender documents for consultancy support for the Outline Business Case have been drafted and the tender should be initiated late in Q1 of 2026/27. Our aim is to move to implementation of preferred solutions in Q4 2026/27 or Q1 2027/28.

Regional Bus Strategy Delivery Plan

The Bus Programme Board meets for the first time in May 2026, and will take ownership of the Action Plan arising from the Bus Strategy.

The Board will agree the Programme Initiation Document which will outline the programme vision, objectives, benefits, scope, resources, cost, risks, issues, success criteria, measures etc.

It will prioritise the various actions to ensure that the programme quickly gains credibility by delivering quick wins, and then using their skills and experience to ensure that the programme schedule and timescales take full cognisance of dependencies and constraints so that actions are scheduled in an appropriate order.

Transport to Employment

Directly supporting the First Minister's key priority for government of reducing child poverty, the Transport to Employment programme is a targeted, outcomes-driven intervention designed to break the link between low income, poor transport access, and child poverty. It will increase household incomes for parents across the region by enabling access to fair, well paid employment and training, while simultaneously reducing the financial burden of travel that can make work unaffordable or unsustainable.

Rather than operating in isolation, the programme maximises the impact of the Regional Transport Strategy by accelerating and shaping its delivery through a child-poverty lens. Every improvement to public and sustainable transport - whether reduced journey times, simpler networks, or lower fares - strengthens access to work and training and reduces reliance on private car ownership. This programme ensures those benefits are intentionally directed towards parents and communities most in need.

A core ambition is to turn short-term funding into long-term change. The programme will build regional capacity, deepen partnerships with Local Employability Partnerships, local authorities, NHS boards, and operators, and pilot scalable interventions that can be sustained beyond 2026/27. A strong emphasis on monitoring, evaluation, and learning will ensure that successful approaches are evidenced, refined, and ready for future expansion.

SEStran has been awarded £2.8m and will work with local authorities and third sector partners to deliver on four strategic areas: supporting journeys to further education and training opportunities; improving transport access to large and strategically important workplaces, including healthcare sites; addressing the unique challenges of rural access to work and further education; and delivering targeted fare interventions that reduce travel costs for parents who currently fall outside existing concessionary schemes. Together, these actions will unlock opportunity, improve financial resilience, and support families to move sustainably out of child poverty.

Specifically, the programme aims to:

- Reduce current levels of child poverty by improving the availability of transport options for parents to access employment and training
- Reduce current levels of child poverty by increasing household incomes for families by reducing transport costs to employment and training
- Reduce current levels of child poverty by supporting access to NHS sites as one of the region's major employers and to support access to health services to reduce health inequalities that impact on ability to work
- Make best use of the one year funding to build capacity in future years to deliver further action to reduce child poverty

Workforce Mobility Project

The Workforce Mobility Project is part of the Edinburgh and South East Scotland City Region Deal. This innovative project is the first of its kind within a regional growth deal, spanning employability and transport themes to overcome travel barriers and acknowledge the fundamental role transport plays in supporting employment, training, and education. The project aims to work across sectors to improve communication, collaboration, data usage and long-term planning to improve the effectiveness of local and regional transport to support the ambitions of the Integrated Regional Employability Skills Programme, the Regional Prosperity Framework and the Regional Transport Strategy.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary *(continued)*

6. Future Developments *(continued)*

Workforce Mobility Project *(continued)*

The Workforce Mobility Project Manager has moved to SEStran as Senior Partnership Manager and, in order to maintain consistency, will continue to provide leadership to the project.

In addition, SEStran has secured additional funding from Transport Scotland to undertake a national pilot whereby RTPs and local authorities throughout Scotland will have free access to project tools and consultancy.

Monitoring and Reporting

Progress on every piece of work – programmes and strategies – is reported to the Board on a quarterly basis. These reports include milestones, costs, risks, issues and benefits amongst a range of other factors. However it can be difficult to measure progress against the type of income we typically aim to deliver e.g. removal of transport barriers to accessing healthcare or eradicating child poverty.

A key focus of work in 2026/27 will be the development of a suite of key performance indicators to demonstrate the difference we are making and that we are delivering value for money.

7. Certification

It is considered appropriate to adopt a going concern basis for the preparation of the Annual Accounts, given ongoing Regional Transport Partnership grant funding provided by Scottish Ministers under Section 70 of the Transport (Scotland) Act 2001 and constituent councils obligation to meet the net expenses of the Partnership under Section 3 of the Transport (Scotland) Act 2005.

Chair of Partnership Board: SALLY PATTLE _____ Date signed:

Partnership Director: BRIAN BUTLER _____ Date signed:

Treasurer: RICHARD LLOYD-BITHELL, CPFA _____ Date signed:

The South East of Scotland Transport Partnership (SESTRAN)

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Partnership's Responsibilities

The Partnership is required:

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs. In this Partnership, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets;
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- to approve the Annual Accounts.

I confirm that the annual accounts were approved for signature by the South East of Scotland Transport Partnership at its Board meeting on 25th September 2026.

Chair of Partnership

Board: SALLY PATTLE _____ Date signed:

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Partnership's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing the Annual Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Treasurer has also:

- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the Partnership at the reporting date and the transactions of the Partnership for the year ended 31st March 2026.

Treasurer: RICHARD LLOYD-BITHELL, CPFA _____ Date signed:

The South East of Scotland Transport Partnership (SESTRAN)

ANNUAL GOVERNANCE STATEMENT 2025/26

1. Executive Summary

The Annual Governance statement summarises how the Partnership's governance is operating effectively as at the date of signing of the statement, with a recognition of the need to continually improve governance within the Partnership.

As part of the review of the effectiveness of governance, Internal Audit undertake one review each year into controls to mitigate specific key risks. This year's review provided reasonable assurance on the adequacy of the design and operation of the controls tested, but identified some weaknesses where improvements could strengthen transparency, financial stewardship, and regulatory compliance.

From this year's review, there is reasonable assurance that the Local Code of Corporate Governance is operating adequately, with overall compliance by the Partnership with its corporate governance arrangements.

The Partnership's governance arrangements and systems are confirmed as being operational and current at the date of signing of this Annual Governance Statement.

2. Background

The Partnership is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for and used economically, efficiently, effectively and ethically. The Partnership also has a duty to secure continuous improvement in the way its functions are carried out. The Partnership has approved and adopted a Local Code of Corporate Governance which is consistent with appropriate corporate governance principles and reflects the requirements of the "Delivering Good Governance in Local Government: Framework (2016)".

In discharging these overall responsibilities Board Members and Senior Officers are responsible for implementing proper arrangements for the governance of the Partnership's affairs and for facilitating the effective exercise of its functions, including arrangements for the management of risk.

This Statement explains how the Partnership delivers good governance and reviews the effectiveness of these arrangements. It also includes a statement on internal financial control in accordance with proper practice.

The Partnership's Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Partnership is directed and controlled, and the activities through which it engages with and influences the community. It enables the Partnership to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Partnership's framework is underpinned by 6 core principles:

- Focusing on the purpose of the Partnership and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Partnership and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

A significant part of the governance framework is the system of internal control which is based on an ongoing process designed to identify and manage the risks to the achievement of the Partnership's policies, aims and objectives. These are defined in the Partnership's Business Plan, which is updated annually. This enables the Partnership to manage its key risks efficiently, effectively, economically and ethically. The Partnership aims for compliance with Public Sector Equality Duties, including Scottish Specific Duties.

Within the overall control arrangements, the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The South East of Scotland Transport Partnership (SESTRAN)

ANNUAL GOVERNANCE STATEMENT 2025/26 (*continued*)

The Partnership's Governance Framework (*continued*)

While the system of internal control is designed to manage risk at a reasonable level, it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.

3. Determining the Partnership's purpose, its vision for the local area and intended outcomes for the Community

The Partnership's Vision Statement is for a South-East of Scotland, fully integrated transport system that will be efficient, connected and safe; create inclusive, prosperous and sustainable places to live, work and visit; be affordable and accessible to all, enabling people to be healthier; and delivering the region's contribution to net zero emissions targets.

The Business Plan outlines the priorities for the coming year, and the Annual Report is published as soon after the end of a financial year as possible and looks back at the project and strategy work undertaken in that year. Where applicable, key statistics and outcomes are provided in the Annual Report.

4. Review of Effectiveness

The Partnership has put in place arrangements, detailed in the Local Code, for monitoring each element of the framework and for providing evidence of compliance. A Principal Officer within the Partnership has been nominated to review the effectiveness of the Local Code.

The review of the effectiveness of its governance framework, including the system of internal financial control, is informed by:

- the work of Internal Audit on the adequacy and effectiveness of the Partnership's control environment, governance and risk management frameworks;
- the Partnership Director's Certificate of Assurance on internal control;
- the operation and monitoring of controls by Partnership managers;
- the External Auditors in their Annual Audit Letter and other reports; and
- other inspection agencies comments and reports.

Board Members and Officers have responsibility for the development and maintenance of the governance environment. These review mechanisms include:

- **The Partnership Board**, which provides strategic leadership, determines policy aims and objectives and takes executive decisions not delegated to officers. It provides political accountability for the Partnership's performance;
- **The Performance and Audit Committee**, which demonstrates the Partnership's commitment to the principles of good governance, undertaking the core functions of an audit committee as identified in Audit Committees: Practice Guidance for Local Authorities and Policy (CIPFA);
- **The Internal Audit Service** of the City of Edinburgh Council provides an independent and objective assurance service to the Partnership, by completing one review in each financial year that is focused on the adequacy and effectiveness of controls established to manage a key risk of the Partnership. The Partnership seeks to ensure that Internal Audit arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit.
- **The External Auditor's Annual Audit Report** is considered by the Partnership Board and the Performance and Audit Committee, along with the output from other external audits and inspections;
- **The risk management system** requires that risks are regularly reviewed by the Performance and Audit Committee and Board. This ensures that actions are taken to effectively manage the Partnership's highest risks;
- **The Partnership Secretary** is responsible to the Partnership for ensuring that agreed procedures are followed. The Partnership has a contractual arrangement with an external Legal Services provider to ensure all applicable statutes and regulations are complied with.
- The Partnership operates **Anti-Bribery, Anti-Fraud and Corruption policies** in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

The South East of Scotland Transport Partnership (SESTRAN)

ANNUAL GOVERNANCE STATEMENT 2025/26 (*continued*)

4. Review of Effectiveness (*continued*)

- **The CIPFA Financial Management Code** requires a disclosure in the Annual governance statement to disclose compliance with the CIPFA Financial Management (FM) Code and identify any outstanding areas for improvement or change.

5. SEStran Governance Scheme

The SEStran Governance Scheme forms a collection of the following key documents which enable lawful and transparent decision making:

- Standing Orders;
- Committee / Officer Powers;
- Financial Rules;
- Contract Standing Orders;
- Procurement Strategy; and
- Grant Standing Orders

The Scheme is subject to ongoing review, with any revisions subject to Board approval.

6. Finance

In compliance with accounting practice, the Treasurer has provided the Partnership Director with a statement on the adequacy and effectiveness of the Partnership's internal financial control system for the year ended 31st March 2026. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's internal control system. The Partnership's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The statement also evaluates compliance with the Financial Management Code. The Partnership's financial management arrangements are assessed as being compliant with the FM Code.

7. Internal Audit Opinion

The City of Edinburgh Council Internal Audit Service undertakes one annual review each year to provide assurance over the controls established by the Partnership to mitigate specific key risks. During 2025/26, the Internal Audit Service undertook a review to assess the adequacy of design and operating effectiveness of the key controls established for the monitoring and oversight arrangements to oversee governance and financial management of SEStran projects. The review provided reasonable assurance that SEStran has a generally sound system of governance, risk management and control in place to support the project management within SEStran. Several areas for improvement were identified within the project management processes to further strengthen transparency, financial stewardship, and regulatory compliance.

Due to the 2025/26 review being focussed on the key controls in place in relation to project management, an internal audit annual opinion is not given on the Partnership's overall governance arrangements. As the Partnership uses the financial systems of City of Edinburgh Council, assurance is placed on work undertaken by Internal Audit on the City of Edinburgh Council's financial systems.

8. Governance Improvements 2025/26

During 2025/26, the Partnership continued to strengthen its governance arrangements through the effective implementation of agreed Internal Audit recommendations, with 11 of 12 actions arising from the previous audit review completed during the year.

The Partnership also adopted the City of Edinburgh Council's revised Governance and Assurance Cycle, providing a more structured and integrated approach to governance review, assurance and internal control.

Internal Audit concluded that there was reasonable assurance regarding the adequacy and effectiveness of the project governance arrangements reviewed, supporting the Partnership's commitment to continuous improvement and good Further governance enhancements, including improvements to risk management arrangements and the review of fraud and corruption controls, are being progressed during 2026/27.

9. Where our Governance Needs to Improve

Whilst the Partnership's governance arrangements continue to provide reasonable assurance, opportunities for further improvement have been identified in relation to project and programme management, corporate risk management and fraud prevention arrangements. Recommendations arising from the 2025/26 Internal Audit review will be implemented during 2026/27 and progress monitored through the Partnership's existing governance and assurance arrangements.

The South East of Scotland Transport Partnership (SESTRAN)

ANNUAL GOVERNANCE STATEMENT 2025/26 (continued)

10. Forward Look on Governance

In 2026/27 Regional Transport Partnerships are likely to be impacted by several ongoing conversations about how decisions are made and delivered. These conversations could result in a significant opportunity to rethink how regional transport is planned and delivered. These conversations include

- Transport Scotland’s reviews of transport governance (i.e. the absorption of Transport Scotland back into Scottish Government, and the split of roles and responsibilities between national, regional and local levels)
- Proposals by the Scottish Government to give Regional Economic Partnerships (REP) greater powers and responsibilities to drive growth. Transport isn’t currently a priority theme within the REP proposal, but all partners recognise transport as a key enabler for future economic success.

Additionally, in May 2027, Local Government Elections are due to take place which could change the political make up of the Partnership Board. This could result in changes to the Board’s policy aims and objectives requiring adaptation of the Partnership’s governance arrangements.

11. Certification

From this year’s review, there is reasonable assurance that the Local Code of Corporate Governance is operating adequately, with overall compliance by the Partnership with its corporate governance arrangements.

The Partnership’s governance arrangements and systems are confirmed as being operational and current at the date of signing of this Annual Governance Statement.

Chair of Partnership

Board: SALLY PATTLE _____

Date signed:

Partnership Director:

BRIAN BUTLER _____

Date signed:

The South East of Scotland Transport Partnership (SESTRAN)

REMUNERATION REPORT

1. Audit of Remuneration Report

Sections 5, 6, 7 and 8 on pages 16 and 17 in the Remuneration Report has been audited by the Partnership's external auditor. The other sections in the Remuneration Report has been reviewed by the external auditor to identify any material inconsistencies with the financial statements, or inconsistencies with knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

2. Remuneration Policy for Senior Employees

The Partnership Board determines remuneration for senior employees with reference to the level of responsibility of the post. The Partnership does not operate a Remuneration Committee. Annual inflationary increases are based on those agreed by the Scottish Joint Negotiating Committee (SJNC) for Local Authority services.

3. Remuneration for Senior Councillors

The Partnership does not provide any remuneration to senior councillors.

Expenses paid to Board members are detailed in note 18 to the annual accounts.

4. Management of Remuneration Arrangements

The remuneration of the Partnership's employees is administered by the City of Edinburgh Council, as part of a service level agreement with the Partnership.

5. Officers Remuneration

The numbers of employees whose remuneration during the year exceeded £50,000 were as follows:

Remuneration Bands	2025/26	2024/25
£50,000 - £54,999	0	1
£55,000 - £59,999	3	2
£60,000 - £64,999	1	0
£65,000 - £69,999	0	1
£95,000 - £99,999	0	1
£105,000 - £109,999	1	0

6. Senior Employees Remuneration

The remuneration paid to the Partnership's senior employees is as follows:

Name and Post Title	Salary, Fees and Allowances	Total Remuneration 2025/26	Total Remuneration 2024/25
	£	£	£
Brian Butler - Partnership Director	105,282	105,282	98,712
	105,282	105,282	98,712

The senior employees detailed above have/ had responsibility for management of the Partnership to the extent that they have power to direct or control the major activities of the Partnership (including activities involving the expenditure of money), during the year to which the Remuneration Report relates, whether solely or collectively with other persons.

7. Senior Employees Pension Entitlement

The pension entitlement of the Partnership's senior employee(s) is as follows:

Name and Post Title	In-year pension contributions			Accrued pension benefits	
	2025/26	2024/25		As at 31 March 2026	Difference from 31 March 2025
	£	£		£'000	£'000
Brian Butler - Partnership Director	28,075	25,923	Pension	7	2
			Lump Sum	0	0
	28,075	25,923			

The South East of Scotland Transport Partnership (SESTRAN)

REMUNERATION REPORT (continued)

8. Pension Entitlement

Pension benefits for the Partnership's employees are provided through the Local Government Pension Scheme (LGPS). For the Partnership's employees, the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary. The scheme's normal retirement age for employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members contributions rates for 2025-26 were as follows:

	Contribution rate
Whole Time Pay	
On earnings up to and including £27,500 (2024/2025 £27,000)	5.50%
On earnings above £27,501 and up to £33,600 (2024/2025 £27,000 to £33,000)	7.25%
On earnings above £33,601 and up to £46,100 (2024/2025 £33,000 to £45,300)	8.50%
On earnings above £46,101 and up to £61,400 (2024/2025 £45,300 to £60,400)	9.50%
On earnings above £61,401 (2024/2025 £60,400)	12.00%

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger lump sum up to the limit set by the Finance Act 2004.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

9. Exit Packages

No exit packages were paid in both 2025/26 and 2024/25, including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

Chair of Partnership
Board: SALLY PATTLE _____ Date signed :

Partnership Director:
BRIAN BUTLER _____ Date signed :

The South East of Scotland Transport Partnership (SESTRAN)

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on different reserves held by the Partnership, analysed into "Usable Reserves" (that is, those that can be applied to fund expenditure) and "Unusable Reserves". The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Partnership's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Partnership.

2024/25 - Previous Year Comparative

Opening Balances at 1 April 2024

Movement in reserves during 2024/25

Surplus or (Deficit) on Provision of Services
Other Comprehensive Expenditure and Income

Total Comprehensive Expenditure and Income

Adjustments between accounting basis & funding basis under regulations (Note 7)

Increase/Decrease in 2024/25

Balance at 31 March 2025 carried forward

Usable Reserves		Unusable Reserves	Total Partnership Reserves
General Fund Balance	Total Usable Reserves		
£'000	£'000	£'000	£'000
428	428	175	603
107	107	0	107
0	0	(31)	(31)
107	107	(31)	76
34	34	(34)	0
141	141	(65)	76
569	569	110	679

2025/26 - Current Financial Year

Opening Balances at 1 April 2025

Movement in reserves during 2025/26

Surplus or (Deficit) on Provision of Services
Other Comprehensive Expenditure and Income

Total Comprehensive Expenditure and Income

Adjustments between accounting basis & funding basis under regulations (Note 7)

Increase/Decrease in 2025/26

Balance at 31 March 2026 carried forward

Usable Reserves		Unusable Reserves	Total Partnership Reserves
General Fund Balance	Total Usable Reserves		
£'000	£'000	£'000	£'000
569	569	110	679
(147)	(147)	0	(147)
0	0	(67)	(67)
(147)	(147)	(67)	(214)
(21)	(21)	21	0
(168)	(168)	(46)	(214)
401	401	64	465

The South East of Scotland Transport Partnership (SESTRAN)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2025/26

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by government grant, council requisitions and other income.

2024/25				2025/26		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
858	(5)	853	Core	845	0	845
5,213	(5,197)	16	Projects	6,801	(6,534)	267
6,071	(5,202)	869	Cost Of Services	7,646	(6,534)	1,112
165	(208)	(43)	Financing & Investment Income (Note 9)	206	(238)	(32)
0	(933)	(933)	Taxation and Non-Specific Grant Income (Note 10)	0	(933)	(933)
6,236	(6,343)	(107)	(Surplus) or Deficit on Provision of Services	7,852	(7,705)	147
			Other Comprehensive Income and Expenditure			
0	(4)	(4)	Change in Demographic Assumptions	16	0	16
0	(474)	(474)	Change in Financial Assumptions	0	(111)	(111)
466	0	466	Changes in the effect of the asset ceiling	254	0	254
0	(28)	(28)	Other Experience	25	0	25
71	0	71	Return on Assets excluding amounts included in net interest	0	(117)	(117)
537	(506)	31	Total Other Comprehensive Income and Expenditure	295	(228)	67
6,773	(6,849)	(76)	Total Comprehensive Income and Expenditure	8,147	(7,933)	214

The South East of Scotland Transport Partnership (SESTRAN)

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Partnership. The net assets of the Partnership (assets less liabilities) are matched by the reserves held by the Partnership. Reserves are reported in two categories. The first category of reserves are usable reserves, that is, those reserves that the Partnership may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Partnership is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the Capital Adjustment Account Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2025 £'000		Note	31 March 2026 £'000
152	Property, plant and equipment	11	105
0	Other long-term assets (Pensions)	23	0
152	Long term assets		105
2,212	Short-term debtors	13	3,182
1,327	Cash and cash equivalents	14	766
3,539	Current assets		3,948
(3,001)	Short-term creditors	15	(3,582)
(3,001)	Current liabilities		(3,582)
(11)	Property Lease	22	(6)
(11)	Long-term liabilities		(6)
679	Net assets/ (liabilities)		465
	Financed by:		
569	Usable reserves	16	401
110	Unusable reserves	17	64
679	Total reserves		465

The unaudited Annual Accounts were issued on the 12th June 2026.

The audited Annual Accounts were authorised for issue by Richard Lloyd-Bithell on 18th September 2026

Treasurer: RICHARD LLOYD-BITHELL, CPFA

Date signed: _____

The South East of Scotland Transport Partnership (SESTRAN)

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Partnership during the reporting period. The statement shows how the Partnership generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Partnership are funded by way of government grant income, council requisitions and other receipts and contributions for services provided by the Partnership. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Partnership's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is, borrowing) to the Partnership.

31 March 2025 £'000	31 March 2025 £'000		31 March 2026 £'000	31 March 2026 £'000
		OPERATING ACTIVITIES		
(3,730)		Government Grants	(6,267)	
(176)		Constituent Council Requisitions	(190)	
(5)		Interest paid/ (received)	(44)	
(1,470)		Other receipts from operating activities	(186)	
	(5,381)	Cash inflows generated from operating activities		(6,687)
768		Cash paid to and on behalf of employees	829	
3,513		Cash paid to suppliers of goods and services	6,401	
	4,281	Cash outflows generated from operating activities		7,230
	(1,100)	Net cash flows from operating activities		543
		INVESTING ACTIVITIES		
1		Purchase of property, plant and equipment	18	
0		Proceeds from the sale of property, plant and equipment	0	
	1	Net cash flows from investing activities		18
		FINANCING ACTIVITIES		
0		Other receipts from financing activities	0	
	0	Net cash flows from financing activities		0
	(1,099)	Net (increase)/ decrease in cash and cash equivalents		561
	228	Cash and cash equivalents at the beginning of the reporting period		1,327
	1,327	Cash and cash equivalents at the end of the reporting period (Note 14)		766

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Accounting Policies

The Annual Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice in the United Kingdom (the Code). This is to ensure that the Annual Accounts "present a true and fair view" of the financial position and transactions of the Partnership.

The Annual Accounts have been prepared on an historic cost basis, modified by the valuation of pension assets and liabilities and property, plant and equipment, where appropriate.

1.2 Revenue Expenditure

Revenue expenditure is that which does not yield benefit beyond the year of account. In broad terms the revenue expenditure of the Partnership can be divided into two categories:

- employees;
- day-to-day operating expenses, includes costs incurred in respect of office accommodation transport, ICT, and project expenditure.

1.3 Revenue Income

Revenue income is that which does not yield benefit beyond the year of account. In broad terms the revenue income of the Partnership can be divided into the following categories:

- Council requisitions, which fund day to day expenditure;
- Scottish Government and other grant income awarded to fund specific projects;
- other income recoveries to fund specific projects.

1.4 Accruals of Expenditure and Income

The revenue account has been prepared on an accruals basis in accordance with the Code of Practice. Amounts estimated to be due to or from the Partnership, which are still outstanding at the year end, are included in the accounts. Government Grants have been accounted for on an accruals basis.

1.5 Leases

a) Right of Use Assets

Leased-in assets

Leases for assets are classified as Right of Use where the terms of the lease are consistent with International Financial Reporting Standard 16 (IFRS16). All other leases are classified as leases.

The Partnership has identified one leased-in property asset that falls within the definition of a finance lease.

The lease is recognised as a Right of Use asset on the Balance Sheet. Depreciation and an Interest expense is charged to the Comprehensive Income and Expenditure statement over the life of the lease.

Leased-out assets

The Partnership has not identified any leased-out assets that fall under the definition of a Right of Use Asset.

b) Leases

Leased-in assets

Rental payments are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the life of the lease.

Leased-out assets

The Partnership has not identified any assets that fall under the definition of a lease.

1.6 Overheads

The cost of service in the Comprehensive Income and Expenditure Statement includes overheads.

1.7 Charges to the Comprehensive Income and Expenditure Statement for use of non-current assets

Charges are made to the Comprehensive Income and Expenditure Statement for the use of non-current assets, through depreciation charges. The aggregate charge to individual services is determined on the basis of the assets used in each service.

1.8 Employee Benefits

Pensions

The Partnership is an admitted body to the Local Government Pension Scheme (LGPS) which is administered by Lothian Pension Fund. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES (*continued*)

1.8 Employee Benefits (*continued*)

Pensions (*continued*)

The Annual Accounts have been prepared including pension costs, as determined under International Accounting Standard 19 – Employee Benefits (IAS 19). The cost of service in the Comprehensive Income and Expenditure Statement includes expenditure equivalent to the amount of retirement benefits the Partnership has committed to during the year. Pensions interest cost and the expected return on pension assets have been included in the “Surplus or Deficit on the Provision of Services” within the Comprehensive Income and Expenditure Statement.

The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations are disclosed in the Movement in Reserves Statement for the General Fund.

Pension assets have been valued at bid value (purchase price), as required under IAS19.

Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

Accruals of Holiday Leave

Cost of service includes a charge for annual leave to which employees are entitled, but have not taken as at the Balance Sheet date. The Partnership is not required to raise requisitions on constituent councils to cover the cost of accrued annual leave. These costs are therefore replaced by revenue provision in the Movement in Reserves Statement for the General Fund balance by way of an adjusting transaction with the Accumulated Absence Account.

1.9 Non Current Assets

Property, Plant and Equipment

Property, Plant and Equipment is categorised into the following classes:

- Vehicles, plant and equipment;
- Assets under construction.

Recognition

- Expenditure lower than £10,000 on individual assets is charged to revenue.

Measurement:

- Assets under construction are initially measured at historic cost, comprising their purchase price and any costs attributable to bringing the assets into use for their intended purpose.
- All other classes of property, plant and equipment are measured at fair value.
Vehicles, plant, furniture and equipment - fair value is the amount equivalent to depreciated historical cost for short life and/or low value assets. For assets with longer lives and/or high values, fair value is the amount that would be paid for the asset in its existing use or depreciated replacement cost for specialised /rarely sold assets where insufficient market based evidence exists.
- Surplus assets - fair value is the price that would be paid for an asset in its highest and best use.

Depreciation

- Depreciation is provided on all property, plant and equipment except assets under construction.
- The Partnership depreciates its non-current assets in the year of acquisition. The Partnership operates a five-year rolling revaluation programme for assets and provides for depreciation on a straight-line basis on the opening book value plus the cost of acquisitions and enhancements during the year over the remaining useful life of the asset.
- The charge to the Comprehensive Income and Expenditure Statement for the year is impacted by changes in asset value during the year arising from enhancements but not revaluation.

De-recognition

- An asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES (*continued*)

1.9 Non Current Assets (*continued*)

Intangible Assets

Recognition

- Intangible assets are non-current assets that have no physical substance but are identifiable and controlled by the Partnership and it can be established that there is an economic benefit or service potential associated with the item which will flow to the Partnership. This expenditure is mainly in relation to the purchase of software licenses. Expenditure on the acquisition, creation or enhancement of intangible assets is capitalised on an accruals basis.

Measurement

- Intangible assets are initially measured at cost and included in the Balance Sheet at net historical cost.

Depreciation

- In most cases intangible assets are depreciated over the period of the licence. Where the period of the licence is deemed 'infinite' the software is depreciated based on an assessment of expected useful life.
- Depreciation is calculated using the straight-line basis on the opening book value over the remaining useful life of the asset.

1.10 Government Grants and Other Contributions

Revenue

Revenue grants and other contributions have been included in the financial statements on an accruals basis.

Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, the funds have been accrued.

Capital

Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, except to the extent there are conditions attached to them that have not been met.

Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement by way of an adjusting transaction with the capital adjustment account where expenditure has been incurred and the unapplied capital grants account, where expenditure has not been incurred.

Where there are outstanding conditions attached to capital grants and contributions that have not been met by the Balance Sheet date, the grant or the contribution will be recognised as part of capital grants in advance. Once the condition has been met, the grant or contribution will be transferred from capital grants received in advance and recognised as income in the Comprehensive Income and Expenditure Statement.

1.11 Provisions

Provisions are made for liabilities of uncertain timing or amount that have been incurred.

The value of provisions is based upon the Partnership's obligations arising from past events, the probability that a transfer of economic benefit will take place, and a reasonable estimate of the obligation.

1.12 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable. Unusable reserves cannot be applied to fund expenditure. The Transport Scotland (2019) Act permits the Partnership to operate a usable reserve. In March 2020 a Reserves Policy was approved, permitting the Partnership to hold a general reserve with a minimum value of 5% of annual Core budget. Balances held in excess of 5% require to be reviewed annually in-line with risk/identified commitments. The Partnership also operates a General Fund reserve to manage slippage on approved Project budget delivery.

The Partnership operates the following unusable reserves:

a) Pension Reserve

The Partnership operates a Pensions Reserve Fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations 2003. The Pension Reserve represents the net monies which the Partnership requires to meet its net pension liability, or is the value of the net pension asset, as calculated under IAS 19, Employee Benefits;

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES (*continued*)

1.12 Reserves (*continued*)

b) **Capital Adjustment Account**

The Capital Adjustment Account represents movement in the funding of assets arising either from capital resources such as capital receipts, or capital funded directly from revenue contributions;

c) **Accumulated Absences Account**

This represents the net monies which the Partnership requires to meet its short-term compensated absences for employees under IAS19.

1.13 Financial Instruments

Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Surplus funds held on behalf of the Partnership are managed by the City of Edinburgh Council under a formal management agreement in a pooled investment arrangement.

1.14 Cash and Cash Equivalents

Cash and cash equivalents include:

- Credit and debit funds held in banks

1.15 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Partnership a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Partnership.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.16 Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs.

1.17 Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue.

Two types of events can be identified:

- i) those that provide evidence of conditions that existed at the end of the reporting period - the Annual Accounts are adjusted to reflect such events;
- ii) those that are indicative of conditions that arose after the reporting period - the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

1.18 Short Term Debtors and Short Term Creditors

The revenue transactions of the Partnership are recorded on an accruals basis which means that amounts due to or from the Partnership, but still outstanding at the year end, are included in the accounts. Where there was insufficient information available to provide actual figures, estimates have been included.

1.19 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Partnership's financial position or performance.

Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.20 Going Concern

It is considered appropriate to adopt a going concern basis for the preparation of the Annual Accounts, given ongoing Regional Transport Partnership grant funding provided by Scottish Ministers under Section 70 of the Transport (Scotland) Act 2001 and constituent councils obligation to meet the net expenses of the Partnership under Section 3 of the Transport (Scotland) Act 2005.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced by the 2026/27 Code where disclosures are required in the 2025/26 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets);
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7);
- Annual improvements to IFRS accounting standards – Volume 11;
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

For the standards introduced by the 2026/27 Code, there is currently no information known on the potential impact that application of the new standards will have on the Partnership's financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Partnership has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts are:

- There is high degree of uncertainty about future levels of funding for local government. The Partnership has determined that this uncertainty is not yet sufficient to provide an indication that the Partnership's assets might be impaired as a result of a need to reduce service provision;
- Section 37 confirmations (Virgin Media vs NTL Pension Trustees II Limited ruling) - the actuary to Lothian Pension Fund has made no additional allowance for this June 2023 legal judgement due to:
 - >the ruling only applying to the above-named private sector pension scheme;
 - > the legal judgement was subject to appeal and in August 2024, the Court of Appeal dismissed the appeal, with the original ruling standing;
 - > it is unknown whether there would be any potential remedy required to public service schemes;
 - > it is unknown what the impact of any potential remedy would be;
 - > The Department of Works and Pensions were asked by pension bodies to look at pragmatic solutions where schemes are unable to evidence historic section 37 confirmation;
 - > The government responded on 5 June 2025 that it will introduce legislation to deal with issues arising from the June 2023 legal judgement;
 - > The government notes that the "legislation will give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards" and that "scheme obligations will otherwise be unaffected";
 - > Legislation permitting to this issue was included in the government's Pension Scheme Bill (Amendments) tabled on 1 September 2025.
- Guaranteed Minimum Pension (GMP) equalisation / indexation treatment (Lloyds' ruling). The actuary has allowed for the impact of full GMP indexation in the calculation of the latest funding valuation results. The Employer's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance for full GMP indexation is included in the disclosure;
- GMP equalisation – historical transfers (Further Lloyd's ruling) - the actuary has advised that this further ruling is unlikely to have a significant impact on the pension obligations of a typical employer. The historic individual member data required to assess the impact is not readily available. As a result, no allowance has been made within the actuary's calculations at the Accounting Date;
- Local Government Pension Scheme (LGPS) - McCloud and Sargeant cases. The actuary has allowed for the McCloud judgement in the calculation of the latest funding valuation results. The Employer's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance is included in the accounting disclosure;
- The Goodwin case judgement in respect of deemed discrimination in spousal transfer on death of a member may also result in the potential increasing of the pension liabilities. The actuary has previously carried out some approximate analysis across LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (*continued*)

The remedy is still uncertain. It is estimated the potential impact of this to be very small for a typical Fund (c0.1% of obligations). The actuary does not believe it is necessary or appropriate to make an adjustment to account for this at the moment, given the level of additional work and fees that would be involved for the Employer (and indeed the highly approximate nature of applying an unknown remedy);

- The Walker and O'Brien court cases may impact on future LGPS benefits. The Partnership's actuary understands these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, no allowance has been made for the potential remedies for these judgements.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Annual Accounts contains estimated figures that are based on assumptions made by the Partnership about the future or events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Partnership's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are:

4.1 Pension Asset/Liabilities

Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Partnership with expert advice about the assumptions to be applied.

Effect if Actual Result Differs from Assumptions

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data for cash contribution setting purposes. For LGPS Funds, asset investment returns have been greater than expected compared to last year's accounting date assumption. The net discount rate assumption has increased by more than the increase in the CPI assumption, which has resulted in a gain on the balance sheet position. Using more up-to-date longevity assumption has also led to a small gain on the obligations.

Under accounting guidance, employers are expected to disclose the sensitivity of the valuation to key assumptions. The following table shows the sensitivity of the results to the changes in the assumptions used to measure the scheme liabilities, including approximate percentage changes and monetary values:

	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	47
1 year increase in member life expectancy	4%	102
0.1% increase in the Salary Increase Rate	0%	1
0.1% increase in the Pension Increase Rate (CPI)	2%	46

5. EVENTS AFTER THE BALANCE SHEET DATE

The unaudited Annual Accounts were authorised for issue on 12th June 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31st March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no events which took place after 31st March 2026 which would materially affect the 2025/26 Annual Accounts.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

6. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Partnership in comparison with those resources consumed or earned by the Partnership in accordance with general accounting practice. It also shows how this expenditure is allocated for decision making purposes between service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) (see page 19).

Expenditure and Funding Analysis

	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the CIES
	£'000	£'000	£'000
2025/26			
Core	864	(19)	845
Projects	267	0	267
Net Cost of Services	1,131	(19)	1,112
Other Income and Expenditure			
Government grant	(743)	0	(743)
Constituent council requisitions	(190)	0	(190)
Interest paid/ (received)	(30)	0	(30)
Interest on the effect of the asset ceiling	0	64	64
Net pension interest cost/ (income)	0	(66)	(66)
(Surplus) or deficit on the provision of services	168	(21)	147
	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the CIES
	£'000	£'000	£'000
2024/25			
Core	820	33	853
Projects	16	0	16
Net Cost of Services	836	33	869
Other Income and Expenditure			
Government grant	(743)	0	(743)
Constituent council requisitions	(190)	0	(190)
Interest paid/ (received)	(44)	1	(43)
Interest on the effect of the asset ceiling	0	30	30
Net pension interest cost	0	(30)	(30)
(Surplus) or deficit on the provision of services	(141)	34	(107)

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

6. EXPENDITURE AND FUNDING ANALYSIS (*continued*)

Expenditure and Funding Analysis (*continued*)

6.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

	Adjusts. For Capital Purposes £'000	Net Change for Pensions Adjusts. £'000	Other Differences £'000	Total Statutory Adjusts. £'000
2025/26				
Core	41	(65)	5	(19)
Projects	0	0	0	0
Net Cost of Services	41	(65)	5	(19)
Other Income and Expenditure				
Interest on the effect of the asset ceiling	0	64	0	64
Net pension interest cost/ (received)	0	(66)	0	(66)
(Surplus) or deficit on the provision of services	41	(67)	5	(21)
	Adjusts. For Capital Purposes £'000	Net Change for Pensions Adjusts. £'000	Other Differences £'000	Total Statutory Adjusts. £'000
2024/25				
Core	52	(31)	12	33
Projects	0	0	0	0
Net Cost of Services	52	(31)	12	33
Other Income and Expenditure				
Interest paid/ (received)	1	0	0	1
Interest on the effect of the asset ceiling	0	30	0	30
Net pension interest cost	0	(30)	0	(30)
(Surplus) or deficit on the provision of services	53	(31)	12	34

- Adjustments for capital purposes include the removal of depreciation and impairment costs, and the inclusion of capital funded from current revenue.
- Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.
- Other differences relate to the reversal of the value of entitlement to accrued leave.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

6. EXPENDITURE AND FUNDING ANALYSIS (*continued*)

6.2 Segmental Analysis of Income included in Expenditure and Funding Analysis

	Core	Projects	Total
	£'000	£'000	£'000
2025/26			
Expenditure			
Employee expenses	687	138	825
Other service expenses	177	6,663	6,840
Total Expenditure	864	6,801	7,665
Income			
Government grants and other contributions	0	(6,534)	(6,534)
Total Income	0	(6,534)	(6,534)
Net Cost of Services	864	267	1,131

	Core	Projects	Total
	£'000	£'000	£'000
2024/25			
Expenditure			
Employee expenses	680	0	680
Other service expenses	145	5,213	5,358
Total Expenditure	825	5,213	6,038
Income			
Government grants and other contributions	(5)	(5,197)	(5,202)
Total Income	(5)	(5,197)	(5,202)
Net Cost of Services	820	16	836

6.3 Expenditure and Income Analysed by Nature

The Partnership's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows:

	31st March 2026	31st March 2025
	£'000	£'000
Expenditure		
Employee expenses	763	661
Other service expenses	6,821	5,352
Depreciation, amortisation and impairment	62	58
Interest payments	206	165
Total Expenditure	7,852	6,236
Income		
Interest and investment income	(238)	(208)
Income from constituent councils	(190)	(190)
Government grants and other contributions	(7,277)	(5,945)
Total Income	(7,705)	(6,343)
(Surplus) or Deficit on the Provision of Services	147	(107)

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Partnership in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Partnership to meet future capital and revenue expenditure.

2025/26	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Accumulated Absence Account	Pension Reserve	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	55	(55)			(55)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Contributions credited to the CIES that have been applied to capital financing	(14)	14			14
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	92			(92)	(92)
Employer's pension contributions and direct payments to pensioners payable in the year	(159)			159	159
Adjustments primarily involving the Accumulated Absence Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5		(5)		(5)
Total Adjustments	(21)	(41)	(5)	67	21

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

(continued)

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Partnership in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Partnership to meet future capital and revenue expenditure.

2024/25	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Accumulated Absence Account	Pension Reserve	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	58	(58)			(58)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Contributions credited to the CIES that have been applied to capital financing	(5)	5			5
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	111			(111)	(111)
Employer's pension contributions and direct payments to pensioners payable in the year	(142)			142	142
Adjustments primarily involving the Accumulated Absence Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12		(12)		(12)
Total Adjustments	34	(53)	(12)	31	(34)

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

8. TRANSFERS TO/FROM EARMARKED RESERVES

In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy. An earmarked balance will be established to meet slippage on project delivery from 2025/26 to 2026/27.

9. FINANCING AND INVESTMENT INCOME

	2025/26 £'000	2024/25 £'000
Interest income on pension asset/liability	(208)	(165)
Interest Paid/ (Received)	(30)	(43)
Pensions interest cost	142	135
Interest on the effect of the asset ceiling	64	30
	(32)	(43)

10. TAXATION AND NON SPECIFIC GRANT INCOME

	2025/26 £'000	2024/25 £'000
Government Grant	(743)	(743)
Constituent Council Requisitions	(190)	(190)
	(933)	(933)

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Movements on balances:

Movements in 2025/26

Cost or Valuation	Property Lease (Right of Use Asset)	Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
At 1st April 2025	21	431	11	463
Additions	0	14	0	14
Transfers	0	2	(2)	0
De-Recognised Assets	0	(82)	(4)	(86)
At 31st March 2026	21	365	5	391
Accumulated Depreciation				
At 1st April 2025	(5)	(306)	0	(311)
Depreciation charge	(5)	(50)	0	(55)
De-Recognised Assets	0	80	0	80
At 31st March 2026	(10)	(276)	0	(286)
Net Book Value				
At 31st March 2026	11	89	5	105

Gross Book Value of £0.086m were de-recognised with associated depreciated of £0.080m.
The assets had all reached the end of their useful operating life.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

11.2 Movements on balances:

Comparative Movements in 2024/25	Property Lease (Right of Use Asset)	RESTATED * Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Cost or Valuation				
At 1st April 2024	0	839	11	850
Additions	21	0	0	21
De-Recognised Assets (restated)*	0	(408)	0	(408)
At 31st March 2025 (restated)*	21	431	11	463
Accumulated Depreciation				
At 1st April 2024	0	(661)	0	(661)
Depreciation charge	(5)	(53)	0	(58)
De-Recognised Assets (restated)*	0	408	0	408
At 31st March 2025 (restated)*	(5)	(306)	0	(311)
Net Book Value				
At 31st March 2025	16	125	11	152

* A prior year adjustment has been included in the accounts as a result of ongoing work to review the Sustran asset register and ensure the accounts accurately reflect that asset register. Cost of £68,000 and accumulated depreciation of £68,000 were derecognised for assets already derecognised prior to 24/25.

11.3 Depreciation

The following useful lives have been used in the calculation of depreciation:

- Vehicles, plant and equipment: 4 - 5 years

The Partnership provides depreciation on its Property, Plant and Equipment from the month when it comes into use.

11.4 Capital Commitments

As at 31st March 2026, the Partnership had no capital commitments.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

12. FINANCIAL INSTRUMENTS

12.1 Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Partnership and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Partnership.

The Partnership's financial liabilities held during the year comprised:

- Trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Partnership that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Partnership.

The Partnership's financial assets held during the year comprised:

- Cash in hand;
- Cash and cash equivalents (Loans and receivables). The Partnership maintains its funds as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council, but is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Partnership. Interest is given on month end net indebtedness balances between the Council;
- Trade receivables for goods and services provided.

12.2 Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories

	Current	
	31st March 2026 £'000	31st March 2025 £'000
Trade creditors	1,589	1,253

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Current	
	31st March 2026 £'000	31st March 2025 £'000
Loans and receivables	3,655	3,261
Trade debtors	190	57
	3,845	3,318

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

12. FINANCIAL INSTRUMENTS *(continued)*

12.3 Financial Instruments - Fair Values

The financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Since all of the Partnership's loans and receivables mature within the next 12 months, the carrying amount has been assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2026		31 March 2025	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
Financial Liabilities	£'000	£'000	£'000	£'000
Trade creditors	1,589	1,589	1,253	1,253
	31 March 2026		31 March 2025	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
Financial Assets	£'000	£'000	£'000	£'000
Loans and receivables	3,655	3,655	3,261	3,261
Trade debtors	190	190	57	57
	<u>3,845</u>	<u>3,845</u>	<u>3,318</u>	<u>3,318</u>

12.4 Income, Expenses, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	31st March 2026 £'000	31st March 2025 £'000
Total expense and income in Surplus or Deficit on the Provision of Services:		
Interest Expense/ (Income)	(30)	(43)

13. DEBTORS

	31st March 2026 £'000	31st March 2025 £'000
Debtors:		
Central government bodies	2,889	1,934
Other local authorities	184	109
HM Customs and Excise - VAT	0	30
Other entities and individuals	109	139
	<u>3,182</u>	<u>2,212</u>

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

14. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31st March 2026 £'000	31st March 2025 £'000
Bank account	766	1,327
	766	1,327

15. CREDITORS

	Note	31st March 2026 £'000	31st March 2025 £'000
Central government bodies		0	(92)
Other local authorities		(2,361)	(2,032)
Other entities and individuals		(1,047)	(846)
Employee costs		(31)	(26)
Finance Lease obligations		(5)	(5)
Agency contribution in advance	25	(138)	0
		(3,582)	(3,001)

16. USABLE RESERVES

	31st March 2026 £'000	31st March 2025 £'000
16.1 Unallocated General Fund Reserve	243	221
16.2 Earmarked Balance - Project Budget slippage	158	348
	401	569

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

17. UNUSABLE RESERVES

	31st March 2026 £'000	31st March 2025 £'000
17.1 Capital Adjustment Account	95	136
17.2 Pension Reserve	0	0
17.3 Accumulated Absence Account	(31)	(26)
	<u>64</u>	<u>110</u>

17.1 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Partnership as finance for the costs of acquisition, construction and enhancement.

	2025/26 £'000	2024/25 £'000
Balance at 1st April	136	189
Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	(55)	(58)
Net written out amount of the cost of non-current assets consumed in year	<u>81</u>	<u>131</u>
Capital financing applied in the year:		
• Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14	5
Balance at 31st March	<u>95</u>	<u>136</u>

17.2 Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Partnership accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Partnership makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Partnership has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

17. UNUSABLE RESERVES *(continued)*

17.2 Pension Reserve *(continued)*

	2025/26 £'000	2024/25 £'000
Balance at 1st April	0	0
Remeasurements of the net defined benefit liability	(67)	(31)
Reversals of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(92)	(111)
Employer's pension contributions and direct payments to pensioners payable in the year.	159	142
Balance at 31st March	<u>0</u>	<u>0</u>

17.3 Accumulated Absence Account

The Accumulated Absence Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2025/26 £'000	2024/25 £'000
Balance at 1st April	(26)	(14)
Settlement or cancellation of accrual made at the end of the preceding year	26	14
Amounts accrued at the end of the current year	(31)	(26)
Balance at 31st March	<u>(31)</u>	<u>(26)</u>

18. MEMBERS EXPENSES

The Partnership paid the following amounts to members during the year:

	2025/26 £'000	2024/25 £'000
Expenses	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

19. EXTERNAL AUDIT COSTS

The Partnership has incurred the following costs in relation to the audit of the Annual Accounts by the Partnership's external auditors:

	2025/26	2024/25
	£'000	£'000
Fees payable in respect of:		
• external audit services carried out by the appointed auditor for the year	13	13
	<u>13</u>	<u>13</u>

20. GRANT INCOME

The Partnership credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2025/26	Re-stated 2024/25
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Scottish Government - Revenue Grant	(743)	(743)
Constituent Council Requisitions (Note 21.3)	(190)	(190)
	<u>(933)</u>	<u>(933)</u>
Credited to Services		
Contribution - Fife Council	0	(1)
Contribution - Scotrail	(5)	(5)
Contribution - Scottish Borders Council	0	(1)
Contribution - Paths for All	0	(87)
Contribution - Stirling Communication Centre	(4)	(4)
Contribution - Scottish Government/ Transport Scotland	(6,479)	(5,084)
Contribution - West Lothian Council	0	(1)
Contribution - HITRANS	(14)	0
Contribution - NESTRANS	(1)	(3)
Contribution - SPT	(8)	(5)
Contribution - SWESTRANS	(2)	(2)
Contribution - TACTRAN	(26)	(7)
Contribution - ZETRANS	(1)	(1)
	<u>(6,540)</u>	<u>(5,201)</u>

Agency income has been removed from the Grant Income credited to services note, in accordance with the Code of Practice. For more information on agency transactions see note 25.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

21. RELATED PARTIES

The Partnership is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Partnership or to be controlled or influenced by the Partnership. Disclosure of these transactions allows readers to assess the extent to which the Partnership might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Partnership.

21.1 Scottish Government

The Partnership receives grant-in-aid revenue funding through the Scottish Government. Grants received from the Scottish Government are set out in the subjective analysis in Note 20.

21.2 Members

Members of the Partnership have direct control over the Partnership's financial and operating policies. The total of members' expenses paid by the Partnership in 2025-26 is shown in Note 18.

21.3 Other Parties

During the year, the Partnership entered into the following transactions with related parties:

	2025/26 Expenditure	2025/26 Income	2025/26 Debtor/ (Creditor)	2024/25 Net Expenditure	2024/25 Debtor/ (Creditor)
	£'000	£'000	£'000	£'000	£'000
Revenue Expenditure - Support Services				0	
City of Edinburgh Council - Financial and Clerking Services	42	0	0	42	0
Falkirk Council - HR Services	1	0	(1)	0	0
Revenue Expenditure - Interest on Revenue Balances					
City of Edinburgh Council	0	(30)	0	(44)	0
Revenue Expenditure - Grants/ Other					
City of Edinburgh Council	1,533	2	(1,149)	825	(919)
Clackmannanshire Council	135	0	(101)	212	(181)
East Lothian Council	176	1	(151)	162	(104)
Falkirk Council	121	0	106	84	(19)
Fife Council	569	2	(571)	319	(267)
Midlothian Council	131	0	(93)	105	(89)
Scottish Borders Council	461	1	(183)	458	(198)
Scottish Government/Transport Scotland	20	(6,479)	2,889	(4,979)	1,826
West Lothian Council	90	0	(53)	150	(152)
	3,236	(6,473)	694	(2,664)	(103)

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

21. RELATED PARTIES *(continued)*

21.3 Other Parties *(continued)*

	2025/26 Income £'000	2025/26 Debtor/ (Creditor) £'000	2024/25 Net Expenditure £'000	2024/25 Debtor/ (Creditor) £'000
Revenue Income - Requisitions				
Clackmannanshire Council	(6)	0	(6)	0
East Lothian Council	(13)	0	(13)	0
City of Edinburgh Council	(61)	0	(61)	0
Falkirk Council	(19)	0	(19)	0
Fife Council	(44)	0	(44)	0
Midlothian Council	(11)	0	(11)	0
Scottish Borders Council	(14)	0	(14)	0
West Lothian Council	(22)	0	(22)	0
	(190)	0	(190)	0
Revenue Income - Agency Income				
Clackmannanshire Council	0	0	(2)	0
Fife Council	0	0	(151)	0
Falkirk Council	(59)	0	(52)	0
Midlothian Council	(15)	15	0	0
Scottish Borders Council	0	0	(59)	0
	(74)	15	(264)	0

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

22. LEASES

Right of Use Asset

From 1st April 2024, the Partnership adopted IFRS 16 to recognise right of use assets. As a consequence, the Partnership's lease of office space at Victoria Quay, Edinburgh is included on the Partnership's balance sheet. The Right-of-use asset has been calculated as if IFRS 16 had always applied, but recognised in the year of adoption and not by adjusting prior year figures.

From 8th February 2016 the Partnership took occupancy of office space in Victoria Quay, Edinburgh, under the terms of a Memorandum of Terms of Occupation with the Scottish Government.

The Partnership is permitted to occupy the space until ended by either party giving notice under the terms of the Agreement.

	2025/26 £'000	2024/25 £'000
Office Accommodation - Victoria Quay, Edinburgh		
• Not later than 1 year	5	5
• Over 1 year	6	11
	<u>11</u>	<u>16</u>

Leases

Leases that do not meet the definition of a Right of Use Asset are accounted for as a lease.

At 31st March 2026, the Partnership has a contract with Ricoh UK Ltd to lease an office printer and a contract with O2 to lease ten SIM cards. As the low value lease exemption has been applied, these contracts are not measured as Right of Use Assets under IFRS16.

The Partnership's expenditure on lease payments during 2025/26 was £26,000 (2024/25 £24,000).

The minimum lease payments due under non-cancellable leases in future years are:

	2025/26 £'000	2024/25 £'000
Hire Bicycles, Bicycle Docks, Office Printer, SIM cards.		
• Not later than 1 year	26	24
• Over 1 year	45	62
	<u>71</u>	<u>86</u>

23. DEFINED BENEFIT PENSION SCHEMES

23.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Partnership makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until the employees retire, the Partnership has a commitment to make the payments that require to be disclosed at the time that employees earn their future entitlement. As explained in Accounting Policy 1.8, the Partnership is an admitted body to the Local Government Pension Scheme (LGPS) which is administered by the Lothian Pension Fund. The Partnership participates in:

- A funded defined benefit pension scheme. The Partnership and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.
- An arrangement for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

23. DEFINED BENEFIT PENSION SCHEMES *(continued)*

23.2 Transactions Relating to Post-employment Benefits

The Partnership recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2025/26 £000	2025/26 £000	2024/25 £000	2024/25 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	94	94	111	111
<i>Financing and investment income:</i>				
Net interest expense/ (income)	(66)		(30)	
Interest on the effect of the asset ceiling	64		30	
		(2)		0
Total post employee benefit charged to the surplus on the provision of services		92		111
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Remeasurement of the net defined liability, comprising:				
Return on pension assets, excluding the amount included in the net interest expense above	(117)		71	
Actuarial gains and (losses) arising on changes in financial assumptions	(111)		(474)	
Actuarial gains and (losses) arising on changes in demographic assumptions	16		(4)	
Restriction in Pension Asset	254		466	
Other experience	25		(28)	
		67		31
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		159		142
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		(67)		(31)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		159		142
		159		142

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

23. DEFINED BENEFIT PENSION SCHEMES *(continued)*

23.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plan is as follows:

	2025/26 £'000	2024/25 £'000
Fair value of employer assets	3,973	3,541
* Restriction in Pension Asset	(1,424)	(1,106)
Present value of funded liabilities	(2,549)	(2,435)
Net asset/(liability) arising from defined benefit obligation	0	0

23.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2025/26 £'000	2024/25 £'000
Opening fair value of scheme assets	3,541	3,363
Interest income	208	165
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	117	(71)
Contributions from employer	159	142
Contributions from employees into the scheme	42	36
Benefits paid	(94)	(94)
Closing fair value of scheme assets	3,973	3,541

Reconciliation of Present Value of the Scheme Liabilities

	2025/26 £'000	2024/25 £'000
Present value of funded liabilities	(2,435)	(2,753)
Present value of unfunded liabilities	0	0
Opening balance at 1st April	(2,435)	(2,753)
Current service cost	(94)	(111)
Interest cost	(142)	(135)
Contributions from employees into the scheme	(42)	(36)
Remeasurement gain / (loss):		
Change in demographic assumptions	(16)	4
Change in financial assumptions	111	474
Other experience	(25)	28
Benefits paid	94	94
Closing balance at 31st March	(2,549)	(2,435)

* International Accounting Standard 19 imposes a limit on the maximum amount of surplus which can be recognised on the balance sheet. This adjustment reduced the value of the Pension Asset to the restricted amount for 2024/25 and 2025/26.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

23. DEFINED BENEFIT PENSION SCHEMES *(continued)*

23.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2025/26		2024/25	
	£'000	%	£'000	%
Equity Securities:				
Consumer *	501.0	12.6	448.7	12.7
Manufacturing *	477.9	12.0	426.3	12.0
Energy and Utilities *	203.6	5.1	198.1	5.6
Financial Institutions *	239.5	6.0	197.7	5.6
Health and Care *	268.8	6.8	223.9	6.3
Information technology *	139.4	3.5	109.5	3.1
Information technology	0.1	0.0	0.1	0.0
Other *	254.2	6.4	238.6	6.7
Sub-total Equity Securities	2,084.5		1,842.9	
Debt Securities:				
Corporate Bonds (investment grade) *	65.6	1.7	0.0	0.0
Corporate Bonds (non-investment grade)	54.3	1.4	0.0	0.0
UK Government *	741.9	18.7	617.5	17.4
Other *	0.0	0.0	58.1	1.6
Sub-total Debt Securities	861.8		675.6	
Private Equity:				
All *	4.8	0.1	5.4	0.2
All	3.5	0.1	600.4	17.0
Sub-total Private Equity	8.3		605.8	
Real Estate:				
UK Property *	22.2	0.6	0.0	0.0
UK Property	143.4	3.6	133.2	3.8
Overseas Property *	8.2	0.2	0.0	0.0
Overseas Property	10.7	0.3	0.0	0.0
Sub-total Real Estate	184.5		133.2	
Investment Funds and Unit Trusts:				
Equities *	6.8	0.2	6.2	0.2
Bonds *	7.2	0.2	51.6	1.5
Bonds	0.0	0.0	60.6	1.7
Infrastructure	635.7	16.0	13.7	0.4
Other *	0.0	0.0	29.3	0.8
Sub-total Investment Funds and Unit Trusts	649.7		161.4	
Derivatives:				
Foreign Exchange *	0.0	0.0	0.7	0.0
Sub-total Derivatives	0.0		0.7	
Cash and Cash Equivalents				
All *	184.2	4.6	121.4	3.4
Sub-total Cash and Cash Equivalents	184.2		121.4	
Total Fair Value of Employer Assets	3,973.0		3,541.0	

Scheme assets marked with an asterisk (*) have quoted prices in active markets.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

23. DEFINED BENEFIT PENSION SCHEMES (continued)

23.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2026 were those from the beginning of the year (i.e. 31 March 2025) and have not been changed during the year.

The principal assumptions used by the actuary in the calculations are:

Investment returns

- Total returns for the period from 1 April 2025 to 31 March 2026 9.0%

	2025/26	2024/25
Mortality assumptions - longevity at 65 for current pensioners:		
• Males	22.3 years	21.9 years
• Females	23.0 years	22.8 years
Mortality assumptions - longevity at 65 for future pensioners:		
• Males	22.4 years	22.1 years
• Females	25.7 years	25.6 years
Pension increase rate	3.00%	2.75%
Salary increase rate (see below)	3.70%	3.45%
Discount rate	6.30%	5.80%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2026 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the Fund's Actuary has estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

23. DEFINED BENEFIT PENSION SCHEMES *(continued)*

23.7 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2027

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Projected current service cost	0	(87)	(87)	(14.8%)
Total Service Cost	0	(87)	(87)	
Interest income on plan assets	254	0	254	
Interest cost on defined benefit obligation	0	(162)	(162)	
Interest on the effect of the asset ceiling	0	0	(90)	
Total Net Interest Cost	254	(162)	2	
Total included in Profit or Loss	254	(249)	(85)	

The Partnership's estimated contribution to Lothian Pension Fund for 2026/27 is £158,000.

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Partnership's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Partnership;
- Liquidity risk - the possibility that the Partnership might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Partnership might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Partnership as a result of changes in such measures as interest rate movements;
- Price risk - the possibility that fluctuations in equity prices has a significant impact on the value of financial instruments held by the Partnership;
- Foreign exchange risk - the possibility that fluctuations in exchange rates could result in loss to the Partnership.

Treasury Management is carried out on the Partnership's behalf by the City of Edinburgh Council. The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Partnership's customers.

The Partnership's surplus funds not immediately required to meet expenditure commitments are held with the City of Edinburgh Council, and the Partnership receives interest on revenue balances on these monies. As the Partnership's surplus funds are held with the City of Edinburgh Council, the counterparty default exposure is effectively nil.

All Partnership invoices become due for payment on issue, and all trade debtors are overdue less than a month. Collateral - During the reporting period the Partnership held no collateral as security.

The South East of Scotland Transport Partnership (SESTRAN)

NOTES TO THE ANNUAL ACCOUNTS

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

The Partnership is required by statute to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The arrangement with the City of Edinburgh Council ensures sufficient liquidity is available for the Partnership's day to day cash flow needs.

The Council manages the Partnership's liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Code of Practice.

Refinancing risk

The Partnership has only a small level of surplus funds and no long term debt. The refinancing risk to the Partnership relates to managing the exposure to replacing financial instruments as they mature.

As such, the Partnership has no refinancing risk on its liabilities.

The Partnership has no investments with a maturity greater than one year.

Market risk

Interest rate risk

The Partnership is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on an organisation, depending on how variable and fixed interest rates move across differing financial instrument periods.

For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall;
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates - the fair value of the assets will fall.

The Partnership currently has no borrowings. Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

However, all investments currently have a maturity of less than one year and the fair value has therefore been approximated by the outstanding principal.

The Partnership's surplus funds are held with the City of Edinburgh Council.

The Council's Treasury Management Team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly.

Price risk

The Partnership does not invest in equity shares.

Foreign Exchange risk

As at 31 March 2026, the Partnership had no financial assets subject to foreign exchange risk.

The Partnership has no financial liabilities denominated in foreign currencies.

25. AGENCY ARRANGEMENTS

Through a Partnership procurement framework contract, the Partnership makes payment for the supply of Bus Passenger Transport Information system ICT equipment and recovers cost from other bodies. The Partnership has assessed the nature of these transactions to determine if it is acting as a Principal or Agent. Under the Code an Agent is acting as an intermediary, whereas a Principal is acting on its own behalf. In 2025/26, the Partnership entered into agency arrangements with Falkirk Council and Midlothian Council. The total income received and expenditure incurred of £0.074m is not included in the Comprehensive Income and Expenditure Statement. In addition, the Partnership received a contribution in advance of £0.138m from Falkirk Council on 31st March 2026 which related to 2026/27 agency expenditure, which is not included in the Comprehensive Income and Expenditure Statement.

The South East of Scotland Transport Partnership (SESTRAN)

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of The South East of Scotland Transport Partnership and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of The South East of Scotland Transport Partnership for the year ended 31 March 2026 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the 2025/26 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2026 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 03 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard was not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

The South East of Scotland Transport Partnership (SESTRAN)

INDEPENDENT AUDITOR'S REPORT (Contd.)

Responsibilities of the Treasurer and The South East of Scotland Transport Partnership for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

The South East of Scotland Transport Partnership is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Treasurer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

The South East of Scotland Transport Partnership (SESTRAN)

INDEPENDENT AUDITOR'S REPORT (Contd.)

Other information

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities for the Annual Accounts and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Christopher Gardner FCPFA

Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Date: _____