

2007/2008

STATEMENT OF ACCOUNTS

nestrans

The Transport Partnership for Aberdeen City and Shire

2007/2008
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nestrans

FOR THE PERIOD
1 APRIL 2007 TO 31 MARCH 2008

INTRODUCTION

This is the second financial year of the North East Scotland Transport Partnership (Nestrans), having become a statutory body with effect from 1 April 2006. Nestrans was fortunate in inheriting the structure, staff and work of the former voluntary partnership of the same name that preceded it.

However, this inheritance also brought added challenges. Besides needing to put in place all the organisational arrangements required of a statutory body and preparing a regional transport strategy to the Scottish Executive's exacting timescale, Nestrans was also expected to maintain the momentum on moving key strategic projects through to delivery. The fact that this has been accomplished has been thanks to the commitment and concerted efforts of Board members and the Executive Team, along with the support of officials from both Aberdeen City and Aberdeenshire Councils.

The programme of work for Nestrans first year was set out in our Corporate Plan published in September 2006. Nestrans vision is "a transport system for the North East of Scotland which enables a more economically competitive, sustainable and socially inclusive society." As explained in the Corporate Plan this was to be achieved in 2006/07 through four key strands of work:

- developing a Regional Transport Strategy to 2021;
- taking forward major infrastructure projects within the 2011 strategy;
- promoting travel planning and more sustainable travel; and
- delivering a programme of direct investment in capital projects.

The Nestrans Annual Report published in May 2007 summarised the progress on each of these work strands, with the main tasks being successfully accomplished. The Regional Transport Strategy was duly submitted to the Scottish Executive by their deadline of 31 March. Major progress has continued to have been made on delivering key transport projects, notably:

- rail freight gauge enhancement;
- the reopening of Laurencekirk Station;
- progressing the detailed implementation of the Western Peripheral Route and Balmedie – Tippetty dualling; and
- appraisal studies of Aberdeen Crossrail, Haudagain Roundabout improvements and A90 Access from the South.

Nestrans has also continued to lead the country in terms of travel planning and was the first Regional Transport Partnership to submit its travel planning strategy to the Scottish Executive. The capital programme has successfully focussed on delivering improvements in quality bus corridors, strategic cycle routes, railway station facilities and demand responsive transport.

The foundations are now in place for Nestrans to help turn its Regional Transport Strategy for 2021 into reality. The focus will shift over the next year from strategy development to delivery and the allocation of Nestrans budget will duly reflect this.

Councillor K Stewart
Chair of Nestrans
2 June 2008

STATEMENT OF ACCOUNTS 2007/08

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EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

INTRODUCTION

The purpose of the annual Statement of Accounts is to demonstrate proper stewardship of the Transport Partnership's financial affairs. The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

The SORP constitutes proper accounting practice under section 12 of the Local Government in Scotland Act 2003.

This foreword provides an explanation of the Statement of Accounts and of the most significant matters reported in the Accounts, together with a summary of the financial outturn for the year ended 31 March 2008.

FINANCIAL STATEMENTS

1. Income and Expenditure Account

The Income and Expenditure Account brings together all of the functions of the Partnership and summarises all of the resources that the Partnership has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Partnership.

Both income and expenditure are measured using essentially the same accounting conventions i.e. UK Generally Accepted Accounting Practice (UK GAAP) that a large (but unlisted) company would use in preparing its audited annual financial statements.

2. Statement of Movement in the General Fund Balance

The items of 'income' and 'expenditure' that are required to be credited or charged to the General Fund is determined by statute and non-statutory proper practices rather being in accordance with UK GAAP.

This Statement allows for the identification of non-statutory items that require to be accounted for in order to calculate the Partnership's overall financial outturn for the year.

In 2007/08 there were no adjustments for non-statutory items.

3. Balance Sheet

This Statement brings together all the assets and liabilities of the Partnership, including balances and reserves, long-term indebtedness, and the fixed and current assets employed in its operations.

4. Cash Flow Statement

The Cash Flow Statement provides the details of cash movements arising from both capital and revenue transactions for the financial year.

5. Statement of Assurance

This Statement sets out the Partnership's framework for corporate governance. If appropriate, it also includes significant identified weaknesses and remedial actions taken or planned. Whilst the Statement refers to the reported financial year it also incorporates any significant events that may have occurred between the balance sheet date and the date that the accounts are formally signed off.

FINANCIAL OUTTURN 2007/08

In 2007/08 the Partnership budgeted to spend £4,544,000 on the provision of services and completion of works. Much of the work of Nestrans is delivered by partner organisations and through the work of consultants. The Actual expenditure was lower than this at £4,085,688 even with works being unexpectedly charged to Nestrans by Partners for transport interchange project works.

Nestrans had an agreement to advance funding to Strathclyde Partnership for Transportation in an arrangement which brought funding forward for Nestrans into 2008/09. The late identification of the ITF related works had an impact on the ability of Nestrans to meet this commitment. Adjustments were required which increased the contributions due from Partner Councils. This will be amended in the new year.

Nestrans did not create any specific assets of its own and both the funding and spend have been interpreted as additional revenue activity in these statements.

The Partnership did not have a full complement of staff for the year and this was a significant factor that affected the capability of the organisation to deliver a number of planned works. We expect the Service to be fully staffed shortly and the Partnership fully expects to deliver the planned programme for 2008/09.

PENSION COSTS

Under the Aberdeen City Council Pension Fund the contribution rate required for Nestrans is set on a grouped basis, combining the experience of the employer with other employers also participating in the Fund. Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. The actuary employed by the scheme is not able to identify Nestrans relevant share of the underlying assets and liabilities in the Fund. As a result and despite the fact that the scheme is a defined benefit scheme these accounts have therefore been drawn up on the basis that the pension cost is accounted for as for a defined contribution scheme. This is in accordance with FRS 17.

ACKNOWLEDGEMENTS

The production of the Statement of Accounts is very much a team effort involving many staff from both Councils and Nestrans itself. I would like to take this opportunity to thank all those involved for their help and co-operation.

Charles Armstrong BA, CPFA, FCCA
Treasurer
2 June 2008

STATEMENT OF ACCOUNTING POLICIES

The Accounts are prepared using the Historic Cost convention modified by the revaluation of certain fixed assets if and where appropriate. The general policies adopted in compiling and presenting the Accounts are those recommended by the Code of Practice on Local Authority Accounting in the United Kingdom issued jointly by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). There are no significant departures from those recommendations.

1. Reserves and Provisions

Reserves represent amounts set aside for specific policy purposes, contingencies or earmarked balances.

Provision can also be made for known liabilities that can only be estimated. These liabilities relate to losses on debts and loans due to the Partnership at 31 March 2008.

There are no Reserves or Provisions in these statements.

2. Tangible Fixed Assets

The principles of capital accounting are that capital expenditure is held as a fixed asset, provided that it yields benefits to the Partnership for more than one year. The Income & Expenditure account is charged for the use of the asset based on its value and expected life. Nestrans has no Tangible Fixed Assets at this time.

3. Grants

Grants and subsidies received have been credited to the appropriate accounts and accruals have been made for balances known to be receivable for the period to 31 March 2008.

4. Interest Charges

Interest payable on external borrowings and interest income has been reflected in the Income & Expenditure account on an accruals basis.

5. Debtors and Creditors

The Accounts are prepared on an accruals basis in accordance with the Code of Practice and FRS 18. Accordingly, best estimates of amounts due or payable that relate to activities during the year are included whether or not cash has actually been received or paid in the year.

6. Stock and Work in Progress

Any Stocks will be included in the balance sheet at the total of the lower of average cost or net realisable value.

7. Pension Costs

In 2003/04, the full implementation of Financial Reporting Standard 17 – Retirement Benefits (FRS 17) resulted in a material effect on the accounts of many organisations.

Under the Aberdeen City Council Pension Fund the contribution rate required for Nestrans is set on a grouped basis, combining the experience of the employer with other employers also participating in the Fund. Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result Nestrans is unable to identify its relevant share of the underlying assets and liabilities in the Fund. These accounts have therefore been drawn up in accordance with FRS17 on the basis that the pension cost is accounted for as for a defined contribution scheme.

8. Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

9. Overheads and Support Services

It is not considered appropriate to allocate overheads and support costs to operational activities at this time. These costs are identified within the Core Costs of the Partnership.

10. Financial Instruments

Financial Assets are generally held as two types. Assets held for sale and Loans and Receivables. Nestrans does not have assets for resale.

Loans and receivables and financial liabilities will be measured at fair value and carried at their amortised cost. Interest payable will be charged to the Income & Expenditure Account and will be based on the carrying amount of the liability multiplied at the effective rate of interest for the instrument or agreement. The Partnership has not identified any non trading liabilities this year but has advanced one short term loan in the year. It has no plans to enter into any further similar transactions at this time.

Any gains or losses arising from enhancement or de-recognition of an asset or liability will be credited or debited to the Income & Expenditure Account as appropriate.

Where fair value cannot be measured reliably the instrument will be carried at cost, less any impairment loss identified where appropriate.

INCOME AND EXPENDITURE ACCOUNT

2006/07		2007/08
£		£
	Expenditure	
417,181	Core Costs (note 1)	483,429
211,893	Regional Transport Strategy (note 2)	135,949
443,331	Modern Transport Projects (note 3)	325,943
2,301,428	General Projects (note 4)	3,140,367
3,373,833	Net Cost of Services	4,085,688
(39,142)	Interest	(111,238)
3,334,691	Net Operating Expenditure	3,974,450
(345,384)	Partner Contributions (note 5)	(936,880)
(489,307)	Scottish Government (note 6)	(719,900)
(2,500,000)	Scottish Government – General Projects (note 6)	(2,304,970)
	Other	(12,700)
(3,334,691)		(3,974,450)
0	Surplus for the Year	0

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07	2007/08 £
0 (Surplus)/Deficit for the year on the Income & Expenditure Account	0
0 Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	0
<hr/>	<hr/>
0 Increase in General Fund Balance for the year	0
0 General Fund Balance brought forward	0
<hr/>	<hr/>
0 General Fund Balance carried forward	0

BALANCE SHEET

As at 31 March 2007 £		As at 31 March 2008 £
	Current Assets	
3,266,128	Bank	2,132,935
50	Cash	50
0	Investments	1,600,000
512,397	Debtors (Note 11)	1,196,069
<u>3,778,575</u>		<u>4,929,054</u>
	Current Liabilities	
(3,778,575)	Creditors (Note 11)	(4,929,054)
<u>0</u>	Net Current Assets	<u>0</u>
<u>0</u>	Represented by General Fund	<u>0</u>



Charles Armstrong, BA, CPFA, FCCA
Treasurer
2 June 2008

The unaudited accounts were issued on 2 June 2008 and the audited accounts were authorised on 26 September 2008.

CASH FLOW STATEMENT

2006/2007	REVENUE ACTIVITIES	2007/2008	2007/2008
£		£	£
	Cash Outflows (Note 13)		
6,197	Core Costs including staff costs	753,061	
0	RTS Costs	313,275	
0	Project related Costs	427,774	
0	Major Projects from specific Grants	3,359,967	
<u>6,197</u>		<u>3,359,967</u>	4,854,077
	Cash Inflows		
(2,500,000)	“Capital” Projects Grant	(3,311,377)	
(50)	Operating Costs Revenue Grant - Aberdeenshire	(350,000)	
(131,500)	Operating Costs Revenue Grant – Aberdeen City	(218,500)	
(300,000)	Operating Costs Revenue Grant –Scottish Government	(350,000)	
(22,500)	Travel Plan Staff Grant	(49,900)	
(95,000)	Feasibility Study Grant	(320,000)	
(200,000)	Other Grants	0	
(23,325)	Cash Received for Goods & Services	(570,726)	
<u>(3,272,375)</u>		<u>(5,170,503)</u>	<u>(5,170,503)</u>
(3,266,178)	Revenue Activities Net Cash Flow (Note 12.3)		(316,426)
	Servicing of Finance		
	Cash Inflows		
0	Interest Received		(150,380)
<u>0</u>			<u>(150,380)</u>
(3,266,178)	Net Cash Inflow/Outflow before Financing		(466,806)
	Management of Liquid Resources		
0	Increase in Short Term Deposits		1,600,000
<u>(3,266,178)</u>	(Increase)/Decrease in Cash (Note 12.1)		<u>1,133,194</u>

NOTES TO THE ACCOUNTS

The Financial Statements have been prepared using guidance contained within the Accounting Code of Practice (ACOP) and the Best Value Accounting Code of Practice (BVACOP). The presentation of the Income & Expenditure Account has not followed the generally accepted format as this has not lent itself to the structure of the activities of the organisation. Notes 1 to 6 provide additional information in support of the figures detailed in the Income & Expenditure Account and the remainder of the Notes are those which are required by the Codes of Practice.

Note 1 Core Cost

Costs incurred in respect of supporting the organisation are as follows:

Actual (£)		Budget (£)	Actual (£)
2006/07		2007/08	2007/08
251,557	Partnership Office	344,000	296,677
74,174	Partner Support costs	93,000	101,395
0	Board Members Expenses	2,000	0
91,450	Other Associated Costs	95,000	85,357
417,181	Total	534,000	483,429

Note 2 Regional Transport Strategy

Actual (£)		Budget (£)	Actual (£)
2006/07		2007/08	2007/08
183,750	Retained Consultancy Support	201,432	132,957
28,143	Other Costs	7,314	2,992
211,893	Total	208,746	135,949

Note 3 Modern Transport Systems

Actual (£)		Budget (£)	Actual (£)
2006/07		2007/08	2007/08
21,274	Trunk Roads	150,000	199,877
181,898	Aberdeen Crossrail	58,512	69,209
48,328	Travel Plans/Awareness	120,000	48,652
187,775	Feasibility and other projects	0	0
4,056	Contingency	3,742	8,205
443,331	Total	332,254	325,943

Note 4 **General Projects**

The table below details the budget and expenditure of the grant for general projects advanced by the Scottish Government. The partner authorities, on behalf of the Partnership, managed projects and these have been split by theme. The expenditure for these themes was to be met from a specific grant that was budgeted at £3.012m plus £457,000 of unspent balance brought forward from 2006/07. The Towns Interchange costs had not been budgeted for. Delays affected a number of projects and payments were limited to £3.14m.

Actual (£) 2006/07	General Projects	Budget (£) 2007/08	Actual (£) 2007/08
0	Local Projects	550,000	237,224
0	Strategic Roads	700,000	620,106
1,529,854	Quality Bus Corridors	958,000	1,005,289
506,965	Strategic Cycle Routes	533,000	492,161
92,147	Railway facilities	668,000	29,265
172,462	Demand Responsive Transport	60,000	50,916
0	Towns Interchange	0	705,406
<u>2,301,428</u>		<u>3,469,000</u>	<u>3,140,367</u>

Note 5 **Related Partner Transactions**

Each of the constituent partners of Nestrans, Aberdeenshire Council, Aberdeen City Council and the Scottish Government agreed to contribute towards the core costs of the organisations. The current legislative position of Nestrans prevents it from retaining a surplus and the "Actual" position detailed below identifies the cost after the surplus on the Income & Expenditure Account is returned to the Council partners.

Actual (£) 2006/07	Core Funding	Budget (£) 2007/08	Actual (£) 2007/08
22,692	Aberdeenshire Council	175,000	468,440
22,692	Aberdeen City Council	175,000	468,440
300,000	Scottish Government	350,000	350,000
<u>345,384</u>		<u>700,000</u>	<u>1,286,880</u>

Note 6 **Other Funds Received**

The other funds received are in respect of specific grants from the Scottish Government or Transport Scotland.

Note 7 **Payments to Board Members and Officers**

No payments to Board members took place in 2007/08.

The table below details the numbers of officers whose emoluments fell within each bracket in multiples of £10,000 and starting with £50,000.

2006/2007	Salary Band	2007/2008
0	£50,000 - £59,999	1
0	£60,000 - £69,999	0
<u>0</u>		<u>1</u>

Note 8 **Section 5 of the Local Government act 1986**

Under the terms of section (5) 1 of the Local Government Act 1986 (Part 11), Local Authorities are required to keep a separate account of expenditure on publicity. In 2007/2008 Nestrans spent £61,930 on expenditure of a publicity nature.

Note 9 **External Audit Fees**

Nestrans incurred fees of £9,700 (£11,200 in 2006/07) relating to external audit and inspection.

Note 10 **Movements in Reserves**

General Fund	£
Balance at 1 April 2007	0
Movement for Year	0
Balance at 31 March 2008	<u>0</u>

Note 11 **Analysis of Year End Debtors and Creditors**

		Debtors		
2006/07			2007/08	
£			£	
171,807	Outstanding Grant Claims		65,400	
82,998	VAT Recoverable		212,649	
39,142	Bank Interest Accrued		12,700	
0	Pre-Payments		20,320	
218,450	Additional Partner Contributions		885,000	
<u>512,397</u>			<u>1,196,069</u>	
Creditors				
417,181	Professional Support Costs		78,049	
211,893	Regional Transport Strategy		57,205	
443,330	MTS Consultancy/Feasibility Costs		218,225	
1,449,711	Aberdeenshire Council		2,111,684	
1,256,460	Aberdeen City Council		1,388,115	
0	Others		1,075,776	
<u>3,778,575</u>			<u>4,929,054</u>	

Note 12 **Cash Flow Statements**

Note 12.1 **Increase/(Decrease) in Cash and Cash Equivalents**

2006/07		2007/2008
£		£
3,266,128	Bank	(1,133,194)
50	Cash	0
<u>3,266,178</u>	Total	<u>(1,133,194)</u>

Note 12.2 **Management of Liquid Resources**

	31 March 2008 £	01 April 2007 £
Net movement of short-term investments and short-term deposits under 3 months not repayable on demand	(1,600,000)	0
	<u>(1,600,000)</u>	<u>0</u>

Note 12.3 **Reconciliation of Surplus to Net Cash Flow**

Reconciliation of Income and Expenditure Account to Revenue Activities Net Cash Flow

2006/07		2007/2008	2007/2008
£		£	£
0	(Surplus)/Deficit for Year		0
	Items on an Accruals Basis		
512,397	Increase/(Decrease) in Debtors	683,672	
(3,778,575)	(Increase)/Decrease in Creditors	<u>(1,150,479)</u>	(466,807)
0	Adjust for Interest Received included in Revenue		150,381
<u>(3,266,178)</u>	Net Cash Flow from Revenue Activities		<u>(316,426)</u>

Note 12.4 **Reconciliation of Movement in Cash to Movement in Net Debt**

2006/07		2007/08
£		£
3,266,178	Increase/(Decrease) in Cash & Bank	(1,133,194)
<u>0</u>	Increase/(Decrease) in Debt	<u>1,600,000</u>
3,266,178	Movement in Net Debt	466,806
0	Net Debt c/f	3,266,178
<u><u>3,266,178</u></u>		<u><u>3,732,984</u></u>

Analysis of Movement in Net Debt

	As at 1 April 2007	Cash Flows	As at 31 March 2008
	£	£	£
Bank Balance and Cash	3,266,178	(1,133,194)	2,132,984
Borrowing	0	0	0
Short Term Investments	0	1,600,000	1,600,000
Total	<u><u>3,266,178</u></u>	<u><u>466,806</u></u>	<u><u>3,732,984</u></u>

Note 13 **Cash Flow**

Aberdeenshire Council acted as paymaster for the Partnership during 2007/08 and with the exception of credit card transactions all expenditure was paid by the Council and reimbursed by Nestrans. The sum that remained outstanding by Nestrans is included in the Creditors figure included in the balance sheet and identified in Note 11.

Note 14 **Financial Instruments**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. All balances are current, in that they are expected to mature or be paid within twelve months.

Financial liabilities at amortised cost	<u>£</u> <u>(4,929,054)</u>
Loans and receivables	<u>4,929,054</u>

Financial Instruments Balances

There are no non trade borrowings to disclose in the Balance Sheet but Nestrans did lend £1,600,000 to the Strathclyde Partnership for Transport at March 2008 to be repaid by August 2008.

	Long-Term		Current	
	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000
Financial liabilities at amortised cost	-	-	-	4,929
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,929</u>
Loans and receivables	-	-	-	4,929
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,929</u>

(i) Financial Instruments Gains/Losses

There are no gains or losses expected to arise as a result of these transactions and none are recognised in the Income & Expenditure Account

(ii) Fair value of Assets

Financial assets represented by loans and receivables are carried in the Balance Sheet at fair value/cost.

Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value. The funds transferred to SPT and other sums receivable are carried at fair value.

Loans and Receivables	Carrying amount 2007/08 £'000	Fair value 2007/08 £'000
Financial Assets		
Other Amounts Receivable	3,329	3,329
Fixed Term Deposits	1,600	1,600
	4,929	4,929

Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due
- liquidity risk – the possibility that the Partnership might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Partnership as a result of changes in such measures as interest rates and stock market movements.

The Partnership is not generally expected to enter into non trading financial instruments. If it were to do so the overall risk management programme would focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund activities. Risk management would be carried out by Aberdeenshire Council's central Treasury team, under policies approved by the Council in the annual Treasury Management Strategy statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

There is expected to be no risk attached to the transfer of funds to Strathclyde Partnership for Transportation.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. As all instruments will mature in the next twelve months the carrying amount is assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Partnership has reviewed all financial risks and does not believe that it requires to make any provision within the financial statements for any financial risk exposure.

There are no gains or losses arising in relation to financial instruments.

Note 15 FRS 17 - Pension Costs

Aberdeen City Council Pension Fund

Staff employed by the Partnership are entitled to be members of the Superannuation Scheme which is administered by the Aberdeen City Council. This provides staff with defined benefits upon their retirement, and the Partnership contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2007/08, the Partnership paid £27,360 to the Fund in respect of retirement benefits representing 19% of pensionable pay. The figures for 2006/07 were £9,711 and 16%. In addition, the Partnership is responsible for all pension payments related to "added years" it has awarded, together with related increases. There are no awards in respect of Nestrans. There were no contributions remaining payable at the year end.

It is not possible for the Partnership to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the basis of a defined contribution scheme.

The Partnership is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the scheme. There have been no such benefits awarded in 2007/08.

Note 16 Post Balance Sheet Events

No events have occurred after the balance sheet date that could be classified as adjusting or non-adjusting events.

GLOSSARY

- 1. Accruals:**
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
- 2. Administration Costs:**
Includes telephone, printing, stationery, advertising and postage.
- 3. Capital Expenditure:**
This is expenditure incurred in creating or acquiring an intangible fixed asset, or expenditure that adds to, and not merely maintains, the value of an existing fixed asset. Capital expenditure is normally financed by borrowing over a period of years or by utilising the income from the sale of existing assets.
- 4. Capital Financed from Current Revenue (CFCR):**
The cost of capital expenditure financed at the Partnership's discretion from within the Partnership's Revenue Budget.
- 5. Consistency:**
The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
- 6. Depreciation:**
The measure of wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.
- 7. Exceptional Items:**
This relates to material items that are not expected to recur, and which require to be disclosed separately.
- 8. Fees and charges:**
Income received for services provided.
- 9. Government Grants:**
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.
- 10. Infrastructure Assets:**
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
- 11. Intangible Assets:**
Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Partnership through custody or legal rights e.g. software licences.

- 12. Payments to Agencies and Others:**
Includes grants to individuals and various organisations as well as payments to other organisations in return for providing a service on behalf of the Partnership.
- 13. Premises Costs:**
Includes rent, rates, repairs and maintenance, heating and lighting costs as well as fuel duties, metered water charges, etc.
- 14. Revenue Expenditure:**
This is expenditure incurred in providing services in the current year and which benefits that year only.
- 15. Staff Costs:**
Includes wages, salaries, bonuses, overtime, employer's National Insurance and Superannuation contributions as well as staff training, travelling and subsistence expenses.
- 16. Supplies and Services:**
Includes the cost of purchasing materials, spare parts, food and protective clothing as well as payments to contractors and others for the provision of services.

STATEMENT OF ASSURANCE

Nestrans is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, the Board and senior officers are responsible for putting in place proper arrangements for the governance of Nestrans affairs and the stewardship of the resources at its disposal.

Reliance has been placed on the standards and proper practices in place within both Aberdeen City and Aberdeenshire Councils. Officers appointed as advisers to the Board were required to ensure that such arrangements were in place.

Aberdeenshire Council provided financial support and entered all financial transactions through its own ledger. Reliance was therefore placed on the internal controls and audit checks within the Council to ensure that all monies attributable to Nestrans were properly accounted for.

Nestrans does however need to develop its own policies in respect of corporate governance. In particular this will cover four key areas of risk management, community focus, service delivery, and structures and processes.

Nestrans has undertaken a full risk analysis, and developed an action plan to address weaknesses. This will be reported to the Board in August 2008. Nestrans has also been audited by Aberdeenshire Council's Internal Audit team. This Audit will be reported to the Board in June 2008. The Audit concluded that in general adequate arrangements are in place in relation to governance and financial matters to enable Nestrans to effectively discharge its statutory obligations.

The report found a number of areas of practice where enhancements to the existing arrangements or the implementation of additional procedures and controls were considered to be warranted including project progression, the formalisation of key documents such as service agreements, enhancements to the existing budget monitoring and treasury management arrangements and the development and testing of risk registers and contingency plans.

All the recommendations have been discussed with colleagues in the Finance Service at Aberdeenshire Council and the Legal Services at Aberdeen City Council. All recommendations have either been accepted by the Nestrans management team or satisfactory responses have been made to the Chief Internal Auditor of Aberdeenshire Council.

The Board is not aware of any material risks at present, but does recognise that financial support from the Scottish Government and Aberdeen City and Shire Councils is dependent on the delivery of key performance objectives. Any failure to deliver a range of approved projects could affect the level of financial resources available to the Partnership.

In 2007/08 Nestrans received the remaining allocation of Integrated Transport Fund monies for Aberdeenshire Council.

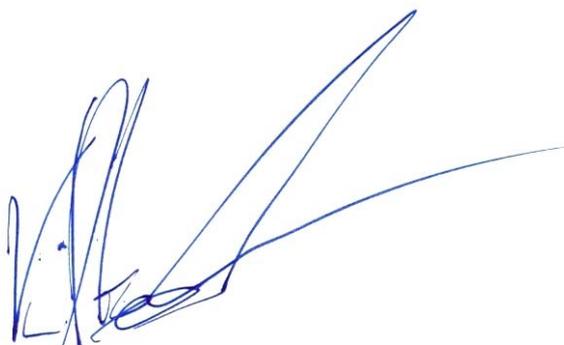
During 2007/08 there were delays in delivering two projects and as a result Nestrans failed to fully spend its grant allocation by 31 March 2008.

The reason for this was a delay in partners progressing Laurencekirk Station and in Aberdeenshire Council being unable to progress Inverurie interchange due to land access problems. Improvements in project management have occurred and further work is underway to ensure that appropriate project management and communication arrangements are in place between Nestrans and the two supporting councils to enable the full programme of planned expenditure to be delivered within timescale.

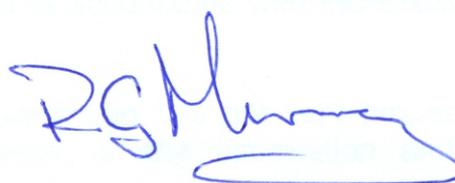
As in its first year, the main focus of work has been the development and publication of a Regional Transportation Strategy. Following the elections in 2007 the role and remit of Regional Transport Partnerships was reviewed by Scottish Government. They also reviewed guidance on the Regional Transport Strategies and this has been revised and re-submitted for approval. The Strategy sets out the key transport challenges facing Aberdeen City and Shire over the next fifteen years and how Nestrans will address them. It includes a comprehensive appraisal of the problems and issues affecting transport in the north-east and sets out Nestrans aims and objectives. Work is now underway on a series of Action Plans to turn the Strategy into a set of projects and actions to achieve the strategy aims. These Action Plans will then be prioritised into a Delivery Plan to be agreed by the Board and Aberdeen City and Shire Councils.

A new Director has been appointed taking up post in June 2007. Structures were reviewed and a new Structure agreed by the Board. Due to staff leaving and difficulties in recruiting staff these structures are again under review.

Based on the above, reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's control system in the year to 31 March 2008, and the actions detailed above will address the need for improvements.



Kevin Stewart
Chair of the Nestrans Board



Derick Murray
Director

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Partnership is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Director of Finance of Aberdeenshire Council.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's responsibilities:

The Treasurer is responsible for the preparation of the Partnership's Statement of Accounts. In terms of the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom ("the Code"), the Treasurer is required to present fairly the financial position of the Partnership at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing the Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with "the Code";
- kept proper accounting records; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The balance sheet has been signed by the Treasurer as a representation that the financial statements present fairly the financial position of the Partnership at the accounting date, and its income and expenditure for year ended 31 March 2008.



Charles Armstrong, BA, CPFA, FCCA
Treasurer
2 June 2008

Independent Auditor's Report

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

I certify that I have audited the financial statements of North East Scotland Transport Partnership for the year ended 31 March 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet and Cash Flow Statement, and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the Partnership and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the Partnership has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement of Assurance reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the Partnership's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Introduction, Explanatory Foreword by the Director of Finance and Glossary of Terms. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Partnership's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of North East Scotland Transport Partnership as at 31 March 2008 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.



Robert W Clark FCCA
Senior Audit Manager
Audit Scotland – Audit Services
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26 September 2008



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