Appendix 1

nestrans

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

ANNUAL ACCOUNTS 2015/16

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MANAGEMENT COMMENTARY

Introduction

Nestrans is one of seven statutory Regional Transport Partnerships in Scotland and covers the City of Aberdeen and Aberdeenshire.

Nestrans started life as a voluntary partnership in 2002 which was replace by the statutory partnership as established by the Transport (Scotland) Act 2005 and the Regional Transport Partnership (Establishment, Constitution and Membership) (Scotland) Order 2005. Nestrans began work as a Statutory Partnership on 1 April 2006.

The Nestrans Board is its main decision-making body and consists of four Councillors from Aberdeen City Council and four from Aberdeenshire Council. In addition, Nestrans is entitled to have up to four non-councillor members.

The Board is responsible for providing leadership, setting the strategic direction, priorities and policies of the Partnership, scrutinising performance and promoting effective partnerships with those interested in transportation matters generally. These responsibilities are fulfilled through the decision-making processes of the Board which provides opportunity for the consideration of proposals, debate and decision making.

Each year, the Director prepares a plan that supports the delivery of the strategic priorities of the Partnership and which identifies key projects and actions. Progress against these measures is discussed in the next section of this report.

The Nestrans Regional Transport Strategy (RTS) sets out the challenges facing Aberdeen City and Shire over the next 20 years and how we will address them. It includes a comprehensive appraisal of the problems and issues affecting transport in the North East and sets clear objectives for improving transport in the region to 2035.

In 2012, the Nestrans Board agreed to carry out a review of the RTS to take account of a number of changes in policy and to better align it to the Structure Plan and emerging Strategic Development Plan (SDP) for the North East.

A Main Issues Report was produced for consultation in 2012 to identify the key issues for the re-fresh and the final strategy was approved by the Board and submitted to the Scottish Government for approval in September 2013 and subsequently approved by the Minister for Transport and Veterans in January 2014.

Progress against Key Performance Indicators

A monitoring report is produced each year which considers progress towards achievement of the measures agreed by the Board and Scottish Government as providing a baseline. Full details of these indicators and progress towards them are available on the Nestrans website www.nestrans.org.uk. It is noted that it may take many years for the strategy to decisively influence most indicators, but it is Nestrans' intention to maintain regular monitoring of its targets and indicators.

The key indicators contains SMART (Specific, Measurable, Achievable, Realistic and Time-Bound) targets to be refined as part of the Delivery Plan. Targets, where possible, relate back to the strategy's identified objectives and the indicators relate to objectives and the strategy's 21 strands.

Progress against Key Performance Indicators (continued)

In the most recent monitoring report dated December 2015, of 40 indicators for which indicative targets have been identified and using the most up-to-date data available, the following results could be summarised:

	2010	2011	2012	2013	2014	2015
Indicators **on target**	18	18	20	19	23	20
Indicators with *some success*	14	12	16	14	14	12
Indicators moving in the **wrong direction**	9	7	5	1	3	1
Indicators with no data available	4	8	4	6	3	7

It should be noted that although this report is published on an annual basis, it uses the most recent data available from a variety of different sources used to compile this report, of which the two key publications are the 'Scottish Transport Statistics' (published annually) and the 'Scottish Household Survey' (published bi-annually). As these publications are produced at different times, the most recent annual results for all indicators do not always show the same year. Caution should therefore be taken when comparing different indicators with each other as sources and years may vary.

This report provides data regarding measurable indicators under each of the strategy's four strategic objectives which are: to exploit the local competitive wider economic advantages; enhance transport accessibility, safety and social inclusion; conserve the environment; support transport integration, and twelve operational objectives. The objectives have been developed from the National Transport Strategy's five high level objectives of Economic growth, Accessibility, Safety, Environmental Sustainability and Integration and relate to its strategic outcomes. It also reflects the Government's purpose and outcomes and correlates to the local authority and Community Planning Partnerships' Single Outcome Agreements. The report also identifies where there are gaps in the information available and considers where there may be a need to ensure that measurements are undertaken to inform transport operators and authorities of the success of interventions in the system.

There are a number of indicators for which it is not appropriate to establish targets, but the indicators will be monitored to provide an understanding of the changing nature of transport in the area.

Nestrans will work closely with local authorities in seeking to ensure that the indicators, targets and monitoring regimes to support Local Transport Strategies are consistent with the RTS and that there is no duplication of effort in producing data.

No performance indicators have been specifically identified to measure financial performance. However, the Board agrees a budget in advance of each year and considers a detailed budget monitoring report with a forecast for the year of income and expenditure at each meeting. This allows regular and close scrutiny of activities against specific financial targets to take place and is considered adequate for this organisation.

Financial Performance Review

The Partnership core funding and the support for its strategic programmes from partner Councils and the Scottish Government reflects their continued support. The budget provision for Coordination and Project Development was £954,350 (£1,130,350 2014/15) and the budget for Strategic Investment Programme was £2,277,157 (£2,189,498 2014/15).

MANAGEMENT COMMENTARY (continued)

Review of Out-turn against Budget for 2015/16

In terms of the Coordination and Project Development budget, the Partnership had forecast throughout the year that this funding would be spent reasonably close to budget and, with the exception of Rail Action Plan and Bus Action Plan, the expenditure occurred very much in line with forecast. The Rail Action Plan was underspent by £16,129 due to delays with an external contractor but this underspend was used to overset an overspend of £9,068 on Bus Action Plan.

On the Strategic Investment Programme the Partnership relies heavily on partner Councils to manage and deliver projects. Work programmes were delayed in a number of areas with the councils requesting £764,380 to be carried forward to 2016/17. Projects benefitted from additional grant funding from Sustrans and Transport Scotland, but quite a number of projects encountered delays due to changing priorities as a result of resource planning issues.

This has resulted in an underspend of £125,791 (6%) when compared to budget. This was anticipated and arrangements have been put in place to profile future drawdown of funds in line with expenditure, with agreement from the Partner Councils that they will carry forward any unspent funds to the subsequent year in order to facilitate a more strategic approach to project planning across more than one financial year.

	2014/15 Actual £000	2015/16 Budget £000	2015/16 Actual £000	% Actual v Budget
Grants & Requisitions	2,842	3,231	3,079	95%
Other Income	128	0	11	-
Interest	13	0	10	-
Total Income	**2,983**	**3,231**	**3,100**	**96%**
Coordination & Project Development				
- Core Costs	500	469	449	96%
- Regional Transport Strategy	536	485	498	103%
Strategic Investment Programme	1,949	2,277	2,151	94%
Total Operating Expenses	**2,985**	**3,231**	**3,098**	**96%**
Net Surplus/(Deficit)	**(2)**	**0**	**2**	

The net surplus identified above is as a result of adjustments to the accounts from movements within the short term accumulating absences account which is reflected in the Balance Sheet. The surplus will be returned to the partners in 2016/17.

Principal Risks and Uncertainties

The principal risks facing the Partnership, as with many such bodies, is the reliance on third party funding to support its annual programme, the reliance on third parties to deliver its programme and the inability to retain or maintain any reserves. Without these certainties the opportunity to consider the development of any truly strategic concept is more limited.

The relationships with partners is very close and each local authority partner has both identified indicative budgets for the Nestrans contributions for the next 5 years and appointed senior members of their staff to act as professional advisors to the Board to ensure the engagement is maintained between parties at a corporate level.

Principal Risks and Uncertainties (continued)

We are confident that all material risks facing the Partnership are known and that appropriate measures are in place to overcome or at least mitigate the impact that these may have on the continued operation of the Partnership.

Main Trends and Factors Likely to Affect the Future Development, Performance and Position of the Partnership's Business

The Regional Transport Strategy which has been approved by Scottish Government Ministers outlines the key issues that the Partnership will contribute towards and this will influence the relationships and direction of travel that the Partnership may follow. This is a developing area and the Partnership has created a structure that allows an agile approach towards positioning itself to accommodate any significant changes affecting this sector, in particular those that have been identified in the wider development plans for the region.

Annual Accounts

The Partnership is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

Going Concern

The accrual of short term accumulating absences has resulted in an excess of liabilities over assets of £6,000 reflected in the Balance Sheet at March 2016 (£8,000 2014/15). This liability will be funded by the 2016/17 requisitions from constituent authorities. The budget for 2016/17 with funding levels in line with 2015/16 and indicative budgets for 2017/18 confirm that sufficient funding is available beyond September 2017 and so the Board has a reasonable expectation that the Partnership will continue in operational existence for the foreseeable future. It is therefore considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Audit Information

The Board and Director at the date of this report confirms that:

- So far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a Board member or officer in order order to make themselves aware of any relevant audit information and to ensure that the Partnership's auditor is aware of that.

Remuneration Paid to the Auditor for Non-Audit Work

No remuneration was paid to the Partnership's external auditor for non-audit work during 2015/16.

Pension Liabilities

Staff employed by the Partnership are entitled to be members of the Superannuation Scheme which is administered by 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.

It is not possible for the Partnership to identify a share of the underlying assets/liabilities of the scheme attributable to its own employees. For the purposes of these accounts it is therefore accounted for on the basis of a defined contribution scheme. For 2015/16, the Partnership paid £48,922 to the Fund in respect of retirement benefits representing 19.3% of pensionable pay. The figures for 2014/15 were £48,157 and 19.3%.

Events since the End of the Financial Year

We are not aware of any adjusting event that would have impacted on the reliability of the information presented in this report or financial statements.

Future Developments

Future developments will generally be identified from changes in Government or local authority policy, changes in the development plan and/or wider economic changes in the region. Close links are maintained with appropriate government departments and the Structure Plan and Regional Transport Strategy are regularly refreshed which will ensure that arising issues are identified early enough to allow any appropriate action to be taken to re-position the Partnership and its activities.

Councillor Ramsay Milne	Derick Murray	Alan Wood, MA (Hons), CPFA
Chairman	Director	Treasurer

30 September 2016

GOVERNANCE STATEMENT

Nestrans has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used appropriately.

In discharging this responsibility the Director and Treasurer have put in place proper arrangements for the governance of resources, approved by the Board. North East of Scotland Transport Partnership has adopted a Code of Corporate Governance which ensures the accountability and probity of officers. The financial management arrangements conform with the governance requirements of the CIPFA Statement on the Rols of the Chief Financial Officer in Local Government (2010) as set out in the Addendum (2012) to Delivering Good Governance in Local Government: Framework (CIPFA/ SOLACE).

The Code covers four key areas: Community Focus, Service Delivery, Structures and Processes, and Risk Management and Internal Control. The Treasurer has the responsibility for overseeing the implementation and monitoring of the operation of the Code and reviewing the Code in practice. The Code is subject to regular review.

The Partnership's Code of Corporate Governance and the related systems of internal financial control provide reasonable assurance that objectives will be met. North East of Scotland Transport Partnership adheres to the principles of openness, integrity and accountability and takes all reasonable steps to ensure assets are safeguarded, transactions are authorised and properly recorded, procedures are practical and adhered to and that material errors are either prevented or detected within a timely period, and corrective action taken.

The system of corporate governance and internal financial control is based on a framework of financial regulations, management information and appropriate delegation with accountability. In particular, the system includes:-

- Performance management;
- Comprehensive financial management systems;
- Periodic and annual financial reports;
- Targets set for financial and other performance;
- Clearly defined expenditure guidelines;
- Formal project management disciplines;
- Communication of financial information to the Director and Board; and
- Periodic review of all financial procedures.

The corporate governance and internal control procedures are informed by:-

- Feedback from the Board in carrying out its scrutiny role;
- The work of the managers within the Partnership;
- Internal Audit and External Audit; and
- Partner and stakeholder feedback.

The governance framework has been in place at Nestrans for the year ended 31 March 2016 and up to the date of approval of the annual accounts.

Progress continues to be made in respect of risk management. Risk Management is viewed as essential in the context of financial governance. An increase in the awareness and consequences of risk have become more prevalent within the Partnership. The consideration of risk has been recognised in the budget setting report to the Board and will be considered in all financial governance procedures.

The Partnership relies on the financial systems of Aberdeenshire Council. Aberdeenshire's Chief Internal Auditor has the responsibility to review independently the adequacy and effectiveness of the Partnership's internal control environment. The Chief Internal Auditor reports that, in his opinion, based on his evaluation of the control environment, reasonable assurance can be placed upon the adequacy and effectiveness of the internal control system in the year to 31 March 2016. On the basis of his review of the Partnership's corporate governance arrangements, we are satisfied that the arrangements provide assurance, are adequate and are operating effectively.

Signed:

Councillor Ramsay Milne
Chairman

Alan Wood, MA (Hons), CPFA
Treasurer

30 September 2016

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 one of its officers has the responsibility for the administration of those affairs. In this case, that officer is the Treasurer to the Partnership.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 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); and
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 30 September 2016.

Signed on behalf of the Partnership

Councillor Ramsay Milne, Chairman
30 September 2016

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Partnership's Annual Accounts in accordance with proper practices 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; and
- complied with the local authority Code.

The Treasurer has also :-

- kept proper accounting records which were up to date; and
- 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 31 March 2016.

Alan Wood, MA (Hons), CPFA
Treasurer
30 September 2016

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

We certify that we have audited the financial statements of Nestrans for the year ended 31 March 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we 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

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Nestrans and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the Nestrans as at 31 March 2016 and of the income and expenditure of the Nestrans for year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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.

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

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

James Boyle, CA (for and on behalf of Deloitte LLP)
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB
United Kingdom

30 September 2016

MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2016

This Statement shows the movement in the year on the different reserves held by the organisation, analysed into 'usable reserves' and 'unusable reserves'. Usable reserves are those that can be applied to fund expenditure subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Nestrans, as a result of the legislation it was created under, is not permitted to maintain a General Fund Balance. Unusable reserves include reserves that hold timing differences shown in the line "Adjustments between accounting basis and funding basis under regulations".

The 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.

	General Fund	Total Usable Reserves	Accumulated Compensated Absences Adjustment Account	Total Unusable Reserves
	£000	**£000**	**£000**	**£000**
Balance at 01 April 2014	0	0	(6)	(6)
Deficit on provision of services	(2)	(2)	0	0
Total Comprehensive Expenditure and Income	(2)	(2)	0	0
Adjustments between accounting basis & funding basis under regulations	2	2	(2)	(2)
Increase in Year	0	0	(2)	(2)
Balance at 31 March 2015	0	0	(8)	(8)
Balance at 01 April 2015	0	0	(8)	(8)
Surplus on provision of services	2	2	0	0
Total Comprehensive Expenditure and Income	2	2	0	0
Adjustments between accounting basis & funding basis under regulations	(2)	(2)	2	2
Decrease in Year	0	0	2	2
Balance at 31 March 2016	0	0	(6)	(6)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2016

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 from grants or requisitions. Nestrans receives contributions to cover expenditure in accordance with agreements. This may be different from the accounting cost and the effect on the General Fund is shown in the Movement in Reserves Statement.

2014/15 £000 Expenditure	£000 Income	£000 Net		Note	2015/16 £000 Expenditure	£000 Income	£000 Net
2,975	(128)	2,847	Highways and Transport services		3,087	(11)	3,076
10	0	10	Corporate and Democratic Core		11	0	11
2,985	**(128)**	**2,857**	**Cost of Services**		**3,098**	**(11)**	**3,087**
0	(13)	(13)	Financing and Investment income	5	0	(10)	(10)
0	(2,842)	(2,842)	Requisitions and Non-Specific Grant Income	6	0	(3,079)	(3,079)
		2	**(Surplus) / Deficit on Provision of Services**				(2)
		0	**Other Comprehensive Income and Expenditure**				0
		2	**Total (Surplus) / Deficit on Comprehensive Income and Expenditure**				(2)

BALANCE SHEET AS AT 31 MARCH 2016

The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the Partnership. The net liability of Nestrans (assets less liabilities) is matched by the reserves held by the Partnership.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that Nestrans may use to provide services. The second category of reserves is unusable reserves, i.e. those that are not able to be used to provide services.

31 March 2015 £000		Note	31 March 2016 £000
671	Short Term Debtors	7	1,318
3,085	Cash and Cash Equivalents	8	1,991
3,756	**Current Assets**		**3,309**
(2,282)	Short Term Creditors	9	(1,581)
(2,282)	**Current Liabilities**		**(1,581)**
(1,482)	Long Term Creditors	9	(1,734)
(1,482)	**Long Term Liabilities**		**(1,734)**
(8)	**Net Liability**		**(6)**
0	Usable Reserves		0
(8)	Unusable Reserves	10/14	(6)
(8)	**Total Reserves**		**(6)**

The unaudited annual accounts were authorised for issue on 08 June 2016 and the audited annual accounts were authorised for issue on 30 September 2016 by Alan Wood.

Alan Wood, MA (Hons), CPFA
Treasurer

30 September 2016

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 flows arising from operating activities is a key indicator of the extent to which the operations of the Partnership are funded by way of taxation and grant income or from the recipients of 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 (i.e. borrowing) to the Partnership.

31 March 2015 £000		31 March 2016 £000	Note
(2)	Net (deficit) / surplus on the provision of services	2	
(831)	Adjust (deficit) / surplus on the provision of services for non cash movements	(1,096)	
(833)	Net cash flows from Operating Activities	(1,094)	11
(833)	Net (decrease) / increase in cash and cash equivalents	(1,094)	
3,918	Cash and cash equivalents at the beginning of the reporting period	3,085	
3,085	Cash and cash equivalents at the end of the reporting period	**1,991**	

NOTES TO THE ACCOUNTS

NOTE 1 Accounting Policies

General Principles

The Annual Accounts summarises the Partnership's transactions for the 2015/16 financial year and its position at the year-end, 31 March 2016. The Partnership is required to prepare an annual Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice (SERCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Annual Accounts is historical cost.

The accounting policies have been applied consistently in the current and prior years.

Accruals and Income and Expenditure

Income and Expenditure activities are accounted for in the year in which they take place, not simply when cash payments are made or received.

Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where the debts have not been settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collectable.

Requisitions and Contributions

Requisitions and contributions relating to Capital and Revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s), as opposed to restrictions that Nestrans has not satisfied, in which case a creditor is recognised.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

Nestrans Financial Assets are Receivables which have fixed or determinable payments but are not quoted in an active market, as well as cash and cash equivalents.

The Partnership's receivables are for periods of less than 12 months or are charged at a market rate of interest and so are initially measured at fair value and are carried at amortised cost, which equates to the actual carrying value at 31 March 2016.

Nestrans Current Liabilities are shown as Creditors in the Balance Sheet and are for periods of less than 12 months and so are initially measured at fair value and are carried at amortised cost, which equates to the actual carrying value at 31 March 2016.

Note 1 Accounting Policies (continued)

Financial Instruments (continued)

Nestrans Long Term Liabilities are shown as Long Term Creditors in the Balance Sheet which represent the Strategic Transport Fund monies held in anticipation of projects of sufficient strategic importance being progressed. The Strategic Transport Fund collects contributions from developers to assist in the provision of significant transport interventions which arise from housing and other developments. Due to the nature of this type of work, expenditure is not expected within the next 12 months.

Cash and Cash Equivalents

In addition to its own bank accounts Nestrans makes use of Aberdeenshire Council's bank account for financial transactions and the balance is invested through the Council's Treasury Management facilities. The balance is repayable on demand and therefore treated as a cash equivalent and is included in the Balance Sheet at amortised cost, which equates to the actual cash value at 31 March 2016.

Employee Benefits

Benefits Payable During Employment

Short-term benefits due to employees are those that are to be settled within 12 months of the year-end. For Nestrans this will include benefits such as salaries, paid annual leave and paid sick leave for current employees. Costs are recognised as an expense in the year in which employees provide the service to the employer. The leave year is based on a calendar year and an accrual is therefore made for the value of leave entitlements due to employees but not taken before the year-end. The accrual is calculated at the salary rates applicable in the following accounting year.

Post-Employment Benefits

Employees of Nestrans are entitled to be members of the Superannuation Scheme which is administered by Aberdeen City Council. This provides staff with defined benefits upon their retirement, earned as employees work for the Authority.

However, the arrangements for the Superannuation scheme mean that liabilities for these benefits cannot be identified specifically to the Authority. The Scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Highway and Transport Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to Nestran's employees in the year.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used with all overhead costs identified within the Partnership accounts, with the exception of:

- Corporate and Democratic Core – costs relating to Nestrans status as a democratic organisation.

Note 1 Accounting Policies (continued)

Overheads and Support Services (continued)

This cost category is defined in SeRCOP and accounted for as a separate heading in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

Value Added Tax

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period (the balance sheet date) and the date when the financial statements are authorised for issue.

There are two types of events:

a) those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the reporting period) and;

b) those that provide evidence of conditions that arose after the balance sheet date (non-adjusting events after the reporting period).

The accounts are adjusted to reflect adjusting events after the reporting period and are not adjusted to reflect non-adjusting events after the reporting period. Where a non-adjusting event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

Reserves

Nestrans does not have any usable reserves as it is not permitted to hold a General Fund balance. Any surplus must be returned to constituent authorities and any deficit funded by additional requisitions.

The unusable reserve that Nestrans holds is an Accumulated Compensated Absences Adjustment Account. Nestrans staff are entitled to annual leave from January to December, and this reserve represents the proportion of these holidays that staff were entitled to but remained unused at 31 March 2016.

Note 2 Critical Judgements in Applying Accounting Policies

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

The critical judgement made in the Annual Accounts is:

Note 2 Critical Judgements in Applying Accounting Policies (continued)

- There is a degree of uncertainty about future levels of funding for local government and hence to funding for Nestrans. However, the Treasurer has determined that the level of uncertainty is not yet sufficient to provide an indication that the activities of the Partnership might be affected by the need to reduce levels of service provision. On this basis the Annual Accounts continue to be prepared on a going concern basis.

Note 3 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts does not contain any estimated figures that are based on assumptions made by Nestrans about the future or that are otherwise uncertain.

Note 4 Events After The Balance Sheet Date

The Annual Accounts was authorised for issue by the Treasurer to the Partnership on 30 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 5 Financing and Investment Income and Expenditure

	2014/15 £000	2015/16 £000
Interest receivable and similar income	(13)	(10)

Note 6 Requisitions and Non-Specific Grant Income

	2014/15 £000	2015/16 £000
Core Funding Requisitions		
Aberdeen City Requisition	122	47
Aberdeenshire Requisition	122	42
Other Grants or Requisitions		
Aberdeen City	953	1,216
Aberdeenshire Council	863	939
Scottish Government - Regional Transport Strategy	782	782
Transport Scotland	0	25
Sustrans	0	28
	2,842	3,079

Note 7 Short Term Debtors

	2014/15 £000	2015/16 £000
Government Bodies	124	114
Other Local Authorities	443	1,162
Other Entities and Individuals	104	42
	671	1,318

Note 8 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises:

	2014/15 £000	2015/16 £000
Bank or Cash balances held	3,085	1,991
	3,085	1,991

Note 9 Creditors

Short Term Creditors

	2014/15 £000	2015/16 £000
Other Local Authorities	2,161	1,453
Other Entities and Individuals	121	128
	2,282	1,581

Long Term Creditors

	2014/15 £000	2015/16 £000
Receipts in Advance (Strategic Transport Fund Balances)	1,482	1,734

Note 10 Partnership Reserves

Nestrans is prohibited from creating or retaining a General Fund balance. However, under IFRS there is a need to adjust for costs arising for accumulated absences adjustments. Movements in the Partnership's usable reserves are detailed in the Movement in Reserves Statement.

Note 11 Cash Flow - Operating Activities

Adjustment to surplus or deficit on the provision of services for noncash movements

	2014/15 £000	2015/16 £000
Net Surplus or (Deficit) on the Provision of Services	(2)	2
Adjust net surplus or deficit on the provision of services for non cash movements		
Decrease in Creditors	(447)	(449)
Increase in Debtors	(384)	(647)
Net Cash Flows from Operating Activities	(833)	(1,094)

The cash flows for operating activities includes the following item:

	2014/15 £000	2015/16 £000
Interest Received	13	10

Note 12 External Audit Costs

The Board has incurred the following costs in relation to the audit of the Annual Accounts.

	2014/15 £000	2015/16 £000
Fees payable in respect of external audit services	10	11
Total	10	11

Note 13 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure on the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP and the Code. Decisions about resource allocation are taken by the Partnership Board on the basis of budget and monitoring reports which are reported on the same basis but at a greater level of detail around sources of income and areas of expenditure. The table on page 4 provides a summary of the budget and monitoring reports at 31 March 2016 which reonciles to the net surplus on provision of services within the Comprehensive Income & Expenditure Statement.

Note 14 Accumulated Compensated Absences Adjustment Account

The Accumulated Compensated Absences Adjustment 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, e.g. annual leave entitlement carried forward at 31 March each year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15 £000		2015/16 £000
(6)	**Balance at 1 April**	(8)
6	Settlement of the accrual made at the end of the preceding year	8
(8)	Amount by which staff remuneration charged to the Comprehensive Income & Expenditure Account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)
(8)	**Balance at 31 March**	**(6)**

Note 15 Detailed Performance Figures

The tables below identify the budget for each area of the Nestrans programme of works and shows a comparison between the agreed budgeted costs and the costs of similar programmes from the previous year.

Core Costs

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

Actual (£) 2014/15		Budget (£) 2015/16	Actual (£) 2015/16
374,128	Partnership Office	345,000	330,563
83,070	Partner Support Costs	86,140	88,387
0	Board Member expenses	2,000	0
40,474	Other Associated Costs	36,200	29,662
2,710	Rechargeable Costs	0	0
500,382	Total	469,340	448,612

Regional Transport Strategy

Actual (£) 2014/15		Budget (£) 2015/16	Actual (£) 2015/16
	Actual Plans -		
35,338	Health & Transport	28,500	28,223
32,546	Bus	30,510	39,578
47,488	Rail & Freight	153,000	136,871
402,207	Other Costs	273,000	283,050
18,181	Rechargeable Costs	0	10,370
535,760	Total	485,010	498,092

Income

Actual (£) 2014/15		Budget (£) 2015/16	Actual (£) 2015/16
2,060,427	Council Partners	2,449,507	2,244,966
782,000	Scottish Government	782,000	782,000
-	Transport Scotland	0	25,000
141,094	Other Income	0	48,323
2,983,521		3,231,507	3,100,289

Note 15 Detailed Performance Figures (continued)

The table below details the budget and expenditure of the requisitions for general projects advanced by the partner Councils. The partner authorities, on behalf of the Partnership, managed various projects and these have been split by theme. Nestrans has not created assets of its own and both the funding and spend have been interpreted as additional revenue activity in these Statements.

Actual (£) 2014/15	General Projects	Budget (£) 2015/16	Actual (£) 2015/16
776,067	Strategic Roads	695,577	671,421
280,723	Quality Bus Corridors	607,250	501,865
809,271	Cycle Routes	638,830	628,406
360	Freight	0	0
82,597	Various	335,500	349,746
1,949,018	Total	2,277,157	2,151,438

The Partnership has a full complement of staff and this was a significant factor that contributed to the capability of the organisation to manage and deliver the planned work programmes on time and within budget.

Note 16 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 Nestrans. 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 contract freely with the Partnership.

Scottish Government

The Scottish Government is responsible for providing the statutory framework within which the Partnership operates and provides a significant element of its funding by grant of £782,000, (2014/15 £782,000). Grants received from the Scottish Government are set out in the subjective analysis in note 6 on Requisitions and Non-Specific Grant Income. There were no grant receipts outstanding at 31 March 2016.

Board Members

Members have direct control over the Partnership's financial and operational policies and decision making. No allowances or fees have been paid to Members in 2015/16 and there was no contract awarded in which a Board Member had declared an interest.

Note 16 Related Parties (continued)

Aberdeen City Council & Aberdeenshire Council

Aberdeen City Council & Aberdeenshire Council have a significant element of control over the general operations of the Partnership. They provide a significant element of funding through two specific grants and the elected Members that they appoint to the managing Board of the Partnership can exert significant influence on its operations and decision making processes. The amounts relating to each Council are detailed below.

	Amounts received from		Amounts paid to	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Aberdeen City Council	1,075	1,263	1,354	1,426
Aberdeenshire Council	985	981	984	1,029

	Amounts due from at		Amounts due to at	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000	£000	£000	£000
Aberdeen City Council	443	778	1,245	922
Aberdeenshire Council	0	385	792	531

As the result of a disclosure error last year, the 2014/15 figure of £2,010k for Amounts paid to Aberdeen City Council has been amended to £1,354k for comparative purposes. This error has no impact on the figures reported in the Comprehensive Income & Expenditure Statement.

Officers

The management of the Partnership is disclosed in the remuneration report on pages 29 to 32 of this document. The Director has the responsibility for planning, directing or otherwise controlling the activities of the Partnership. The scope of control is determined by reference to the Scheme of Delegation and Financial Regulations adopted by the Board. The Board is satisfied that appropriate controls are in place to manage and monitor the activities of the key management personnel.

Note 17 Pension Scheme Accounted for as a Defined Contribution Scheme

North East Scotland Pension Fund.

Staff employed by the Partnership are entitled to be members of the Superannuation Scheme which is administered by 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.

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

For 2015/16, the Partnership paid £48,922 to the Fund in respect of retirement benefits representing 19.3% of pensionable pay. The figures for 2014/15 were £48,157 and 19.3%.

Note 18 Financial Instruments

Financial Instruments Balances

The Partnership is funded by income from the Scottish Government and Partner Councils and therefore is not subject to significant liquidity or credit risk exposure. The Partnership's financial instruments comprise cash and cash equivalents, debtors and creditors.

Cash and cash equivalents, debtors and creditors shown in the balance sheet are initially measured at fair value and carried at amortised cost, which equates to the actual cash value at 31 March 2016.

Financial instruments disclosed in the Balance Sheet are made up as follows.

	Long-Term		Current	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Financial Liabilities at Amortised Cost	1,482	1,734	2,282	1,581
Total Creditors	**1,482**	**1,734**	**2,282**	**1,581**
Loans and Receivables	0	0	671	1,318
Cash & Cash Equivalents	0	0	3,085	1,991
Total Debtors	**0**	**0**	**3,756**	**3,309**

Financial Instruments Gains/Losses

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

Financial Assets Loans and Receivables

Interest Income £ 10,000

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
- 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.

Note 18 Financial Instruments (continued)

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the constituent authorities. Surplus funds are placed on deposit with the Partnership's bankers the Clydesdale Bank plc. The Partnership does not expect any losses from non performance by any of its counterparties in relation to these deposits.

Liquidity Risk

The Scottish Government and the constituent authorities make provision for the Transport Partnership's use of resources in its budget for each financial year. Resources can only be used for the purposes specified in the budget. The Partnership is therefore not exposed to significant liquidity risks.

Market Risk

Interest Rate Risk

The Partnership is exposed to interest movements on its deposits. For instance a rise in interest rates would increase the interest income credited to the Comprehensive Income & Expenditure Statement.

As an illustration, an increase/(decrease) of 1% in the interest rate would increase/(decrease) the amount of interest earned by £19,907 (2014/15 £39,176). (based on cash and cash equivalents above).

Foreign Exchange Risk

The Partnership has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to losses arising from movements in exchange rates.

Note 19 Accounting Standards that have been Issued but have not yet been Adopted

The adoption of the following Accounting Standards by the Code in 2016/17 will result in changes in accounting policy:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRS 2010-2012 Cycle
- Annual Improvements to IFRS 2012-2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

It is not anticipated that these changes will have a material effect for Nestrans

Note 20 New Accounting Standards effective in 2015/16

The following new standards, amendments and interpretations became effective in 2015/16 for the first time:

- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRS 2011-2013 Cycle

There is no material impact on the financial statements as a result of the above.

REMUNERATION REPORT

Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require various disclosures about the remuneration and pension benefits of senior Councillors and senior employees in respect of earnings etc. paid by Nestrans. The Partnership does not make payment to any member of the Board, whether elected Member or otherwise appointed, by way of salary, enhanced pension benefits or reimbursement of expenses.

The Treasurer and Clerk to the Authority do not receive remuneration from the Partnership either. The duties of the posts are covered by the postholders' substantive posts in their respective Councils.

The information disclosed in the tables below is subject to independent audit by Deloitte LLP.

Arrangements for Remuneration

The remuneration of all employees of the Partnership is set with reference to national arrangements agreed by the Scottish Joint Negotiating Committee (SJNC) for Local Authority Services.

The Nestrans Board agreed to appoint a permanent Director with a salary range of £70,000 to £75,000 at the committee meeting held on 20 December 2006. With reference to this the post of Director was placed at SJNC point 30.

Nestrans does not pay bonuses or performance related pay. Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by SJNC or as approved locally by Aberdeenshire Council and adopted by Nestrans. Officers are eligible to join the Local Government Pension Scheme (LGPS).

Remuneration

The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Employer. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure below.

Remuneration of Senior Employees

Total Remuneration for Year							
	Gross salary, fees & allowances	Bonuses	Taxable Expenses	Non-cash expenses & benefits-in-kind	Compensation for loss of office	Total 2015/16	Total 2014/15
Roderick Murray	73,525	0	0	0	0	73,525	71,721
Totals	**73,525**	**0**	**0**	**0**	**0**	**73,525**	**71,721**

Notes

The term senior employee means:

1. Any employee who has responsibility for the management of the Partnership to the extent that the person has the power to direct or control the major activities of the organisation (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;

2. Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or

3. Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

Remuneration of Employees receiving more than £50,000

Those Partnership employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Regulations, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employee who is subject to the fuller disclosure requirements in the tables above.

Remuneration Bands	Number of Employees	
	2015/16	2014/15
£50,000 - £54,999	1	0
£55,000 - £59,999	0	0
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	1	1
Totals	**2**	**1**

Exit Packages

There is a requirement to disclose details of all staff Exit Packages agreed in the year. An Exit Package is the value of all termination benefits which include redundancy costs, pension contributions in respect of added years and any ex gratia and other departure costs. Nestrans have not agreed any Exit Package in 2015/16 (2014/15 Nil).

Pension Benefits

The term pension benefits covers in-year pension contributions for the employee by the employer and the named person's accrued pension benefits at the reporting date.

Pension Benefits of Senior Employees

	In-year pension contributions		Accrued annual pension benefits		Accrued pension lump sum	
	For year to 31 March 2016	For year to 31 March 2015	**As at 31 March 2016**	As at 31 March 2015	**As at 31 March 2016**	As at 31 March 2015
Roderick Murray	15,000	14,000	35,245	32,933	79,226	77,282
Totals	**15,000**	**14,000**	**35,245**	**32,933**	**79,226**	**77,282**

Notes:
All employees of Nestrans are eligible to become members of the Local Government Pension Scheme (LGPS).

The LGPS provides defined benefits on retirement. The pension is based on the member's pensionable service (how long he or she has been a member of the LGPS) and his or her pay. For elected members, pay is based on a "career average" – the aggregate of each year's pay (adjusted for inflation) is divided by the total number of years and part years they have been a member of the LGPS. For officers, pay is based on their final year's salary. For most people, for service up to 31 March 2009, the annual pension is calculated by dividing their pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. Pensions payable are increased annually in line with changes in The Pensions (Increase) Act 1971 and Section 59 of the Social Security Pension Act 1975.

The lump sum, which is automatically paid when the person retires for service up to 31 March 2009, is normally three times his or her annual pension and is tax-free. There is no automatic lump sum for service after 31 March 2009. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

A Scheme member's contribution depends on his or her full-time equivalent pay. From 1 April 2009, a five tier contribution system was introduced with contribution from members being based on how much pay falls into each tier. The rates for 2015/16 remain the same as 2014/15, however, the tiers have increased slightly.

The tiers and rates are as follows:

Rate	**2015/16**	2014/15
5.50%	**up to £20,500**	up to £20,335
7.25%	**£20,501 - £25,000**	£20,336 - £24,853
8.50%	**£25,001 - £34,400**	£24,854 - £34,096
9.50%	**£34,401 - £45,800**	£34,097 - £45,393
12.00%	**over £45,801**	over £45,394

Pension Benefits of Senior Employees (continued)

The value of the accrued benefits in the above tables has been calculated on the basis of the age at which the person will first become entitled to receive a full 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. The normal retirement age for members of the LGPS is 65.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

The above explanatory notes provide general information on the Local Government Pension Scheme and do not override the provisions of the Scheme.

Councillor Ramsay Milne
Chair

Derick Murray
Director

30 September 2016

GLOSSARY OF TERMS

EXPENDITURE

Corporate Democratic Core (CDC):
These are costs associated with democratic representation and costs relating to the corporate management of the Partnership.

INCOME

Requisitions:
Funding received from the constituent authorities.

OTHER

SeRCOP
Service Reporting Code of Practice

CIPFA
The Chartered Institute of Public Finance and Accountancy

LASAAC
Local Authority (Scotland) Accounts Advisory Committee

IFRS
International Financial Reporting Standard

STF
Strategic Transport Fund

SJNC
Scottish Joint Negotiating Committee

The Code
The Code of Practice on Local Authority Accounting in the United Kingdom

FAIR VALUE
Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction for land and buildings, fair value is the amount that would be paid for the asset in its existing use.

ECONOMIC COST
The total cost of performing an activity or following a decision or course of action.