

nestrans

**ANNUAL ACCOUNTS  
FOR THE YEAR ENDED  
31 MARCH 2017**

## **ANNUAL ACCOUNTS 2016/17**

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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 replaced 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-refresh 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](http://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.

## MANAGEMENT COMMENTARY (continued)

### Progress against Key Performance Indicators

In the most recent monitoring report dated December 2015, of 53 indicators for which indicative targets have been identified and using the most up-to-date data available, the following results could be summarised:

	2011	2012	2013	2014	2015	2016
Indicators on target	18	20	19	22.5	20	21
Indicators with <i>some success</i>	12	16	14	14	12	14
Indicators moving in the <b>wrong direction</b>	7	5	1	2.5	1	6
Indicators with no data available	8	4	6	3	7	12

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.

### Actual Performance in the Year & Plans for the Future

The Annual Report & Business Plan for Nestrans is considered by the Board and published on the Partnership's website. The current one, which covers actual performance in 2016/17 and the business plan for 2017/18, can be found at [www.nestrans.org.uk/about-nestrans/organisation/documents-annual-report-business-plans](http://www.nestrans.org.uk/about-nestrans/organisation/documents-annual-report-business-plans).

## **MANAGEMENT COMMENTARY (continued)**

### **Actual Performance in the Year & Plans for the Future (continued)**

In 2016/17 Nestrans have continued to work towards delivering the actions within the Health and Transport, Bus, Freight, Rail and Active Travel Action Plans and various other Strategies that have been developed to help achieve the aims of the Regional Transport Strategy (RTS) and this work will be progressed into the future. Nestrans have also continued to represent North East interests to seek improvements to air, maritime and rail connections from the area to the rest of Scotland, the UK and beyond.

The Nestrans Board oversaw the delivery of budgets that amounted to around £3 million as a result of funding provided by Aberdeen City and Aberdeenshire Councils and the Scottish Government. This has been used to further develop and deliver projects to achieve the aims and objectives within the RTS. A Stations Fund Bid was submitted by Nestrans and Aberdeenshire Council for Kintore rail station, car park and access roads, which has secured funding of up to £7.32 million.

In the year ahead, Nestrans will participate in the National Transport Strategy review and continue the recently started work towards the development of the next Regional Transport Strategy.

The work started in 2016/17 on the upgrade of the Aberdeen Sub Area Model (ASAM) will be completed in 2017/18 and used to undertake a strategic transport appraisal for the region and appraise options for transport provision over the next 20 years.

The Nestrans Board has approved budgets for 2017/18 to implement further road safety, strategic maintenance, bus, carbon reduction and cycling and walking projects throughout the north east. Funding is also in place to continue to progress the various action plans that support the Regional Transport Strategy, to undertake project feasibility studies and promote active and sustainable travel.

### **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 £1,107,700 (£954,350 2015/16) and the budget for Strategic Investment Programme was £1,602,905 (£2,277,157 2015/16).

Nestrans has invested over £1.5 million in the past year on various roads, bus, cycling, walking and carbon reduction initiatives. In addition, almost £600,000 has been spent in support of actions within our Health & Transport, Rail, Freight, Bus and Active Travel Action Plans, travel planning and active travel promotion via the getabout brand and on project feasibility studies. This included work on the Bridge of Dee study, reviewing the roads hierarchy and investigating measures to lock in the benefits for sustainable modes as a result of predicted traffic relief on completion of the Aberdeen Western Peripheral Route.

Nestrans have also been boosted by the award of European funding under the Civitas Portis project. This grant will be used to examine transport solutions with a connection to port operations and supporting sustainable urban mobility through changes in travel behaviour. The total value of the grant is £266,035.

### **Review of Out-turn against Budget for 2016/17**

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 the expenditure occurred very much in line with forecast. Project Feasibility and Monitoring and Travel Planning under spent as both Councils made contributions so Nestrans funding was not fully required.

## MANAGEMENT COMMENTARY (continued)

### Review of Out-turn against Budget for 2016/17 (continued)

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 £1,507,950 to be carried forward to 2017/18. Projects benefitted from additional grant funding from Sustrans but a number of projects encountered delays due to changing priorities as a result of resource planning issues.

This has resulted in an overspend of £3,942 (0%) when compared to budget. The amount drawn down from Partner Councils will be increased next year to cover this small overspend.

	2015/16 Actual £000	2016/17 Budget £000	2016/17 Actual £000	% Actual v Budget
Grants & Requisitions	3,079	2,819	2,830	100%
Other Income	11	0	1	-
Interest	10	0	9	-
<b>Total Income</b>	<b>3,100</b>	<b>2,819</b>	<b>2,840</b>	<b>101%</b>
Coordination & Project Development				
- Core Costs	468	510	521	102%
- Regional Transport Strategy	498	598	542	91%
Strategic Investment Programme	2,151	1,603	1,607	100%
City Region Deal	0	108	180	-
Civitas/Portis	0	0	5	-
<b>Total Operating Expenses</b>	<b>3,117</b>	<b>2,819</b>	<b>2,855</b>	<b>101%</b>
<b>Net Surplus/(Deficit)</b>	<b>(17)</b>	<b>0</b>	<b>(15)</b>	

The net surplus/(deficit) identified above is as a result of adjustments to the accounts for movements within the short term Accumulating Absences Account and the Pensions Reserve which is reflected in the Balance Sheet.

### 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 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.

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.

## **MANAGEMENT COMMENTARY (continued)**

### **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 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 (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 £9,000 reflected in the Balance Sheet at March 2017 (£5,000 2015/16). This liability will be funded by the 2017/18 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 2018 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 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 2016/17.

### **Retirement Benefits**

International Accounting Standard (IAS) 19 has been fully adopted in preparing the accounts of the Partnership. The standard prescribes how employing organisations are to account for pension benefits earned by employees in the year and the associated pension assets and liabilities.

Employees are eligible to join the Local Government Pension Scheme (LGPS), administered by Aberdeen City Council. Note 14 to the Core Statements details the income and expenditure charged to the income and expenditure account under IAS 19 in respect of the Local Government Scheme, based upon assessments provided by the Actuary of the Scheme.

## **MANAGEMENT COMMENTARY (continued)**

### **Retirement Benefits (continued)**

The Balance Sheet on page 17 shows that the Board has a net pension liability of £920,000 as at the 31 March 2017 (£538,000 31 March 2016) due to the accrual of pension liabilities in accordance with IAS19.

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Partnership. The liability relates to benefits earned by existing or previous employees up to the 31 March 2017.

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in the future. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used.

### **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 Peter Argyle  
Chairman

Derick Murray  
Director

Alan Wood, MA (Hons), CPFA  
Treasurer

18 September 2017



## 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 Roles of the Chief Financial Officer in Local Government (2015) as set out in Delivering Good Governance in Local Government: Framework (CIPFA/ SOLACE).

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 2017 and up to the date of approval of the annual accounts.

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.

## **GOVERNANCE STATEMENT (continued)**

### **Review of adequacy and effectiveness**

The Partnership relies on the financial systems of Aberdeenshire Council. The Council's Chief Internal Auditor has responsibility for independently reviewing the adequacy and effectiveness of the Council's internal control environment. The Chief Internal Auditor has reported that, in his opinion, based on his evaluation of the Council's control environment, reasonable assurance can be placed upon the adequacy and effectiveness of the internal control system in the year to 31 March 2017. On the basis of his review and opinion, we are satisfied that the arrangements in place provide assurance, are adequate and are operating effectively.

### **Action Plan**

While the review of effectiveness provides reasonable assurance, the Partnership is addressing the following matters which were identified during the year.

- Review and update of the risk register
- Refresh of the Local Code of Corporate Governance

Signed:

Councillor Peter Argyle  
Chairman

Alan Wood, MA (Hons), CPFA  
Treasurer

18 September 2017

## 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 18 September 2017.

Signed on behalf of the Partnership

Councillor Peter Argyle, Chairman  
18 September 2017

### 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 2017.

Alan Wood, MA (Hons), CPFA  
Treasurer  
18 September 2017

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

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 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual accounts of North East of Scotland Transport Partnership for the year ended 31 March 2017 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 and Cash-Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the partnership as at 31 March 2017 and of its deficit on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the partnership in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

### **Responsibilities of the Treasurer for the financial statements**

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

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 partnership 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.

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

### **Other information in the annual accounts**

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

**Report on other requirements**

**Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

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

**Matters on which I am required to report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Anne MacDonald CA  
Senior Audit Manager  
Audit Scotland  
The Annexe  
Woodhill House  
Westburn Road  
Aberdeen  
AB16 5GB

19 September 2017

## EXPENDITURE AND FUNDING ANALYSIS

This statement shows how annual expenditure is used and funded from resources by the organisation in comparison with those resources consumed or earned by partnerships in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

Net Expenditure Chargeable to the General Fund 2015/16 £000	ACAA Account 2015/16 £000	Net Expenditure in the CIES 2015/16 £000		Net Expenditure Chargeable to the General Fund 2016/17 £000	ACAA Account 2016/17 £000	Net Expenditure in the CIES 2016/17 £000
27	44	71	Coordination & Project Development Strategic Investment	24	(384)	(360)
0	0	0	Programme	0	0	0
0	0	0	City Region Deal	0	0	0
0	0	0	Civitas/Portis Financing and	0	0	0
(10)	0	(10)	Investment income	(9)	0	(9)
<b>17</b>	<b>44</b>	<b>61</b>	<b>(Surplus) / Deficit</b>	<b>15</b>	<b>(384)</b>	<b>(369)</b>
(588)			General Fund Balance at 1 April	(544)		
44			(Plus)/Less (Surplus) or Deficit on the General Fund	(384)		
(544)			<b>General Fund Balance at 31 March</b>	(928)		

## MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2017

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 £000	Total Usable Reserves £000	Accumulated Compensated Absences Adjustment Account £000	Pension Reserve £000	Total Unusable Reserves £000
<b>Balance at 01 April 2015</b>	0	0	(8)	(580)	(588)
<b>Deficit on provision of services</b>	(36)	(36)	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	(36)	(36)	0	0	0
Adjustments between accounting basis & funding basis under regulations	36	36	2	42	44
<b>Increase in Year</b>	0	0	2	42	44
<b>Balance at 31 March 2016</b>	0	0	(6)	(538)	(544)
<b>Balance at 01 April 2016</b>	0	0	(6)	(538)	(544)
<b>Deficit on provision of services</b>	(36)	(36)	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	(36)	(36)	0	0	0
Adjustments between accounting basis & funding basis under regulations	36	36	(2)	(382)	(384)
<b>Decrease in Year</b>	0	0	(2)	(382)	(384)
<b>Balance at 31 March 2017</b>	0	0	(8)	(920)	(928)





## BALANCE SHEET AS AT 31 MARCH 2017

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.

<b>31 March 2016 £000</b>		Note	<b>31 March 2017 £000</b>
1,318	Short Term Debtors	10	1,537
	Cash and Cash		
<u>1,991</u>	Equivalents	11	<u>1,799</u>
<b>3,309</b>	<b>Current Assets</b>		<b>3,336</b>
<u>(1,581)</u>	Short Term Creditors	12	<u>(1,505)</u>
<b>(1,581)</b>	<b>Current Liabilities</b>		<b>(1,505)</b>
(1,734)	Long Term Creditors	12	(1,839)
<u>(538)</u>	Pension Liability	14	<u>(920)</u>
<b>(2,272)</b>	<b>Long Term Liabilities</b>		<b>(2,759)</b>
<u><b>(544)</b></u>	<b>Net Liability</b>		<u><b>(928)</b></u>
(544)	Unusable Reserves	7	(928)
<u><b>(544)</b></u>	<b>Total Reserves</b>		<u><b>(928)</b></u>

The unaudited annual accounts were authorised for issue on 26 June 2017 and the audited annual accounts were authorised for issue on 18 September 2017 by Alan Wood.

Alan Wood, MA (Hons), CPFA  
Treasurer

18 September 2017

## 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 2016		31 March 2017	
£000		£000	Note
36	Net (deficit) / surplus on the provision of services	36	6
(647)	(Increase)/Decrease in Debtors	(219)	
(449)	Increase/(Decrease) in Creditors	29	
(34)	Pension Liability	(38)	
<u>(1,094)</u>	Net cash flows from Operating Activities	(192)	
(1,094)	Net (decrease) / increase in cash and cash equivalents	(192)	
<u>3,085</u>	Cash and cash equivalents at the beginning of the reporting period	<u>1,991</u>	
<u><u>1,991</u></u>	Cash and cash equivalents at the end of the reporting period	<u><u>1,799</u></u>	

## **NOTES TO THE ACCOUNTS**

### **NOTE 1 Accounting Policies**

#### **General Principles**

The Annual Accounts summarises the Partnership's transactions for the 2016/17 financial year and its position at the year-end, 31 March 2017. 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.

#### **Changes in Accounting Policies**

Changes in accounting policies are only made when required by required by proper accounting practices or the changes provides more reliable or relevant information. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. A prior year adjustment has been made to reflect the implementation of pension accounting in accordance with IAS19. The impact of the changes is shown in Note 14.

#### **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.

## **NOTES TO THE ACCOUNTS (continued)**

### **Note 1 Accounting Policies (continued)**

#### **Financial Instruments (continued)**

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 2017.

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 2017.

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 2017.

#### **Employee Benefits**

##### **a) Benefits Payable During Employment**

Short-term benefits due to employees are those that are to be settled within twelve 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. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **b) Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Partnership to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the CIES when the Partnership is demonstrably committed to either terminating the employment of an officer or group of officers making an offer to encourage voluntary redundancy.

## NOTES TO THE ACCOUNTS (continued)

### Note 1 Accounting Policies (continued)

#### Employee Benefits (continued)

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Partnership to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

#### c) Post Employment Benefits

Employees of the Partnership are members of the Local Government Pension Scheme, North East Scotland Pension Fund (NESPF) administered by Aberdeen City Council.

#### d) The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme:

- the liabilities of the NESPF attributable to the Partnership are included in the Balance Sheet on an actuarial basis using projected unit credit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and modelling of projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on a weighted average of "spot yields" on AA rated corporate bonds);
- the assets of the NESPF attributable to the Partnership are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price;
  - unquoted securities - professional estimate;
  - unitised securities - current bid price; and
  - property - market value.

The change in the net pensions liability is analysed into the following components:

- service cost comprising:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the services for which the employees worked;
  - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus/Deficit in the CIES;
  - net interest on the net defined benefit liability, i.e. net interest expense for the Partnership - the change during the period in the net defined benefit liability that arises from the passage of time charged to the CIES - this is calculated by applying the discounts rate used to measure the defined obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

## **NOTES TO THE ACCOUNTS (continued)**

### **Note 1 Accounting Policies (continued)**

#### **Employee Benefits (continued)**

- remeasurements comprising:
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated assumptions - debited or credited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- contributions paid to the NESPF - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provision require the General Fund Balance to be charged with the amount payable by the Partnership to the Pension Fund or directly to pensions in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensions and any such amounts payable but unpaid at year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **e) Discretionary Benefits**

The Partnership also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **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.

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.

## **NOTES TO THE ACCOUNTS (continued)**

### **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 Statement of Accounts.

### **Reserves**

Nestrans does not have any usable reserves as it is not permitted to hold a General Fund balance. Any surplus may 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 2017.

### **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:

- 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.



## NOTES TO THE ACCOUNTS (continued)

### Note 4 Events After The Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Treasurer to the Partnership on 26 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Note 5 Movement in Reserves Statement - adjustments between accounting basis and funding basis under regulations

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

	General Fund £000	Unusable Reserves £000	Total 2015/16 £000
<b>Adjustments involving the Pensions Reserve</b>			
Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(87)	87	0
Employers' pension contributions and direct payments to pensioners payable in the year	49	(49)	0
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	(2)	0
<b>Total Adjustments</b>	<b>(36)</b>	<b>36</b>	<b>0</b>

NOTES TO THE ACCOUNTS (continued)

**Note 5 Movement in Reserves Statement - adjustments between accounting basis and funding basis under regulations (continued)**

	General Fund £000	Unusable Reserves £000	Total 2016/17 £000
<b>Adjustments involving the Pensions Reserve</b>			
Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(89)	89	0
Employers' pension contributions and direct payments to pensioners payable in the year	55	(55)	0
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	2	0
<b>Total Adjustments</b>	<b>(36)</b>	<b>36</b>	<b>0</b>

**Note 6 Note to the Expenditure and Funding Analysis**

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income & Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

**Adjustments between Funding and Accounting Basis**

2015/16				2016/17		
Net Change for the Pensions £000	Employee Annual Leave Accrued £000	Total Adjust- ments £000		Net Change for the Pensions £000	Employee Annual Leave Accrued £000	Total Adjustments £000
19	(2)	17	Staff Costs	13	2	15
19	(2)	17	<b>Net Cost of Services</b>	13	2	15
			Other Income &			
19	0	19	Expenditure	21	0	21
<b>38</b>	<b>(2)</b>	<b>36</b>	<b>Total Adjustments</b>	<b>34</b>	<b>2</b>	<b>36</b>

**NOTES TO THE ACCOUNTS (continued)**

**Note 7 Balance Sheet - Unusable Reserves**

31/03/2016 £000	31/03/2017 £000
538 Pensions reserves (a)	920
6 Accumulated Compensated Absences Adjustment Account (b)	8
<u>544</u> Total Unusable Reserves	<u>928</u>

**(a) Pensions Reserve**

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

2015/16 £000	2016/17 £000
580 Balance at 1 April	538
Remeasurement of the net defined liability comprising: (80) gains and losses arising on changes in financial assumptions	348
<u>500</u>	<u>886</u>
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services 87 in the Comprehensive Income & Expenditure Statement	89
Employer's pension contributions and direct payments to (49) pensioners payable in the year	(55)
<u>538</u> Balance at 31 March	<u>920</u>

**b) Accumulating Compensated Absences Adjustment Account**

The Accumulating 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. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

**NOTES TO THE ACCOUNTS (continued)**

**Note 7 Balance Sheet - Unusable Reserves (continued)**

2015/16 £000	2016/17 £000
8 Balance at 1 April	6
Settlement or cancellation of accrual made at the end (8) of the preceding year	(6)
6 Amounts accrued at the end of the current year	8
6 Balance at 31 March	8

**Note 8 Financing and Investment Income and Expenditure**

	2015/16 £000	2016/17 £000
Interest receivable and similar income	(10)	(9)

**Note 9 Requisitions and Non-Specific Grant Income**

	2015/16 £000	2016/17 £000
<b>Core Funding Requisitions</b>		
Aberdeen City Requisition	47	135
Aberdeenshire Requisition	42	121
<b>Other Grants or Requisitions</b>		
Aberdeen City	1,216	768
Aberdeenshire Council	939	761
Scottish Government - Regional Transport Strategy	782	782
Transport Scotland	25	0
Sustrans	28	78
City Region Deal	0	180
Civitas/Portis	0	5
	3,079	2,830

**Note 10 Short Term Debtors**

	2015/16 £000	2016/17 £000
Government Bodies	114	179
Other Local Authorities	1,162	1,326
Other Entities and Individuals	42	32
	1,318	1,537

## NOTES TO THE ACCOUNTS (continued)

### Note 11 Cash and Cash Equivalents

	2015/16 £000	2016/17 £000
The balance of Cash and Cash Equivalents comprises:		
Bank or Cash balances held	1,991	1,799
	<u>1,991</u>	<u>1,799</u>

### Note 12 Creditors

#### Short Term Creditors

	2015/16 £000	2016/17 £000
Other Local Authorities	1,453	1,240
Public Corporations & Trading Funds	0	7
Other Entities and Individuals	128	258
	<u>1,581</u>	<u>1,505</u>

#### Long Term Creditors

	2015/16 £000	2016/17 £000
Receipts in Advance (Strategic Transport Fund Balances)	1,734	1,839

### Note 13 External Audit Costs

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

	2015/16 £000	2016/17 £000
Fees payable in respect of external audit services:	11	10
Total	<u>11</u>	<u>10</u>

### Note 14 Defined benefit pension schemes

#### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Partnership makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Partnership has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in one post employment scheme:

- The Local Government Pension Scheme, administered locally by the North East Scotland Pension Fund - this is a funded defined benefit final salary scheme, meaning that the Partnership and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

For 2016/17, the Partnership paid £54,105 to the Fund in respect of retirement benefits representing 19.3% of pensionable pay. The figures for 2015/16 were £48,922 and 19.3%.

**NOTES TO THE ACCOUNTS (continued)**

**Note 14 Defined benefit pension schemes (continued)**

**Transactions relating to post employment benefits**

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

2015/16 £000	2016/17 £000
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>	
<b>Cost of Services</b>	
68 Current service cost	68
0 Past Service cost	0
0 Loss from Settlements	0
<b>Financing and Investment Income &amp; Expenditure</b>	
18 Net Interest Expense	20
1 Administration Expenses	1
<b>87 Total post employment benefits charged to the surplus or deficit on the provision of services</b>	<b>89</b>
<b>Other post employment benefits charged to the CIES</b>	
(80) Remeasurement of the net defined liability comprising: Actuarial gains and losses arising on changes in financial assumptions	348
<b>7 Total post employment benefit charged to the CIES</b>	<b>437</b>
<b>Movement in Reserves Statement</b>	
(87) Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(89)
<b>Actual amount charged against the General Fund balance for pensions in the year</b>	
<b>49 Employers contributions payable to the scheme</b>	<b>55</b>

## NOTES TO THE ACCOUNTS (continued)

### Note 14 Defined benefit pension schemes (continued)

#### Pension assets and liabilities recognised in the Balance Sheet

	31/03/2016	31/03/2017
	£000	£000
Present value or the defined benefit obligation	2,340	3,184
Fair value of pension fund assets	(1,802)	(2,264)
<b>Net liability arising from defined benefit obligation</b>	<b>538</b>	<b>920</b>

#### Assets and liabilities in relation to post employment benefits

#### Reconciliation of present value of scheme liabilities (defined benefit obligation)

31/03/2016	31/03/2017
£000	£000
2,348 Opening value	2,340
68 Current service cost	68
77 Interest cost	86
17 Contributions by scheme participants	19
Actuarial (gains)/losses arising from changes in	
(132) financial assumptions	674
(38) Benefits paid	(3)
0 Past service cost	0
0 Loss on Curtailments	0
<b>2,340 Closing value</b>	<b>3,184</b>

#### Reconciliation of fair value of scheme assets

31/03/2016	31/03/2017
£000	£000
1,768 Opening value	1,802
59 Interest income	66
(52) Remeasurement gains/(losses)	326
(1) Administration expenses	(1)
49 Contributions from employer	55
17 Contributions from employee	19
(38) Benefits paid	(3)
<b>1,802 Closing Value</b>	<b>2,264</b>

A prior year adjustment has been made to reflect the implementation of pension accounting in accordance with IAS 19. Opening reserves have been adjusted so that the comparatives reflect the balances. The impact of the changes are set out:

NOTES TO THE ACCOUNTS (continued)

	31 March 2017 £000	Restated 31 March 2016 £000
Total Comprehensive Income & Expenditure Account excluding pension liability	2	(2)
LGPS pension on current service costs instead of contributions paid basis	13	19
Recognition of LGPS pension liabilities	369	(52)
<b>Total Comprehensive Income &amp; Expenditure Account including pension liability</b>	<b>384</b>	<b>(35)</b>
Net liability excluding pension deficit	(8)	(6)
Pension deficit	(920)	(538)
<b>Net liability including pension deficit</b>	<b>(928)</b>	<b>(544)</b>
Unusable Reserves excluding Pension Reserve	(8)	(6)
Pension Reserve	(920)	(538)
<b>Unusable Reserves including pension reserve</b>	<b>(928)</b>	<b>(544)</b>

**Analysis of Pension Fund's Assets**

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Quoted (Y/N)	31/03/2016 £'000	31/03/2017 £'000
<b>Equities:</b>			
UK quoted	Y	352	440
Global quoted	Y	422	414
Global Frontier Fund	Y	20	0
Pooled UK	Y	263	340
Pooled Global	Y	261	346
<b>Bonds:</b>			
UK Government fixed	Y	43	63
UK Government indexed	Y	72	113
Overseas Government fixed	Y	83	75
UK Other	Y	4	0
Overseas other	Y	2	0
UK Corporate	Y	4	7
Overseas Corporate	Y	29	29
Overseas Pooled Funds	Y	4	0
<b>Property:</b>			
UK Direct	N	137	154
Property Funds - Global	N	16	5
<b>Alternatives:</b>			
European Private Equity	N	22	29
Global Private Equity	N	49	59
Global Infrastructure	N	4	5
UK Private Equity	N	0	2
Global Private Equity Real Estate	N	0	5
Diversified Growth Funds	N	0	20
Other Loan Fund	N	2	122
<b>Cash:</b>			
Cash instruments	N	11	34
Net current assets	N	2	2
		<u>1,802</u>	<u>2,264</u>



## NOTES TO THE ACCOUNTS (continued)

### Note 14 Defined benefit pension schemes (continued)

#### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the last full valuation of the scheme as at 31 March 2014.

The significant assumptions used by the actuary have been:

2015/16	2016/17
Mortality Assumptions:	
Longevity at age 65 for current pensioners (years)	
22.2 - Men	22.3
24.8 - Women	24.9
Longevity at age 65 for future pensioners (years)	
24.4 - Men	24.5
27.6 - Women	27.8
2.0% Rate of inflation	2.3%
3.5% Rate of increase in salaries	3.8%
2.0% Rate of increase in pensions	2.3%
3.6% Rate of discounting fund liabilities	2.6%
Take up of option to convert annual pension into 50% retirement lump sum	
	50%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Fund	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	57	(57)
Rate of inflation (increase or decrease by 0.1%)	58	(58)
Rate of increase in salaries (increase or decrease by 0.1%)	20	(20)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(58)	58

## NOTES TO THE ACCOUNTS (continued)

### Note 14 Defined benefit pension schemes (continued)

#### Impacts on the Partnership's Cash Flow

The aims of the fund are to:

- Ensure that sufficient resources are available to meet all liabilities as they fall due
- Enable employer contributions to be kept as nearly constant as possible and at reasonable cost to the taxpayers and employers
- Manage employers liability effectively
- Maximise the returns from investments within reasonable risk parameters

The employer's contributions are set by the Fund actuary at each triennial actuarial valuation (the most recent being as at 31 March 2014), or at any time as instructed to do so by the Council. The actuaries have estimated that contributions for the year to 31 March 2018 will be approximately £57,000.

### 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.

#### Coordination & Project Development

Actual (£) 2015/16		Budget (£) 2016/17	Actual (£) 2016/17
349,563	Partnership Office	394,200	407,159
88,387	Partner Support Costs	86,140	86,749
0	Board Member expenses	1,000	0
29,662	Other Associated Costs	28,200	27,319
<u>467,612</u>	<b>Core Costs Total</b>	<u>509,540</u>	<u>521,227</u>
28,223	Health & Transport	36,500	35,348
39,578	Bus	30,660	30,628
136,871	Rail	3,900	3,912
283,050	Other Costs	527,100	470,413
10,370	Rechargeable Costs	0	1,300
<u>498,092</u>	<b>Regional Transport Strategy Total</b>	<u>598,160</u>	<u>541,601</u>
<u><b>965,704</b></u>	<b>Expenditure Total</b>	<u><b>1,107,700</b></u>	<u><b>1,062,828</b></u>
(89,350)	Council Partners	(319,350)	(255,371)
(782,000)	Scottish Government	(782,000)	(782,000)
(10,870)	Other Income	0	(1,300)
<u>(882,220)</u>	<b>Income Total</b>	<u>(1,101,350)</u>	<u>(1,038,671)</u>
<u><b>83,484</b></u>	<b>Net Total</b>	<u><b>6,350</b></u>	<u><b>24,158</b></u>

## NOTES TO THE ACCOUNTS (continued)

### Note 15 Detailed Performance Figures (continued)

#### Strategic Investment Programme

Actual (£) 2015/16		Budget (£) 2016/17	Actual (£) 2016/17
0	Rail	40,000	40,207
671,421	Strategic Roads	646,258	643,618
501,865	Quality Bus Corridors	517,489	504,330
628,406	Cycle Routes	382,158	401,748
0	Carbon Reduction & Air Quality	17,000	17,039
349,746	Various	0	0
<u>2,151,438</u>	<b>Expenditure Total</b>	<u>1,602,905</u>	<u>1,606,942</u>
(2,155,616)	Council Partners	(1,554,397)	(1,528,813)
(25,000)	Transport Scotland	0	0
(27,807)	Sustrans	(54,858)	(78,129)
<u>(2,208,423)</u>	<b>Income Total</b>	<u>(1,609,255)</u>	<u>(1,606,942)</u>
<u>(56,985)</u>	<b>Net Total</b>	<u>(6,350)</u>	<u>0</u>

### Note 15 Detailed Performance Figures (continued)

The table above 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.

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. The ASAM upgrade was budgeted to cost £107,960 but thanks to these costs being covered by City Region Deal the full cost of the upgrade could be shown through Nestrans, hence the actual figure being higher than 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, (2015/16 £782,000). Grants received from the Scottish Government are set out in the subjective analysis in Note 15 on reporting for resource allocation decisions. There were no grant receipts outstanding at 31 March 2017.

## NOTES TO THE ACCOUNTS (continued)

### Note 16 Related Parties (continued)

#### 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 2016/17 and there was no contract awarded in which a Board Member had declared an interest.

#### 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	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Aberdeen City Council	1,263	902	1,426	658
Aberdeenshire Council	981	882	1,029	643

	Amounts due from at		Amounts due to at	
	31 March	31 March	31 March	31 March
	2016	2017	2016	2017
	£000	£000	£000	£000
Aberdeen City Council	778	829	922	627
Aberdeenshire Council	385	497	531	570

#### Officers

The management of the Partnership is disclosed in the remuneration report on pages 38 to 41 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.

#### 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.

### Note 17 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.

## NOTES TO THE ACCOUNTS (continued)

### Note 17 Financial Instruments (continued)

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 2017.

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

	Long-Term		Current	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Financial Liabilities at Amortised Cost	1,734	1,839	1,581	1,505
<b>Total Creditors</b>	<b>1,734</b>	<b>1,839</b>	<b>1,581</b>	<b>1,505</b>
Loans and Receivables	0	0	1,318	1,537
Cash & Cash Equivalents	0	0	1,991	1,799
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>3,309</b>	<b>3,336</b>

### 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           £ 9,000

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.

### 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.

## **NOTES TO THE ACCOUNTS (continued)**

### **Note 17 Financial Instruments (continued)**

#### **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 £17,989 (2015/16 £19,907). (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 18 Accounting Standards that have been Issued but have not yet been Adopted**

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applied to new or amended standards with the 2017/18 code.

It is not expected that any new or amended standards within the Code will have a material impact on the annual accounts.

## 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 external audit.

### 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 2016/17	Total 2015/16
Roderick Murray	73,525	0	0	0	0	73,525	73,525
<b>Totals</b>	<b>73,525</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73,525</b>	<b>73,525</b>

## REMUNERATION REPORT (continued)

### 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	
	2016/17	2015/16
£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
<b>Totals</b>	<b>2</b>	<b>1</b>

### 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 2016/17 (2015/16 - 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.



## REMUNERATION REPORT (continued)

### Pension Benefits of Senior Employees

	In-year pension contributions		Accrued annual pension benefits		Accrued pension lump sum	
	For year to 31 March 2017	For year to 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
Roderick Murray	15,293	15,000	36,776	35,245	79,226	79,226
<b>Totals</b>	<b>15,293</b>	<b>15,000</b>	<b>36,776</b>	<b>35,245</b>	<b>79,226</b>	<b>79,226</b>

#### 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 2016/17 remain the same as 2015/16, however, the tiers have increased slightly.

The tiers and rates are as follows:

Rate	2016/17	2015/16
5.50%	up to £20,500	up to £20,500
7.25%	£20,501 - £25,000	£20,501 - £25,000
8.50%	£25,001 - £34,400	£25,001 - £34,400
9.50%	£34,401 - £45,800	£34,401 - £45,800
12.00%	over £45,801	over £45,801

## REMUNERATION REPORT (continued)

### 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 Peter Argyle  
Chair

Derick Murray  
Director

18 September 2017

## **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.

#### **ACAA**

Accumulated Compensated Absences Adjustment

