

nestrans

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2021**

ANNUAL ACCOUNTS 2020/21

CONTENTS

	PAGE
Management Commentary	2 - 9
Annual Governance Statement	10 - 11
Statement of Responsibilities for the Annual Accounts	12
Independent Auditor's Report	13 - 16
Expenditure and Funding Analysis	17
Movement in Reserves Statement	18 - 19
Comprehensive Income and Expenditure Statement	20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Annual Accounts	23 - 42
Remuneration Report	43 - 46
Glossary of Terms	47

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 to deliver the Regional Transport Strategy (RTS). Progress against these measures is discussed in the next section of this report.

In 2012, the Nestrans Board agreed to carry out a review of the RTS to 2021 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. The refreshed [Regional Transport Strategy](#) was approved by the Minister for Transport and Veterans in January 2014. It includes a comprehensive appraisal of the problems affecting transport in the North East and sets clear objectives for improving transport in the region to 2035.

Nestrans Board Members agreed in autumn 2018 to review the strategy and that the development of an RTS to 2040 be linked to other strategy documents, such as the National Transport Strategy and the Aberdeen City and Shire Strategic Development Plan. The National Transport Strategy ([NTS2](#)) was published in February 2020 and the Strategic Development Plan was approved by the Scottish Ministers in August 2020. Work on preparing a new draft RTS has progressed throughout the year, with updates reported to the Board for discussion and decision and posted on the dedicated website, [nestrans 2040](#), created in May 2019 to enable publication of all information relating to the development of new Strategy. A draft Strategy and supporting documents (including the Strategic Transport Appraisal, Equalities and Health Impact Assessments, Fairer Scotland Duty Assessment and Strategic Assessment) were approved by the Board in summer 2020 for consultation purposes.

A virtual consultation was undertaken and widely publicised over a ten-week period from 5 August 2020 via the dedicated website and targeted virtual presentations and discussion forums held with key partners, members of the North East Transport Consultative Forum, elected representatives and key stakeholders. A summary of the consultation responses was reported to the Nestrans Board in November with any amendments to the Strategy then prepared. The final strategy, with a focus on interventions to deliver against the four key pillars of equality, climate, prosperity and well-being, was presented to and approved by the Nestrans Board on 10 February 2021. It was then submitted to the Cabinet Secretary on the 24 March 2021 for his consideration.

MANAGEMENT COMMENTARY (continued)

Performance in the Year

The 2019/20 Annual Report & Business Plan for 2020/21 was approved by the Board in December 2020 and published on the Nestrans website.

In 2020/21 the Covid-19 lockdown restrictions meant that all Nestrans staff worked from home with only occasional essential visits to the office being undertaken and all meetings taking place virtually. Nestrans, however, 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. It was however decided that with the development of RTS2040, Nestrans would not publish an annual report in respect of 2020/21. Short to medium term travel planning guidance was also developed in response to the pandemic and Nestrans and Getabout websites and social media were used to publish transport related government guidance during the various lockdown transition phases. 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 (NTS2) was published in February 2020 and has been reflected in the development of the RTS to 2040. Nestrans has continued to be involved in the Transport Working Group for the Aberdeen City Region Deal and commissioned the Strategic Transport Appraisal STAG Part 1 study which was completed in December 2020 and also provides the key evidence base for the development of the RTS2040. Nestrans continued to be part of the client team for the external transport links to the Aberdeen South Harbour STAG Part 2 study and a preferred option was agreed by Aberdeen City Council in February 2021. The update to the strategic Aberdeen Sub Area Model (ASAM19), to reflect the impact of the opening of the AWPR on travel patterns and latest planning data that was commissioned by Nestrans in 2019 in partnership with Transport Scotland and both local authorities and is being funded by the Aberdeen City Region Deal is being progressed. The audit of the ASAM19 model development is also ongoing.

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 in conjunction with the Aberdeen City Region Deal.

Nestrans is also a key stakeholder in the Aberdeen to Inverness rail improvement and A96 dualling study. A preferred option for the dualling between east of Huntly and Aberdeen was identified by Transport Scotland in December 2020 and an eight week online consultation took place. Nestrans is also a member of the Aberdeen Low Emission Zone Delivery Group and continued to be involved in the European Civitas Portis project and to lead on a number of work packages. Civitas (Cities, Vitality and Sustainability) Portis was a four year project that was due to be complete by September 2020 to test innovative and sustainable solutions in five European port cities. As a result of Covid, the final conference that was due to take place in Aberdeen was held virtually and the timescale for the project was extended to November 2020.

MANAGEMENT COMMENTARY (continued)

Performance in the Year (continued)

Nestrans again funded additional staff levels in 2020 through Civitas Portis and progressed work under the travel planning, collective travel, demand management and freight work packages. Nestrans has continued to employ an embedded Sustrans Cycle Development Officer which attracts grant funding from Sustrans for active travel related measures and a further grant was awarded by Sustrans in 2020/21 for upgrades of the Deeside Way section of the National Cycle Network. A Regional Transport Active grant was again awarded and has been used to continue the study to investigate options for the A944 Kingswells to Westhill cycle route and resurfacing on and path improvements adjacent to the Formartine & Buchan Way. The Inch Station Accessibility Study using a previously awarded Local Rail Development Fund grant from Transport Scotland was completed in March 2021 and the Laurencekirk to Aberdeen multi-modal corridor study that is being funded via a further LRDF grant has been progressed. The Smarter Choices, Smarter Places Open Fund, Paths for All grant to undertake a comprehensive travel study was instead agreed for usage to undertake a series of travel behaviour and attitude surveys to monitor the changing impact to travel during the Covid-19 pandemic and this information was shared with partners and is published on the Nestrans [website](#).

The Nestrans Board oversaw the delivery of projects that amounted to around £2.3 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. This has included the opening of Kintore Railway Station, access road and car park on 15 October 2020, progressing various strategic road capacity, safety and maintenance schemes, bus and cycling and walking improvements, support towards projects to reduce carbon, improve air quality and to promote sustainable travel. A number of studies have been funded including the Inch Station Accessibility study, the A98 Banff Bridge active travel feasibility study, multi-modal corridor studies on the Wellington Road, A944/A9119, Ellon to Garthdee and A96 corridors and consultancy support to prepare a bid to the Bus Partnership Fund and develop proposals for Aberdeen Rapid Transit. Although no requests were received in 2020/21, Nestrans will continue to refund Strategic Transport Fund (STF) payments, as requested and verified following the quashing of the STF Supplementary Guidance produced by the Strategic Development Planning Authority.

Progress against Key Performance Indicators

A monitoring report has been produced each year which considered 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. 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.

Due to Covid restrictions and the work being undertaken to develop RTS2040, there is no intention to publish an annual report in respect of financial year 2020/21. As a result, Nestrans will not report on progress against key performance indicators in 2020/21. A new monitoring and evaluation framework is however currently being developed to support the RTS2040 and this will be available by the end of 2021.

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)

Plans for the Future

In the year ahead, Nestrans plans to publish the Regional Transport Strategy to 2040 upon receiving ministerial approval for the new strategy. A monitoring framework and Delivery Plan for the strategy will be developed. Nestrans also intends to develop a draft Strategic Investment Programme for a period of 3-5 years to give a level of certainty to the constituent authorities in capital budget planning following the ability for Regional Transport Partnerships to now hold a general fund as a result of the Commencement Order for Section 12 of the Transport (Scotland) Act 2019. Nestrans will continue to be involved in the development of the national Strategic Transport Projects Review² for the north east. Funding secured through a further Local Rail Development Fund Grant will be used to progress the multi-modal corridor study between Laurencekirk and Aberdeen.

The update of the Aberdeen Sub Area Model (ASAM19) will be completed and a range of future year scenarios developed. 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 the A96 dualling. Work will also continue on the development of the Aberdeen Low Emission Zone.

The Nestrans Board has approved budgets for 2021/22 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.

A number of projects within the 2020/21 budget that were impacted by the Covid lockdown will also be completed. The approved budget may continue to be subject to risk in the year ahead due to the potential ongoing uncertainties over construction and working practices as a result of the coronavirus impact, but reporting will take place, to the Board, to ensure the budget remains agile and best placed to deal with transport needs. 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 £876,792 (£935,134 2019/20) and the budget for Strategic Investment Programme was £2,024,521 (£2,302,649 2019/20).

Nestrans has invested over £2 million in the past year on various rails, roads, bus, cycling, walking and carbon reduction initiatives. In addition, £279,704 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.

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 was used to examine transport solutions with a connection to port operations and supporting urban mobility through changes in travel behaviour. The period of the project was extended to November 2020 due to Covid and the total value of the grant claimed by Nestrans was €354,312. Grants have also been awarded to Nestrans from Transport Scotland in the form of RTP Active Travel and Local Rail Fund grants and from Sustrans in the form of the Cycle Development Officer and NCN Deeside Way grants.

MANAGEMENT COMMENTARY (continued)

Review of Out-turn against Budget for 2020/21

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 Partnership Office costs were however reduced as a result of staff working from home and no travel, stationery or conference costs being incurred.

Continuation of funding of £242,669 has been approved to 2021/22 for several projects that were impacted by Covid, such as through events not being able to take place, normal promotion and surveys for public transport not being appropriate, lockdown affecting delivery and staff resources being utilised elsewhere in response to the pandemic.

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 £5,202,202 to be carried forward to 2021/22 although the bulk of this is associated with Kintore Railway Station.

The other projects that are continuing to 2021/22 are mainly due to Covid impacts, where lockdown restrictions have affected construction and with Council staff resources being prioritised to respond to the pandemic, such as through the design and delivery of Spaces for People measures.

Projects also benefitted from additional grant funding from the Scottish Government and Sustrans but, as this funding can continue to be claimed until June 2021, a further £419,018 of grant funding has been requested for carry forward to 2021/22. There has been an underspend of £11,000, when compared to budget.

	2019/20 Actual £000	2020/21 Budget £000	2020/21 Actual £000	% Actual v Budget
Grants & Requisitions	3,686	2,901	3,316	114%
Other Income	11	0	0	-
Interest	8	0	4	-
Total Income	3,706	2,901	3,320	114%
Coordination & Project Development				
- Core Costs	547	592	560	95%
- Regional Transport Strategy	311	284	280	99%
Strategic Investment Programme	1,993	2,025	2,013	99%
City Region Deal	397	0	188	-
Civitas/Portis	99	0	115	-
Total Operating Expenses	3,347	2,901	3,156	109%
Net Surplus/(Deficit)	358	0	163	

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.

MANAGEMENT COMMENTARY (continued)

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 and reliance on third parties to deliver its programme. Without these certainties, the opportunity to consider the development of any truly strategic concept is more limited.

The relationships with partners are 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 submitted for approval 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 2020/21 (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 £162,000 at 31 March 2021 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 2021/22 requisitions from constituent authorities. The budget for 2020/21 with funding levels in line with 2019/20 and the indicative budgets for 2021/22 confirm that sufficient funding is available beyond September 2022 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.

MANAGEMENT COMMENTARY (continued)

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 2020/21.

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 21 shows that the Board has a net pension liability of £750,000 as at the 31 March 2021 (£630,000 31 March 2020) due to the accrual of pension liabilities in accordance with IAS19. The movement of £120,000 in the net liability position is mainly due to changes in actuarial assumptions.

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.

MANAGEMENT COMMENTARY (continued)

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 Sandra Macdonald 

Councillor Sandra Macdonald
Chair

18 September 2021

Rab Dickson
Director

17 September 2021



Mary Beattie, FCCA
Treasurer

17 September 2021

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. In discharging this responsibility, the Director and Treasurer have put in place proper arrangements for the governance of resources, approved by the Board. The North East of Scotland Transport Partnership has adopted a Code of Corporate Governance which ensures the accountability and probity of officers. Following a review, the Nestrans Board approved a revised Code of Corporate Governance in December 2020. 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. The 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 2021 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.

As part of the update to the Code of Corporate Governance that was agreed in December 2020, the Nestrans Risk Register was instructed to be reviewed and reported back to the Board by April 2021. The revised risk register was approved by the Board on 14 April 2021 and sets out 14 key risks including the impact of changes in government policy, interruption and recovery from a major event 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 review on an annual basis.

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 2021. 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:

- Review of the Code of Corporate Governance during 2021/22
- Implementing recommendations from audit and inspection processes

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. Subject to the implementation of the action plan and on the basis of the evidence contained in this statement, we are satisfied that the arrangements are adequate and are operating effectively.

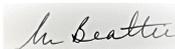
Councillor Sandra Macdonald 

Councillor Sandra Macdonald
Chair

18 September 2021

Rab Dickson
Director

17 September 2021



Mary Beattie, FCCA
Treasurer

17 September 2021

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 15 September 2021.

Signed on behalf of the Partnership

Councillor Sandra Macdonald

Councillor Sandra Macdonald, Chair
18 September 2021

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 2021.

M Beattie

Mary Beattie, FCCA
Treasurer
17 September 2021

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Nestrans for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Expenditure and Funding Analysis, 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 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the partnership as at 31 March 2021 and of its income and expenditure 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 2020/21 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is five years. 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 Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the partnership. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Treasurer and partnership for the financial statements

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

In preparing the financial statements, the Treasurer is responsible for assessing the partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The partnership is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the partnership is complying with that framework;
- identifying which laws and regulations are significant in the context of the partnership;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

Reporting on other requirements

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

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

Statutory other information

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

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

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

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

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

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Government Statement (continued)

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Anne Macdonald

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

18 September 2021

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	Adjustments*	Net Expenditure in the CIES	Net Expenditure Chargeable to the General Fund	Adjustments*	Net Expenditure in the CIES
2019/20	2019/20	2019/20	2020/21	2020/21	2020/21
£000	£000	£000	£000	£000	£000
(392)	67	(325)	(208)	24	(184)
0	0	0	0	0	0
0	0	0	0	0	0
(25)	0	(25)	25	0	25
(417)	67	(350)	(183)	24	(159)
0	10	10	0	11	11
(417)	77	(340)	(183)	35	(148)
0			(417)		
(417)			(183)		
(417)			(600)		

*Adjustments - Adjustments between the funding and accounting basis

MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2021

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 2019	0	0	11	774	785
Surplus on provision of services	(340)	(340)	0	0	0
Other Comprehensive income and expenditure	0	0	0	(223)	(223)
Total Comprehensive Expenditure and Income	(340)	(340)	0	(223)	(223)
Adjustments between accounting basis & funding basis under regulations	(76)	(76)	(3)	79	76
Decrease/(Increase) before Transfers to Statutory Reserves	(416)	(416)	(3)	(144)	(147)
Transfers to/(from) Statutory Reserve	0	0	0	0	0
Increase in Year	(416)	(416)	(3)	(144)	(147)
Balance at 31 March 2020	(416)	(416)	8	630	638

MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2021 (continued)

	General Fund	Total Usable Reserves	Accumulated Compensated Absences Adjustment Account	Pension Reserve	Total Unusable Reserves
	£000	£000	£000	£000	£000
Balance at 01 April 2020	(416)	(416)	8	630	638
Deficit on provision of services	(148)	(148)	0	0	0
Other Comprehensive income and expenditure	0	0	0	89	89
Total Comprehensive Expenditure and Income	(148)	(148)	0	89	89
Adjustments between accounting basis & funding basis under regulations	(36)	(36)	4	31	35
Decrease/(Increase) before Transfers to Statutory Reserves	(184)	(184)	4	120	124
Transfers to/(from) Statutory Reserve	0	0	0	0	0
Decrease/(Increase) in Year	(184)	(184)	4	120	124
Balance at 31 March 2021	(600)	(600)	12	750	762

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2021

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.

	2019/20				2020/21		
£000	£000	£000		£000	£000	£000	
Expenditure	Income	Net		Expenditure	Income	Net	
			Coordination & Project				
859	(1,184)	(325)	Development	15	840	(1,024)	(184)
			Strategic Investment				
1,993	(1,993)	0	Programme	15	2,013	(2,013)	0
397	(397)	0	City Region Deal		188	(188)	0
99	(124)	(25)	Civitas/Portis		115	(90)	25
3,348	(3,698)	(350)	Cost of Services		3,156	(3,315)	(159)
			Financing and Investment				
			(Income) & Expenditure	10	8		11
			(Surplus) / Deficit on				
			(340) Provision of Services				(148)
			Actuarial (gains)/losses				
			on pension assets/liabilities	(223)			89
			Total Comprehensive				
			(563) (Income) & Expenditure				(59)

BALANCE SHEET AS AT 31 MARCH 2021

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 2020 £000		Note	31 March 2021 £000
1,639	Short Term Debtors	10	1,799
	Cash and Cash		
1,509	Equivalents	11	952
3,148	Current Assets		2,751
(2,257)	Short Term Creditors	12	(1,680)
(2,257)	Current Liabilities		(1,680)
(483)	Long Term Creditors	12	(484)
(630)	Pension Liability	14	(750)
(1,113)	Long Term Liabilities		(1,234)
(222)	Net Liability		(162)
(416)	Usable Reserve		(600)
638	Unusable Reserves	7	762
222	Total Reserves		162

The unaudited annual accounts were authorised for issue on 9 June 2021 and the audited annual accounts were authorised for issue on 15 September 2021.



Mary Beattie, FCCA
Treasurer

17 September 2021

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 2020		31 March 2021	
£000		£000	Note
340	Net (deficit) / surplus on the provision of services	148	6
(826)	(Increase)/Decrease in Debtors	(160)	
563	Increase/(Decrease) in Creditors	(576)	
79	Pension Liability	31	
<hr/> 156	Net cash flows from Operating Activities	<hr/> (557)	
156	Net (decrease) / increase in cash and cash equivalents	(557)	
<hr/> 1,353	Cash and cash equivalents at the beginning of the reporting period	<hr/> 1,509	
<hr/> 1,509	Cash and cash equivalents at the end of the reporting period	<hr/> 952	

NOTES TO THE ACCOUNTS

NOTE 1 Accounting Policies

General Principles

The Annual Accounts summarises the Partnership's transactions for the 2020/21 financial year and its position at the year-end, 31 March 2021. 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 2021.

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 2021.

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 2021.

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 2.1% (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 now holds a General Fund balance, as permitted by Section 122 of the Transport (Scotland) Act which came into effect on 19 March 2020. This is shown as the Usable Reserve within the Balance Sheet on page 21.

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 2021. There is also a pension reserve which is explained on page 30.

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.

NOTES TO THE ACCOUNTS (continued)

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.

Note 4 Events After The Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Treasurer to the Partnership on 9 June 2021. Where events taking place before this date provided information about conditions existing at 31 March 2021, 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 2019/20 £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	(149)	149	0
Employers' pension contributions and direct payments to pensioners payable in the year	70	(70)	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	3	(3)	0
Total Adjustments	(76)	76	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 2020/21 £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	(112)	112	0
Employers' pension contributions and direct payments to pensioners payable in the year	80	(80)	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	(36)	36	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

2019/20				2020/21		
Employee				Employee		
Net Change for the Pensions £000	Annual Leave Accrued £000	Total Adjust- ments £000		Net Change for the Pensions £000	Annual Leave Accrued £000	Total Adjustments £000
61	(3)	58	Staff Costs	17	4	21
61	(3)	58	Net Cost of Services	17	4	21
			Other Income &			
18	0	18	Expenditure	15	0	15
79	(3)	76	Total Adjustments	32	4	36

NOTES TO THE ACCOUNTS (continued)

Note 7 Balance Sheet - Unusable Reserves

31/03/2020	31/03/2021
£000	£000
(630) Pensions reserves (a)	(750)
(8) Accumulated Compensated Absences Adjustment Account (b)	(12)
(638) Total Unusable Reserves	(762)

(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.

2019/20	2020/21
£000	£000
774 Balance at 1 April	630
Remeasurement of the net defined liability comprising: Actuarial	
(223) gains and losses arising on changes in financial assumptions	89
551	719
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services	
149 in the Comprehensive Income & Expenditure Statement	112
Employer's pension contributions and direct payments to	
(70) pensioners payable in the year	(81)
630 Balance at 31 March	750

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)

2019/20 £000	2020/21 £000
11 Balance at 1 April	8
Settlement or cancellation of accrual made at the end (11) of the preceding year	(8)
8 Amounts accrued at the end of the current year	12
8 Balance at 31 March	12

Note 8 Financing and Investment Income and Expenditure

	2019/20 £000	2020/21 £000
Net Interest on net defined benefit pension liability	18	15
Interest receivable and similar income	(8)	(4)
	10	11

Note 9 Requisitions and Non-Specific Grant Income

	2019/20 £000	2020/21 £000
Core Funding Requisitions		
Aberdeen City Requisition	195	112
Aberdeenshire Requisition	195	112
Other Grants or Requisitions		
Aberdeen City	758	944
Aberdeenshire Council	670	720
Scottish Government - Regional Transport Strategy	782	782
Transport Scotland	462	144
Sustrans	82	161
Paths for All (Smarter Choices Smarter Places)	0	18
Local Rail Development Fund	21	44
City Region Deal	397	188
Civitas/Portis	124	90
	3,686	3,315

Note 10 Short Term Debtors

	2019/20 £000	2020/21 £000
Government Bodies	170	160
Other Local Authorities	1,386	1,362
Other Entities and Individuals	83	277
	1,639	1,799

NOTES TO THE ACCOUNTS (continued)

Note 11 Cash and Cash Equivalents

	2019/20	2020/21
	£000	£000
The balance of Cash and Cash Equivalents comprises:		
Bank or Cash balances held	1,509	952
	<u>1,509</u>	<u>952</u>

Note 12 Creditors

Short Term Creditors

	2019/20	2020/21
	£000	£000
Other Local Authorities	1,973	1,577
Public Corporations & Trading Funds	7	6
Other Entities and Individuals	276	97
	<u>2,257</u>	<u>1,680</u>

Long Term Creditors

	2019/20	2020/21
	£000	£000
Receipts in Advance (Strategic Transport Fund Balances)	483	484
Total	<u>483</u>	<u>484</u>

Note 13 External Audit Costs

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

	2019/20	2020/21
	£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 2020/21, the Partnership paid £79,563 (2019/20 £70,216) to the Fund in respect of retirement benefits representing 22.8% (2019/20 22.8%) 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.

2019/20 £000	2020/21 £000
Comprehensive Income & Expenditure Statement (CIES)	
Cost of Services	
117 Current service cost	97
14 Past Service cost	0
0 Loss from Settlements	0
Financing and Investment Income & Expenditure	
17 Net Interest Expense	14
1 Administration Expenses	1
149 Total post employment benefits charged to the surplus or deficit on the provision of services	112
Other post employment benefits charged to the CIES	
(223) Remeasurement of the net defined liability comprising: Actuarial gains and losses arising on changes in financial assumptions	89
(74) Total post employment benefit charged to the CIES	201
Movement in Reserves Statement	
(149) Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(112)
Actual amount charged against the General Fund balance for pensions in the year	
70 Employers contributions payable to the scheme	80

NOTES TO THE ACCOUNTS (continued)

Note 14 Defined Benefit Pension Schemes (continued)

Pension assets and liabilities recognised in the Balance Sheet

	31/03/2020	31/03/2021
	£000	£000
Present value of the defined benefit obligation	3,508	4,800
Fair value of pension fund assets	<u>(2,878)</u>	<u>(4,050)</u>
Net liability arising from defined benefit obligation	<u>630</u>	<u>750</u>

Assets and liabilities in relation to post employment benefits

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

31/03/2020	31/03/2021
£000	£000
3,874 Opening value	3,508
117 Current service cost	97
90 Interest cost	84
21 Contributions by scheme participants	25
Actuarial (gains)/losses arising from changes in	
(361) financial assumptions	1,117
(247) Benefits paid	(31)
14 Past service cost	0
0 Loss on Curtailments	0
<u>3,508</u> Closing value	<u>4,800</u>

Reconciliation of fair value of scheme assets

31/03/2020	31/03/2021
£000	£000
3,100 Opening value	2,878
73 Interest income	70
(138) Remeasurement gains/(losses)	1,028
(1) Administration expenses	(1)
70 Contributions from employer	81
21 Contributions from employee	25
(247) Benefits paid	(31)
<u>2,878</u> Closing Value	<u>4,050</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)	31/03/2020 £'000	31/03/2021 £'000
Equities:			
UK quoted	Y	453	660
Global quoted	Y	453	950
Pooled UK	Y	350	371
Pooled Global	Y	336	416
Bonds:			
UK Government fixed	Y	3	2
UK Government indexed	Y	121	160
Overseas Government fixed	Y	64	41
UK Other	Y	2	1
Overseas other	Y	31	21
UK Corporate	Y	1	1
Overseas Corporate	Y	22	15
Property:			
UK Direct	N	210	230
Property Funds - UK	N	0	0
Alternatives:			
Private Equity	N	150	215
Private Debt	N	41	98
Private Equity Infrastructure	N	52	79
Infrastructure Pooled Fund	N	62	75
Private Equity Real Estate	N	35	51
Multi Asset Credit	N	242	306
Diversified Growth Funds	Y	193	239
Cash:			
Cash instruments	N	57	119
		<u>2,878</u>	<u>4,050</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 2020.

The significant assumptions used by the actuary have been:

2019/20	2020/21
Mortality Assumptions:	
Longevity at age 65 for current pensioners (years)	
21.5 - Men	21.5
24.2 - Women	24.2
Longevity at age 65 for future pensioners (years)	
23.1 - Men	23.1
26.3 - Women	26.3
2.1% Rate of inflation	2.7%
3.6% Rate of increase in salaries	4.2%
2.2% Rate of increase in pensions	2.8%
2.4% Rate of discounting fund liabilities	2.1%
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)	144	(144)
Rate of inflation (increase or decrease by 0.1%)	89	(89)
Rate of increase in salaries (increase or decrease by 0.1%)	17	(17)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(88)	88

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 2020), or at any time as instructed to do so by the Council. The actuaries have estimated that contributions for the year to 31 March 2022 will be approximately £88,000.

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 (£) 2019/20		Budget (£) 2020/21	Actual (£) 2020/21
435,404	Partnership Office	466,260	441,140
75,650	Partner Support Costs	79,650	75,477
0	Board Member expenses	1,000	0
36,248	Other Associated Costs	45,365	43,046
<u>547,302</u>	Core Costs Total	<u>592,275</u>	<u>559,663</u>
45,178	Health & Transport	33,000	35,523
66,744	Bus	89,145	89,145
3,000	Rail	3,000	3,000
7,422	General	17,700	17,700
44,256	Project Feasibility & Monitoring	5,497	6,737
0	Contingency	5,000	3,053
114,145	Travel Planning	106,175	106,646
0	Paths for All	0	0
30,740	Rechargeable Costs	25,000	17,900
<u>311,485</u>	Regional Transport Strategy Total	<u>284,517</u>	<u>279,704</u>
<u>858,787</u>	Expenditure Total	<u>876,792</u>	<u>839,367</u>
(390,774)	Council Partners	(69,792)	(224,427)
(782,000)	Scottish Government	(782,000)	(782,000)
0	Paths for All	(25,000)	(17,700)
(11,146)	Other Income	0	(350)
<u>(1,183,920)</u>	Income Total	<u>(876,792)</u>	<u>(1,024,477)</u>
<u>(325,134)</u>	Net Total	<u>0</u>	<u>(185,110)</u>

NOTES TO THE ACCOUNTS (continued)

Note 15 Detailed Performance Figures (continued)

Strategic Investment Programme

Actual (£) 2019/20		Budget (£) 2020/21	Actual (£) 2020/21
68,345	Rail	25,748	25,725
601,791	Strategic Roads	741,780	741,779
269,369	Quality Bus Corridors	279,336	279,336
441,463	Cycle Routes	215,698	215,698
33,881	Carbon Reduction & Air Quality	86,832	77,477
94,807	Various	326,461	324,874
462,464	Active Travel	143,844	143,845
20,779	Insch Station	13,465	13,465
0	NCN Deeside Way	160,687	160,687
0	L'kirk to Aberdeen Multit-modal Study	30,670	30,670
1,992,898	Expenditure Total	2,024,521	2,013,556
(1,427,563)	Council Partners	(1,675,855)	(1,664,891)
(462,464)	Transport Scotland	(143,844)	(143,845)
(20,779)	Local Rail Development Fund	(44,135)	(44,135)
(82,092)	Sustrans	(160,687)	(160,686)
(1,992,898)	Income Total	(2,024,521)	(2,013,556)
0	Net Total	0	0

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, (2019/20 £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 2021.

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 2020/21 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	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Aberdeen City Council	953	1,056	1,468	1,314
Aberdeenshire Council	865	832	525	915

	Amounts due from at		Amounts due to at	
	31 March	31 March	31 March	31 March
	2020	2021	2020	2021
	£000	£000	£000	£000
Aberdeen City Council	653	1,015	413	510
Aberdeenshire Council	733	347	1,562	1,030

Officers

The management of the Partnership is disclosed in the remuneration report on pages 43 to 46 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 2021.

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

	Long-Term		Current	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Financial Liabilities at				
Amortised Cost	483	484	2,257	1,680
Total Creditors	483	484	2,257	1,680
Loans and Receivables	0	0	1,639	1,799
Cash & Cash Equivalents	0	0	1,509	952
Total Debtors	0	0	3,148	2,751

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 £ 4,000

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 £9,520 (2019/20 £15,094). (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 adoption of the following accounting standards by the Code in 2020/21 will result in changes in accounting policy:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Code requires implementation from 1 April 2021 and there is, therefore, no impact on the 2020/21 annual accounts.

New or amended standards within the 2020/21 Code relate to:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accountancy Estimates and Errors: Definition of Material
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle. The amendments affect:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Previously Held Interest in a Joint Operation
 - IAS 12 Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity
 - IAS 23 Borrowing Costs - Borrowing Costs Eligible for Capitalisation
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- Amendments to References to the Conceptual Framework in IFRS Standards

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

NOTES TO THE ACCOUNTS (continued)

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:

31/03/2020 £000		31/03/2021 £000
	22 Not later than one year	22
<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:

31/03/2020 £000		31/03/2021 £000
	22 Minimum lease payments	22
<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 2020/21	Total 2019/20
Robert Dickson	81,540	0	0	0	0	81,540	79,439
Totals	81,540	0	0	0	0	81,540	79,439

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	
	2020/21	2019/20
£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	0	0
£75,000 - £79,999	0	1
£80,000 - £84,999	1	0
Totals	2	1

Exit Packages

There is a requirement to disclose details of all staff Exit Packages agreed in the year. An Exit Package is the value of all termination benefits which include redundancy costs, pension contributions in respect of added years and any ex gratia and other departure costs. Nestrans have not agreed any Exit Package in 2020/21 (2019/20 - 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 2021	For year to 31 March 2020	As at 31 March 2021	Difference from March 2020	As at 31 March 2021	Difference from March 2020
Robert Dickson	18,591	18,112	42,205	2,700	78,555	2,288
Totals	18,591	18,112	42,205	2,700	78,555	2,288

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 2020/21 were 19.3% (2019/20 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.

REMUNERATION REPORT (continued)

Pension Benefits of Senior Employees (continued)

The tiers and rates are as follows:

<u>Rate</u>	<u>2020/21</u>	<u>2019/20</u>
5.50%	up to £22,200	up to £21,800
7.25%	£22,201 - £27,100	£21,801 - £26,700
8.50%	£27,101 - £37,200	£26,701 - £36,600
9.50%	£37,201 - £49,600	£36,601 - £48,800
12.00%	over £49,601	over £48,801

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 Sandra Macdonald

Councillor Sandra Macdonald
Chair

18 September 2021

Rab Dickson

Rab Dickson
Director

17 September 2021

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

Our Ref
Your Ref

Please ask for Mary Beattie
Direct Dial (01467) 538323

Anne MacDonald
Senior Audit Manager
Audit Scotland
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Woodhill House
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AB16 5GB

17 September 2021

Mary Beattie
Head of Finance
Aberdeenshire Council
Woodhill House
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Tel 01467 538323

mary.beattie@aberdeenshire.gov.uk

Dear Anne

North of Scotland Transport Partnership (Nestrans) Annual Accounts 2020/21

1. This representation letter is provided about your audit of the annual accounts of Nestrans for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Director and the Partnership Board, the following representations given to you in connection with your audit of Nestrans' annual accounts for the year ended 31 March 2021.

General

3. Nestrans and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Nestrans have been recorded in the accounting records and are properly reflected in the financial statements.
4. I am not aware of any uncorrected misstatements.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the partnership at 31 March 2021 and the transactions for 2020/21.

Accounting Policies and Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to the partnership's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed the partnership's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the partnership's ability to continue as a going concern.

Assets and Liabilities

10. For the year ended 31 March 2021, the partnership did not own or mortgage any properties and did not hold any non-current assets. At 31 March 2021, the partnership had no obligations under finance leases. An operating lease for office accommodation continues until either the partnership or the landlord decides to terminate the arrangement.
11. All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.
12. There are no material liabilities requiring a provision to be recognised in the financial statements for liabilities of uncertain timing or amount at 31 March 2021 of which I am aware where the conditions specified in the 2019/20 accounting code have been met.
13. The accrual recognised in the financial statements for untaken leave by 31 March 2021 has been estimated on a reasonable basis.
14. The pension assumptions made by the actuary in the IAS 19 report for Nestrans have been considered and I confirm that they are consistent with management's own view.
15. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Funding and accrued income

16. Unspent funding at 31 March 2021 has been identified and where appropriate, has been transferred to the general fund.
17. Accrued income has been calculated on a reasonable basis and is considered collectable.

Contingent liabilities

18. There are no significant contingent liabilities, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. There are no outstanding legal claims which have not been provided under the 2020/21 accounting code and IAS 37.

Fraud

19. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

20. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

21. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all the partnership's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

22. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

23. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

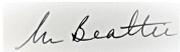
24. I confirm that the partnership has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

25. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in corporate governance or issues identified since 31 March 2021 which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

26. All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Mary Beattie", enclosed in a light grey rectangular box.

Mary Beattie
Treasurer