

nestrans

**UNAUDITED
ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2019**

ANNUAL ACCOUNTS 2018/19

CONTENTS

	PAGE
Management Commentary	2 - 9
Annual Governance Statement	10 - 11
Statement of Responsibilities for the Annual Accounts	12
Independent Auditor's Report	13 - 15
Expenditure and Funding Analysis	16
Movement in Reserves Statement	17
Comprehensive Income and Expenditure Statement	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Annual Accounts	21 - 39
Remuneration Report	40 - 43
Glossary of Terms	45

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-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.

Nestrans Board Members agreed in autumn 2018 to review the strategy and that the development of a RTS to 2040 be linked to other strategy documents that are being undertaken, such as the National Transport Strategy and Aberdeen City and Shire Strategic Development Plan.

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.

MANAGEMENT COMMENTARY (continued)

Progress against Key Performance Indicators

In the most recent monitoring report dated June 2019, of 55 indicators for which indicative targets have been identified and using the most up-to-date data available, the following results could be summarised:

	2014	2015	2016	2017	2018	2019
Indicators on target	22.5	20	21	21	19	19
Indicators with <i>some success</i>	14	12	14	14	15	15
Indicators moving in the wrong direction	2.5	1	6	8	11	11
Indicators with no data available	3	7	12	11	10	10

It should be noted that although this report is published on an annual basis, the most recent data available from a variety of different sources is 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.

MANAGEMENT COMMENTARY (continued)

Actual Performance in the Year & Plans for the Future

A 2017/18 Annual Report & Business Plan for 2018/19 for Nestrans was not prepared in 2018/19 due to lack of resources. It is therefore intended that a combined 2017/18 and 2018/19 Annual Report & Business Plan for 2019/20 be prepared and reported for consideration by the Board and published on the Partnership's website by the end of 2019. It is intended that the content will be reported to the Board in autumn and thereafter will be designed for publication within the documents section of the Nestrans website under the Annual reports and business plans section.

In 2018/19 Nestrans has 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 has 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 National Transport Strategy (NTS) is being reviewed and the Nestrans Director has continued to participate in the NTS safety and resilience and roles and responsibilities working groups. He was also part of the Minister's Active Travel Task Force and the Scottish Council for Development and Industry (SCDI) Connectivity Commission, both of whom published their reports in June 2018. Nestrans has continued to be involved in the Transport Working Group for the Aberdeen City Region Deal and the Strategic Transport Appraisal and external transport links to Aberdeen South Harbour have progressed. The upgrade to the strategic Aberdeen Sub Area Model (ASAM14), commissioned by Nestrans and funded by the Aberdeen City Region Deal has been audited and further development work undertaken to address certain audit comments.

Nestrans is part of the Aberdeen to Central Belt rail journey time improvement Reference Group and the Laurencekirk junction improvement Partnership Group, both of which are being funded through additional funding from the Scottish Government to the Aberdeen City Region Deal. A preferred option has now been identified for the Laurencekirk junction improvement.

Nestrans is also a key stakeholder in the Aberdeen to Inverness rail improvement and A96 dualling study. Nestrans continues to be involved in the European Civitas Portis project and is leading on a number of work packages. Civitas (Cities, Vitality and Sustainability) Portis is a four year project to September 2020 that will test innovative and sustainable solutions in five European port cities. Consultancy studies have been commissioned by Nestrans relating to Travel Planning for business parks south of Aberdeen City Centre and Park & Ride marketing and research in the past year to progress this. Nestrans has continued to employ an embedded Sustrans Cycle Development Officer which attracts the grant funding from Sustrans for active travel related measures. Nestrans has also been successful in securing an Active Travel Grant and Local Rail Development Fund Grant from Transport Scotland and match funding through a Smarter Choices, Smarter Places Open Fund, Paths for All grant.

MANAGEMENT COMMENTARY (continued)

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

The Nestrans Board oversaw the delivery of projects that amounted to around £2.48 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. This has included progressing the delivery of the Kintore Railway Station and car park, various strategic road capacity, safety and maintenance schemes, bus and cycling and walking improvements, support towards projects to reduce carbon and improve air quality and to promote sustainable travel. A number of studies have been funded including further work on the Fraserburgh/Peterhead to Aberdeen strategic corridor study, a Mearns Rail Stations Car Park Study, a Roads Hierarchy Study, Cross City Connections and Wellington Road multi-modal study. A cumulative impact appraisal was commissioned in support of the development of the Strategic Development Planning Authority's Proposed Strategic Development Plan for Aberdeen City and Aberdeenshire. Nestrans has refunded Strategic Transport Fund (STF) payments, as requested and verified following the quashing of the STF Supplementary Guidance produced by the Strategic Development Planning Authority.

In the year ahead, Nestrans will progress the development of the next Regional Transport Strategy and continue to participate in the National Transport Strategy review and will be involved in the development of the national Strategic Transport Projects Review for the north east.

The Strategic Transport Appraisal will be progressed with the next stage being the appraisal of options for transport provision over the next 20 years. An update of the Aberdeen Sub Area Model (ASAM14) will be commissioned to take account of the impact on travel patterns of the opening of the Aberdeen Western Peripheral Route in February 2019. Nestrans will continue to be involved with the other City Region Deal transport related projects and as a stakeholder for the Aberdeen to Inverness rail improvements and A96 dualling. Work will also continue on the Civitas Portis project. The cumulative transport appraisal option testing report will be completed used to inform the development of Local Development Plans for Aberdeen City and Aberdeenshire Councils.

The Nestrans Board has approved budgets for 2019/20 to implement further rail, road safety and capacity, 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. Partnership working with Sustrans will continue and Nestrans will endeavour to seek and maximise any other relevant potential grant funding opportunities.

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 £957,290 (£918,850 2017/18) and the budget for Strategic Investment Programme was £2,295,428 (£1,797,053 2017/18).

Nestrans has invested over £2 million in the past year on various rails, roads, bus, cycling, walking and carbon reduction initiatives. In addition, £404,923 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 Cross City Connections and Wellington Road multi-modal studies.

MANAGEMENT COMMENTARY (continued)

Financial Performance Review (continued)

Nestrans has also been boosted by the award of European grant funding under the Civitas Portis project. This grant was awarded to a partnership of port cities in September 2016 for the period to September 2020, with Nestrans being a member of the Aberdeen partnership grouping. The grant is being used to examine transport solutions with a connection to port operations and supporting urban mobility through changes in travel behaviour. The total value of the grant available to Nestrans is £266,035. Grants have also been awarded for the financial years 2018/19 – 2019/20 to Nestrans from Transport Scotland in the form of Active Travel and Local Rail Development Fund grants.

Review of Out-turn against Budget for 2018/19

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 following a number of virements.

The Cumulative Transport Appraisal supplementary option appraisal work will continue into 2019/20 to consider amendments to the level of development content within the final Proposed Strategic Development Plan and delay in draw down of £41,666 was requested for this and work associated with travel planning and the lead time for delivery of an accessible bicycle in support of the Health and Transport Action Plan that are continuing into 2019/20.

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 £3,429,544 to be carried forward to 2019/20 although the bulk of this is associated with Kintore Railway Station because funding has been allocated in advance of the need to better profile the contributions, and for Ellon Park and Ride as the Compulsory Purchase Order has been finalised and the tender will be issued in April to allow construction to be completed thereafter. Projects also benefitted from additional grant funding from Scottish Government and Sustrans but as this funding can continue to be claimed until June 2019 a further £486,817 of grant funding has been approved for carry forward to 2019/20. A number of projects encountered delays due to changing priorities as a result of resource planning issues, including Inverurie Interchange which was unable to be progressed this year due to contractors working on the dualling of the railway from Aberdeen to Inverness occupying the site required for this project. There was £120,000 allocated in the budget for this work. There has therefore been an underspend of £227,954 (10%) when compared to budget.

MANAGEMENT COMMENTARY (continued)

Review of Out-turn against Budget for 2018/19 (continued)

	2017/18 Actual £000	2018/19 Budget £000	2018/19 Actual £000	% Actual v Budget
Grants & Requisitions	2,856	3,253	3,044	94%
Other Income	59	0	2	-
Interest	4	0	11	-
Total Income	2,919	3,253	3,057	94%
Coordination & Project Development				
- Core Costs	534	548	555	101%
- Regional Transport Strategy	431	410	410	100%
Strategic Investment Programme	1,880	2,295	2,067	90%
City Region Deal	79	0	15	-
Civitas/Portis	32	0	47	-
Total Operating Expenses	2,956	3,253	3,094	95%
Net Surplus/(Deficit)	(37)	0	(37)	

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.

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.

MANAGEMENT COMMENTARY (continued)

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 2018/19 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

Going Concern

The Balance Sheet shows that the Partnership has an excess of liabilities over assets of £698,000 at 31 March 2019 due to the accrual of pension liabilities and accumulated absences. Future actuarial valuations of the pension scheme will consider the appropriate employer's rate to meet the commitments of the scheme and accumulated absences will be funded by the 2019/20 requisitions from constituent authorities. The budget for 2018/19 with funding levels in line with 2017/18 and the indicative budgets for 2019/20 confirm that sufficient funding is available beyond September 2020 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 2018/19.

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 comprehensive income and expenditure statement under IAS 19 in respect of the Local Government Scheme, based upon assessments provided by the Actuary of the Scheme.

The Balance Sheet on page 19 shows that the Board has a net pension liability of £687,000 as at the 31 March 2019 (£584,000 31 March 2018) due to the accrual of pension liabilities in accordance with IAS19. The increase of £103,000 in the net liability position is due to higher than expected market returns and changes in actuarial assumptions.

MANAGEMENT COMMENTARY (continued)

Retirement Benefits (continued)

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 .

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.

In April, Derick Murray the current Director of Nestrans went an anticipated extended period of absence, and remains on leave as at todays date. It was agreed by the Board in February that in his absence Rab Dickson would carry out his duties as Acting Director.

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

Rab Dickson
Acting Director

Alan Wood, MA (Hons), CPFA
Treasurer

19 June 2019

ANNUAL 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 (2016) 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 2019 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.

The Nestrans Risk Register was refreshed during the year. It sets out 12 key risks including the impact of changes in government policy and the likelihood of reduced funding on the role and remit of the board. Risks have been assigned to the Director and will be kept under regular review.

ANNUAL 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 2019. On the basis of his review and opinion, we are satisfied that the arrangements in place provide assurance, are adequate and are operating effectively.

The Code of Corporate Governance was reviewed as part of the annual review process and found it was still fit for purpose and no changes were required.

Conclusion

Our Annual Governance Statement summarises the partnership's governance arrangements and affirms our commitment that they are subject to review and remain appropriate for the activities and delivery of services. On the basis of the evidence contained in this statement, we are satisfied that the arrangements are adequate and are operating effectively.

Signed:

Councillor Peter Argyle
Chairman

Rab Dickson
Acting Director

Alan Wood, MA (Hons), CPFA
Treasurer

19 June 2019

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.

Signed on behalf of the Partnership

Councillor Peter Argyle, Chairman
19 June 2019

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 2019.



Alan Wood, MA (Hons), CPFA
Treasurer
19 June 2019

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

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

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

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 2017/18 £000	Adjust -ments* 2017/18 £000	Net Expenditure in the CIES 2017/18 £000		Net Expenditure Chargeable to the General Fund 2018/19 £000	Adjust -ments* 2018/19 £000	Net Expenditure in the CIES 2018/19 £000
3	38	41	Coordination & Project Development	15	33	48
0	0	0	Strategic Investment Programme	0	0	0
0	0	0	City Region Deal	0	0	0
0	0	0	Civitas/Portis	0	0	0
(4)	24	20	Financing and Net Interest	(11)	15	4
(1)	62	61	(Surplus) / Deficit	4	48	52
0			General Fund Balance at 1 April	0		
(1)			(Plus)/Less (Surplus) or Deficit on the General Fund	4		
(1)			General Fund Balance at 31 March	4		

*Adjustments - Adjustments between the funding and accounting basis

MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2019

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
Balance at 01 April 2017	0	0	8	920	928
Deficit on provision of services	62	62	0	0	0
Other Comprehensive income and expenditure	0	0	0	(399)	(399)
Total Comprehensive Expenditure and Income	62	62	0	(399)	(399)
Adjustments between accounting basis & funding basis under regulations	(62)	(62)	(1)	63	62
Movement in Year	0	0	(1)	63	62
Balance at 31 March 2018	0	0	7	584	591
Balance at 01 April 2018	0	0	7	584	591
Deficit on provision of services	52	52	0	0	0
Other Comprehensive income and expenditure	0	0	0	55	55
Total Comprehensive Expenditure and Income	52	52	0	55	55
Adjustments between accounting basis & funding basis under regulations	(52)	(52)	4	48	52
Movement in Year	0	0	4	48	52
Balance at 31 March 2019	0	0	11	687	698

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2019

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.

		2017/18			2018/19		
£000	£000	£000		£000	£000	£000	
Expenditure	Income	Net		Expenditure	Income	Net	
			Note				
965	(924)	41	Coordination & Project Development	15	965	(917)	48
1,880	(1,880)	0	Strategic Investment Programme	15	2,067	(2,067)	0
79	(79)	0	City Region Deal	15	(15)	0	
32	(32)	0	Civitas/Portis	47	(47)	0	
0	(4)	(4)	Financing and Investment income	8	0	(11)	(11)
2,956	(2,919)	37	Cost of Services	3,094	(3,057)	37	
			Net interest on net defined benefit pension liability			15	
			(Surplus) / Deficit on Provision of Services			52	
			Actuarial (gains)/losses on pension assets/liabilities			55	
		(338)	Total Comprehensive Income & Expenditure			107	

BALANCE SHEET AS AT 31 MARCH 2019

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 2018 £000		Note	31 March 2019 £000
1,378	Short Term Debtors	10	813
	Cash and Cash		
2,219	Equivalents	11	1,353
<u>3,597</u>	Current Assets		<u>2,166</u>
(1,757)	Short Term Creditors	12	(1,671)
<u>(1,757)</u>	Current Liabilities		<u>(1,671)</u>
(1,847)	Long Term Creditors	12	(506)
(584)	Pension Liability	14	(687)
<u>(2,431)</u>	Long Term Liabilities		<u>(1,193)</u>
<u>(591)</u>	Net Liability		<u>(698)</u>
591	Unusable Reserves	7	698
<u>591</u>	Total Reserves		<u>698</u>



Alan Wood, MA (Hons), CPFA
Treasurer

19 September 2018

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 2018		31 March 2019	Note
£000		£000	
61	Net (deficit) / surplus on the provision of services	52	6
160	(Increase)/Decrease in Debtors	565	
260	Increase/(Decrease) in Creditors	(1,427)	
(61)	Pension Liability	(56)	
<u>420</u>	Net cash flows from Operating Activities	(866)	
420	Net (decrease) / increase in cash and cash equivalents	(866)	
<u>1,799</u>	Cash and cash equivalents at the beginning of the reporting period	<u>2,219</u>	
<u><u>2,219</u></u>	Cash and cash equivalents at the end of the reporting period	<u><u>1,353</u></u>	

NOTES TO THE ACCOUNTS

NOTE 1 Accounting Policies

General Principles

The Annual Accounts summarises the Partnership's transactions for the 2018/19 financial year and its position at the year-end, 31 March 2019. 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 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 2019.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Financial Instruments (continued)

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 2019.

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. However, this has not been possible due to the developer's legal challenge which was upheld by the Supreme Court on 25 October 2017. Developers now have the right to request their contributions be returned.

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 2019.

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 requires 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.

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 2019. There is also a pension reserve which is explained on page 28.

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

Pension Liability - The estimation of the defined benefit obligations is sensitive to various actuarial assumptions relating to the discount rate used, the rate at which salaries are projected to increase, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. More details on this can be found in Note 14.

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 11 June 2019. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events since the date of the Balance Sheet which necessitate the revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

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 2017/18 £000
Adjustments involving the Pensions Reserve			
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	(125)	125	0
Employers' pension contributions and direct payments to pensioners payable in the year	62	(62)	0
Adjustments involving the Accumulating Compensated Absences Adjustment Account			
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	1	(1)	0
Total Adjustments	(62)	62	0

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 2018/19 £000
Adjustments involving the Pensions Reserve			
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	(114)	114	0
Employers' pension contributions and direct payments to pensioners payable in the year	66	(66)	0
Adjustments involving the Accumulating Compensated Absences Adjustment Account			
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	(4)	4	0
Total Adjustments	(52)	52	0

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

2017/18			2018/19		
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
39	(1)	38	33	4	37
<u>39</u>	<u>(1)</u>	<u>38</u>	<u>33</u>	<u>4</u>	<u>37</u>
		Other Income &			
24	0	24	15	0	15
<u>63</u>	<u>(1)</u>	<u>62</u>	<u>48</u>	<u>4</u>	<u>52</u>

NOTES TO THE ACCOUNTS (continued)

Note 7 Balance Sheet - Unusable Reserves

31/03/2018 £000	31/03/2019 £000
(584) Pensions reserves (a)	(687)
(7) Accumulated Compensated Absences Adjustment Account (b)	(11)
<u>(591) Total Unusable Reserves</u>	<u>(698)</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.

2017/18 £000	2018/19 £000
920 Balance at 1 April	584
Remeasurement of the net defined liability comprising: (399) gains and losses arising on changes in financial assumptions	<u>55</u>
521	639
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services 125 in the Comprehensive Income & Expenditure Statement	114
Employer's pension contributions and direct payments to (62) pensioners payable in the year	(66)
<u>584</u> Balance at 31 March	<u>687</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)

2017/18 £000	2018/19 £000
8 Balance at 1 April	7
Settlement or cancellation of accrual made at the end (8) of the preceding year	(7)
7 Amounts accrued at the end of the current year	11
<u>7</u> Balance at 31 March	<u>11</u>

Note 8 Financing and Investment Income and Expenditure

	2017/18 £000	2018/19 £000
Interest receivable and similar income	4	11

Note 9 Requisitions and Non-Specific Grant Income

	2017/18 £000	2018/19 £000
Core Funding Requisitions		
Aberdeen City Requisition	51	81
Aberdeenshire Requisition	32	47
Other Grants or Requisitions		
Aberdeen City	760	956
Aberdeenshire Council	969	1,057
Scottish Government - Regional Transport Strategy	782	782
Transport Scotland	98	41
Sustrans	53	10
Paths for All (Smarter Choices Smarter Places)	0	5
Local Rail Development Fund	0	4
City Region Deal	79	15
Civitas/Portis	32	47
	<u>2,856</u>	<u>3,045</u>

Note 10 Short Term Debtors

	2017/18 £000	2018/19 £000
Government Bodies	164	198
Other Local Authorities	1,193	598
Other Entities and Individuals	21	17
	<u>1,378</u>	<u>813</u>

NOTES TO THE ACCOUNTS (continued)

Note 11 Cash and Cash Equivalents

	2017/18	2018/19
	£000	£000
The balance of Cash and Cash Equivalents comprises:		
Bank or Cash balances held	2,219	1,353
	<u>2,219</u>	<u>1,353</u>

Note 12 Creditors

Short Term Creditors

	2017/18	2018/19
	£000	£000
Other Local Authorities	1,575	1,489
Public Corporations & Trading Funds	6	7
Other Entities and Individuals	176	175
	<u>1,757</u>	<u>1,671</u>

Long Term Creditors

	2017/18	2018/19
	£000	£000
Receipts in Advance (Strategic Transport Fund Balances)	1,847	506
Total	<u>1,847</u>	<u>506</u>

Note 13 External Audit Costs

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

	2017/18	2018/19
	£000	£000
Fees payable in respect of external audit services:	10	10
Total	<u>10</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.

NOTES TO THE ACCOUNTS (continued)

Note 14 Defined Benefit Pension Schemes (continued)

Participation in pension schemes (continued)

For 2018/19, the Partnership paid £68,288 (2017/18 £62,240) to the Fund in respect of retirement benefits representing 22.8% (2017/18 21.5%) of pensionable pay.

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.

2017/18 £000	2018/19 £000
Comprehensive Income & Expenditure Statement (CIES)	
Cost of Services	
101 Current service cost	99
0 Past Service cost	0
0 Loss from Settlements	0
Financing and Investment Income & Expenditure	
23 Net Interest Expense	14
1 Administration Expenses	1
<hr/>	<hr/>
125 Total post employment benefits charged to the surplus or deficit on the provision of services	114
Other post employment benefits charged to the CIES	
Remeasurement of the net defined liability comprising: Actuarial	
(399) gains and losses arising on changes in financial assumptions	55
<hr/>	<hr/>
(274) Total post employment benefit charged to the CIES	169
Movement in Reserves Statement	
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in	
(125) accordance with the code	(114)
<hr/>	<hr/>
Actual amount charged against the General Fund balance for pensions in the year	
<hr/>	<hr/>
62 Employers contributions payable to the scheme	66

NOTES TO THE ACCOUNTS (continued)

Note 14 Defined Benefit Pension Schemes (continued)

Pension assets and liabilities recognised in the Balance Sheet

	31/03/2018	31/03/2019
	£000	£000
Present value of the defined benefit obligation	3,390	3,791
Fair value of pension fund assets	(2,806)	(3,104)
Net liability arising from defined benefit obligation	<u>584</u>	<u>687</u>

Assets and liabilities in relation to post employment benefits

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

31/03/2018	31/03/2019
£000	£000
3,184 Opening value	3,390
101 Current service cost	99
83 Interest cost	88
21 Contributions by scheme participants	20
Actuarial (gains)/losses arising from changes in	
17 financial assumptions	210
(16) Benefits paid	(16)
0 Past service cost	0
0 Loss on Curtailments	0
<u>3,390</u> Closing value	<u>3,791</u>

Reconciliation of fair value of scheme assets

31/03/2018	31/03/2019
£000	£000
2,264 Opening value	2,806
60 Interest income	74
416 Remeasurement gains/(losses)	155
(1) Administration expenses	(1)
62 Contributions from employer	66
21 Contributions from employee	20
(16) Benefits paid	(16)
<u>2,806</u> Closing Value	<u>3,104</u>

NOTES TO THE ACCOUNTS (continued)

Note 14 Defined Benefit Pension Schemes (continued)

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)	31/03/2018 £'000	31/03/2019 £'000
Equities:	UK quoted	Y	546	508
	Global quoted	Y	533	616
	Pooled UK	Y	396	383
	Pooled Global	Y	370	370
Bonds:	UK Government fixed	Y	42	47
	UK Government indexed	Y	129	143
	Overseas Government fixed	Y	39	46
	UK Other	Y	1	1
	Overseas other	Y	20	23
	UK Corporate	Y	1	1
	Overseas Corporate	Y	14	16
Property:	UK Direct	N	199	226
	Property Funds - UK	N	6	0
Alternatives:	Private Equity	N	109	149
	Private Debt	N	3	10
	Private Equity Infrastructure	N	8	28
	Infrastructure Pooled Fund	N	42	74
	Private Equity Real Estate	N	28	42
	Multi Asset Credit	N	67	75
	Diversified Growth Funds	Y	208	227
Cash:	Cash instruments	N	45	119
			<u>2,806</u>	<u>3,104</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 2017.

The significant assumptions used by the actuary have been:

2017/18	2018/19
Mortality Assumptions:	
Longevity at age 65 for current pensioners (years)	
22.7 - Men	22.9
24.9 - Women	25.0
Longevity at age 65 for future pensioners (years)	
25.6 - Men	25.8
27.9 - Women	28.1
2.1% Rate of inflation	2.2%
3.6% Rate of increase in salaries	3.7%
2.2% Rate of increase in pensions	2.3%
2.6% Rate of discounting fund liabilities	2.4%
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)	68	(68)
Rate of inflation (increase or decrease by 0.1%)	73	(73)
Rate of increase in salaries (increase or decrease by 0.1%)	17	(17)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(71)	71

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 employer's 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 2017), or at any time as instructed to do so by the Council. The actuaries have estimated that contributions for the year to 31 March 2019 will be approximately £66,000.

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 (£) 2017/18		Budget (£) 2018/19	Actual (£) 2018/19
425,585	Partnership Office	429,020	444,684
74,812	Partner Support Costs	84,070	78,153
0	Board Member expenses	1,000	0
33,876	Other Associated Costs	33,500	31,702
<u>534,273</u>	Core Costs Total	<u>547,590</u>	<u>554,539</u>
41,805	Health & Transport	36,544	38,448
36,746	Bus	47,810	49,770
3,000	Rail	3,000	3,170
48,939	General	83,887	83,887
162,125	Project Feasibility & Monitoring	119,609	107,873
0	Contingency	0	0
79,670	Travel Planning	113,850	120,190
0	Paths for All	5,000	5,000
59,185	Rechargeable Costs	0	1,585
<u>431,470</u>	Regional Transport Strategy Total	<u>409,700</u>	<u>409,923</u>
<u>965,743</u>	Expenditure Total	<u>957,290</u>	<u>964,462</u>
(82,879)	Council Partners	(170,290)	(127,823)
(782,000)	Scottish Government	(782,000)	(782,000)
0	Smarter Choices Smarter Places	(5,000)	(5,000)
(59,185)	Other Income	0	(1,734)
<u>(924,064)</u>	Income Total	<u>(957,290)</u>	<u>(916,557)</u>
<u>41,679</u>	Net Total	<u>0</u>	<u>47,905</u>

NOTES TO THE ACCOUNTS (continued)

Note 15 Detailed Performance Figures (continued)

Strategic Investment Programme

Actual (£) 2017/18		Budget (£) 2018/19	Actual (£) 2018/19
229,748	Rail	155,000	147,354
603,768	Strategic Roads	688,387	625,125
205,596	Quality Bus Corridors	114,000	127,134
485,086	Cycle Routes	841,399	756,059
232,686	Carbon Reduction & Air Quality	6,788	6,787
123,016	Various	489,854	360,078
0	Active Travel	0	40,717
0	Insch Station	0	4,220
<u>1,879,900</u>	Expenditure Total	<u>2,295,428</u>	<u>2,067,474</u>
(1,729,219)	Council Partners	(2,081,345)	(2,012,652)
(97,522)	Transport Scotland	(120,000)	(40,718)
0	Local Rail Development Fund	0	(4,220)
(53,159)	Sustrans	(94,083)	(9,884)
<u>(1,879,900)</u>	Income Total	<u>(2,295,428)</u>	<u>(2,067,474)</u>
<u>0</u>	Net Total	<u>0</u>	<u>0</u>

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.

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, (2017/18 £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 2019.

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 2018/19 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	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Aberdeen City Council	811	1,037	717	850
Aberdeenshire Council	1,001	1,104	879	801

	Amounts due from at		Amounts due to at	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
Aberdeen City Council	595	489	443	479
Aberdeenshire Council	598	109	1,132	1,010

Officers

The management of the Partnership is disclosed in the remuneration report on pages 40 to 43 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 2019.

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

	Long-Term		Current	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Financial Liabilities at Amortised Cost	1,847	506	1,757	1,671
Total Creditors	1,847	506	1,757	1,671
Loans and Receivables	0	0	1,378	813
Cash & Cash Equivalents	0	0	2,219	1,353
Total Debtors	0	0	3,597	2,166

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 follows:-

Financial Assets Loans and Receivables

Interest Income £ 11,000

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 £13,529 (2017/18 £22,190). (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 2018/19 code.

Note 19 Operating Leases

The Partnership leases one office premise.

Partnership as Lessee

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

31/03/2018 £000	31/03/2019 £000
<u>22</u> Not later than one year	<u>22</u>
<u>22</u>	<u>22</u>

The expenditure charges to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31/03/2018 £000	31/03/2019 £000
<u>22</u> Minimum lease payments	<u>22</u>
<u>22</u>	<u>22</u>

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 2018/19	Total 2017/18
Roderick Murray	76,859	0	0	0	0	76,859	74,260
Totals	76,859	0	0	0	0	76,859	74,260

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	
	2018/19	2017/18
£50,000 - £54,999	1	1
£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	2

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 2018/19 (2017/18 - 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 2019	For year to 31 March 2018	As at 31 March 2019	As at 31 March 2018	As at 31 March 2019	As at 31 March 2018
Roderick Murray	6,944	15,966	41,526	38,764	82,818	80,018
Totals	6,944	15,966	41,526	38,764	82,818	80,018

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.

For service after the 31 March 2015, the annual pension is calculated by dividing the pensionable pay by 49 and then adding this to his or her cumulative pension account, which will subsequently be adjusted in line with the cost of living. The rates for 2017/18 were 21.5% (2016/17 19.3%).

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 tiers have increased slightly.

The tiers and rates are as follows:

Rate	2018/19	2017/18
5.50%	up to £21,300	up to £20,700
7.25%	£21,301 - £26,100	£20,701 - £25,300
8.50%	£26,101 - £35,700	£25,301 - £34,700
9.50%	£35,701 - £46,600	£34,701 - £46,300
12.00%	over £46,601	over £46,301

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

Rab Dickson
Acting Director

19 June 2019

GLOSSARY OF TERMS

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

