

# Annual Accounts



2015/2016

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## **Membership of the South West of Scotland Transport Partnership Board**

Tom McAughtrie (Chairman) (Dumfries and Galloway Council)

David Bryson (Vice –Chairman) (NHS Dumfries and Galloway)

Richard Brodie (Dumfries and Galloway Council)

Marion McCutcheon (Dumfries and Galloway Council)

Alistair McKinnon (Scottish Enterprise)

Denis Male (Dumfries and Galloway Council)

John Syme (Dumfries and Galloway Council)

The Council members have substitutes being:-

Archie Dryburgh

Ian Carruthers

Jim McColm

Graham Nicol

Ted Thompson

## **Management Commentary**

### **Introduction**

The Management Commentary is intended to assist readers of the annual accounts through providing an insight into the activities and priorities of the organisation and also through providing an analysis of financial performance as reflected in the following statements.

The South West of Scotland Transport Partnership (SWestrans) was set up under the Transport (Scotland) Act 2005 and Dumfries and Galloway Council's public transport functions were transferred to the SWestrans under a Transfer of Functions Order on 7 November 2006.

The Financial Statements following this present the South West of Scotland Transport Partnership's (SWestrans) financial position for the year ended 31 March 2016. These statements have been prepared in accordance with proper accounting practice as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The purpose of these Accounts is to provide clear information about the Transport Partnership's financial position and this foreword is intended to give the reader an easily understandable guide to the most significant matters reported in the Accounts.

### **Activities during 2015/16**

The work of the South West of Scotland Transport Partnership during 2015/16 was again a balance of service provision through its revenue budget, and service development through capital budgets. The Partnership's officers and Board members have continued to participate in the development of the A76

Transport Corridor, SAYLSA the Community Rail Partnership for Carrick and Wigtownshire and in the refresh of the National Transport Strategy amongst many other initiatives.

Thirty-one local bus contracts covering Annandale & Eskdale and Nithsdale (excluding Dumfries Town) at an annual cost of £1.4M expired on 5 April 2015. The replacements contracts which retained the majority of the journeys with some change in times and operators were implemented smoothly with very little negative impact or comment from the travelling public.

The pressure on current parking at Lockerbie Station due to its popularity as a point of departure and arrival to and from the Central belt of Scotland continues to be an issue which SWestrans is assisting in addressing. The planned development of a further 21 spaces through re-configuration of the existing car park at the Station continued during the year and SWestrans was approached by a private landowner regarding a new proposal to create significant parking availability adjacent to the railway station, which might provide a viable alternative. Positive discussions have continued with the landowner, Network Rail and officers on opportunities to progress this proposal.

Work continues on the potential development of new rail stations for Dumfries and Galloway. Late in 2015, Peter Brett Associates were appointed to undertake three Scottish Transport Appraisal Guidance (STAG) pre-appraisals for the Thornhill, Eastriggs and Dunragit/Glenluce areas. SWestrans are also contributing to a pre-appraisal being undertaken by Peter Brett Associates for the Beattock area on behalf of the Beattock Station Action Group. The outputs from the pre-appraisals will lead to a consistency for all STAG work in relation to any future Scottish Station Fund bids and it is intended that all four pre-appraisals will be presented to the Board for consideration in the summer of 2016.

There are a small number of local bus operators serving Dumfries and Galloway and once again this year the Board and officers were greatly exercised by the ongoing sustainability issues that these operators face. Network changes were required in October 2015 to ensure a level of continuity in the delivery of service for our residents and visitors. It has become apparent from the issues being faced by operators and the low uptake in the most rural areas, particularly outwith the standard work peaks, that areas of the region cannot sustain a traditional bus service. To address this a radical review of local transportation services has been initiated to match service frequency and capacity to the wishes of the local population to move between locations, rather than (as currently) providing a service for people to opt into or not. SWestrans held a seminar "Reshaping Local Bus Services – Opening Conversation" on Saturday 5 December 2015 which was well attended by key stakeholders, individuals and interest groups with the aim of seeking delegate's views on future priorities and possible delivery models. The outputs from the seminar and the common themes that emerged are providing a useful and timely framework to assist in finding flexible and sustainable solutions. These solutions will aim to meet the competing needs of reduced funding and increasing and dispersed demand for flexible transport access to work, education and health across the region.

The Partnership continued its programme of bus shelter replacement and improvement during 2015/16, with new and valued improvements in a number of locations. There continues to be considerable demand across the region for new infrastructure, and the programme will continue as a key element of SWestrans' Capital Programme going forward.

A number of other initiatives have been developed utilising SWestrans funding during 2015/16 including:

- the purchase of fully accessible buses and their subsequent leasing to local bus companies operating on contracted journeys;
- progression of walking and cycling infrastructure linking communities; and
- progression of the Real Time Information System.

### **Management Commentary (continued)**

In its wider strategy and policy role SWestrans continues to lobby and respond to consultations across all transport modes and on a wide range of other issues at national and local level including Transport Scotland's "Delivering the Goods" Scotland's Rail Freight Strategy and Network Rail's consultation on the Scotland Route Study. SWestrans also submitted its 2014-15 Climate Change Duties Report in the required reporting format to the Sustainable Scotland Network.

SWestrans was fully involved in a joint working group with the Scottish Government, the other Regional Transport Partnerships and CoSLA which produced a report "Develop to Deliver – Maximising the role of RTPs in furthering improvements to transport in Scotland". At its meeting September 2015, the Board agreed the recommendations contained within the report, as a framework and focus for progressing further development of effective partnership working between Scottish Government, Transport Scotland and the Regional Transport Partnerships.

During 2015/16 SWestrans on behalf of the Dumfries and Galloway Strategic Partnership undertook to produce a report that examines the barriers women, people with disabilities and older people face using public transport, and provide a review of research and public transport studies and surveys conducted throughout the United Kingdom. The final report was presented to and agreed by the Board at its meeting in January 2016. The recommendations from this report will provide valuable evidence about the objectives and areas that require improvement and will inform the refresh of the Regional Transport Strategy and the Community Transport Strategy which are both due to be undertaken in 2016.

In November 2015, there was a change in the SWestrans Lead Officer role with Steven Herriott becoming the interim Lead Officer and Harry Thomson leaving the role. In July 2016 Douglas Kirkpatrick was appointed the Lead Officer, following his appointment to the post of Transportation Manager and Lead Officer Swestrans following the changes to Dumfries and Galloway Council's senior management structure

## Management Commentary (continued)

### Comprehensive Income & Expenditure Statement

SWestrans' Comprehensive Income & Expenditure Statement for the year ended 31 March 2016 is shown on page 8 of these accounts. Income received totalled £5.504 Million with Scottish Government grants and requisitions from Dumfries & Galloway Council being the main contributors to this total.

SWestrans' financial results for the year, compared against budget are shown below. This presentation differs from that shown in the Comprehensive Income & Expenditure Statement which is set out in accordance with the Service Reporting Code of Practice (SeRCoP).

### Budget Performance Statement

	2014/15		2015/16	
	Budget £000	Actual £000	Budget £000	Actual £000
Staff costs	78	77	83	83
Property costs	2	0	2	0
Supplies & services	4	4	34	34
Transport costs	1	1	2	2
Administrative costs	43	43	42	40
Payments to other bodies	4,446	4,451	4,441	4,447
Central Support costs	49	48	49	48
Capital charges	214	214	265	265
<b>Gross Expenditure</b>	<b>4,837</b>	<b>4,838</b>	<b>4,918</b>	<b>4,919</b>
Government Grants	359	359	359	359
Other income	4,478	4,479	4,559	4,560
<b>Gross Income</b>	<b>4,837</b>	<b>4,838</b>	<b>4,918</b>	<b>4,919</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

SWestrans achieved a breakeven position for the financial year. The major item of expenditure which created the main budget pressure was the subsidies in respect of the local bus network, which totalled £4 Million. However, through tight spending controls and active budget management, SWestrans achieved a breakeven position.

SWestrans is not allowed to retain any General Fund balances at the year-end so it cannot show a surplus. If SWestrans is in deficit then it can requisition the shortfall from Dumfries & Galloway Council. Therefore income and expenditure will always net to zero, excluding accounting entry requirements, and the budget has been set to take account of this requirement.

**Balance Sheet**

SWestrans' Balance Sheet is shown on page 9 of the accounts and provides details of SWestrans' assets and liabilities as at 31 March 2016.

**Cash Flow Statement**

The Cash Flow Statement is shown on page 10 of the accounts and shows the changes in the cash & cash equivalents of the Partnership during the course of the year.

**Tom McAughtrie**  
Chairman

**Douglas Kirkpatrick**  
Lead Officer

**Paul Garrett**  
Treasurer

## **Statement of Responsibilities for the Statement of Accounts**

### **The Transport Partnership's Responsibilities**

The Transport Partnership is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Transport Partnership, that officer in the year to 31 March 2016 was the Treasurer (who was also the Section 95 Officer of Dumfries & Galloway Council),
- to manage its affairs, to secure economic, efficient and effective use of resources and safeguard its assets,
- to approve the Statement of Accounts.

### **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the Transport Partnership's statement of 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 this statement of accounts, the Treasurer has:

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the local authority Code.

The Treasurer has also:

- kept proper accounting records which are up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts provides a 'true and fair view' of the financial position of the Partnership at the accounting date and its income and expenditure for the year ended 31 March 2016.

**Paul Garrett**  
Treasurer



### **Statement on the System of Internal Financial Control**

1. This statement is given in respect of the statement of accounts of the South West of Scotland Transport Partnership. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including the segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by the Board of the Transport Partnership. The system currently includes regular financial reports to the Board and management.
4. The Transport Partnership currently uses the financial systems and resources of Dumfries & Galloway Council. The Internal Audit section of Dumfries & Galloway Council has reviewed these systems and has determined that reasonable assurance can be placed upon the adequacy and effectiveness of the systems.
5. My review of the effectiveness of the system has been informed by the work of managers in the Transport Partnership, the work of Internal Audit and reviews by External Audit.
6. In my opinion, based on the above information, reasonable assurance can be placed upon the adequacy and effectiveness of the Transport Partnership's internal financial control system in the year to 31 March 2016.
7. The Transport Partnership's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

**Paul Garrett**  
Treasurer

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Transport Partnership, analysed into usable reserves – i.e. those that can be applied to fund expenditure – and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Transport Partnership's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance.

	Usable Reserves	Unusable Reserves			Total Reserves
	General Fund Balance £000	Capital Adjustment Account £000	Revaluation Reserve £000	Total Unusable Reserves £000	£000
<b>Balance at 31 March 2014</b>	<b>0</b>	<b>(1,712)</b>	<b>(25)</b>	<b>(1,737)</b>	<b>(1,737)</b>
<b>Movements in Reserves during 2014/15</b>					
(Surplus) or Deficit on provision of services	214	0	0	0	214
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>214</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>214</b>
Adjustments between accounting basis & funding basis under regulations					
- charges for depreciation of non-current assets	(214)	214	0	214	0
- capital grants & contributions applied	0	0	0	0	0
	<b>(214)</b>	<b>214</b>	<b>0</b>	<b>214</b>	<b>0</b>
<b>Overall decrease in year</b>	<b>0</b>	<b>214</b>	<b>0</b>	<b>214</b>	<b>214</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>0</b>	<b>(1,498)</b>	<b>(25)</b>	<b>(1,523)</b>	<b>(1,523)</b>
<b>Movements in Reserves during 2015/16</b>					
(Surplus) or Deficit on provision of services	(585)	0	0	0	(585)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(585)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(585)</b>
Adjustments between accounting basis & funding basis under regulations					
- charges for depreciation of non-current assets	(265)	265	0	265	0
- capital grants & contributions applied	850	(850)	0	(850)	0
	<b>585</b>	<b>(585)</b>	<b>0</b>	<b>(585)</b>	<b>0</b>
<b>Overall Increase in year</b>	<b>0</b>	<b>(585)</b>	<b>0</b>	<b>(585)</b>	<b>(585)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>0</b>	<b>(2,083)</b>	<b>(25)</b>	<b>(2,108)</b>	<b>(2,108)</b>

## Comprehensive Income & Expenditure Statement

This statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practices.

	2014/15				2015/16		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000	
4,826	(4,624)	202	Roads and Transport Services	4,907	(4,654)	253	
12	0	12	Corporate and Democratic Core	12	0	12	
<b>4,838</b>	<b>(4,624)</b>	<b>214</b>	<b>Net Cost of Services</b>	<b>4,919</b>	<b>(4,654)</b>	<b>265</b>	
		0	Taxation & Non Specific Grant Income - capital grants & contributions			(850)	
		<b>214</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(585)</b>	
		<b>0</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>0</b>	
		<b>214</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(585)</b>	

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Partnership. The net assets of the Partnership (assets less liabilities) are matched by reserves held by the Partnership. Reserves are reported in two categories. The first category of reserves are usable reserves which can be used to help fund services. The second category of reserves is those that the Partnership is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses where the amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between the accounting basis and funding basis under regulations”.

31 March 2015 £000		31 March 2016 £000	Note
1,523	Property, Plant & Equipment	2,108	7
<b>1,523</b>	<b>Long Term Assets</b>	<b>2,108</b>	
	Short Term Debtors		
22	- Central Government bodies	25	
226	- Other entities & individuals	205	
<b>248</b>	<b>Current Assets</b>	<b>230</b>	
	Short Term Creditors		
(248)	- Other entities & individuals	(230)	
<b>(248)</b>	<b>Current Liabilities</b>	<b>(230)</b>	
<b>1,523</b>	<b>Net Assets</b>	<b>2,108</b>	
	Usable Reserves	0	
1,523	Unusable Reserves	2,108	9
<b>1,523</b>	<b>Total Reserves</b>	<b>2,108</b>	

The Audited Accounts were issued on 23 September 2016.

**Paul Garrett**  
Treasurer

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Transport Partnership during the reporting period. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Transport Partnership are funded by way of grant income or from recipients of services provided by the Transport Partnership.

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
214 Net (surplus) or deficit on the provision of services	(585)
(214) Adjustment to net (surplus) on the provision of services for non-cash movements	(265)
<b>0</b> <b>Net cash flow from or used in operating activities</b>	<b>(850)</b>
Investing activities	
0 - Purchase of property, plant & equipment	850
<b>0</b> <b>Net (increase) or decrease in cash and cash equivalents</b>	<b>0</b>
0 Cash and cash equivalents at the beginning of the period	0
<b>0</b> <b>Cash and cash equivalents at the end of the reporting period</b>	<b>0</b>

## Notes to the Accounts

### 1. Summary of Significant Accounting Policies

#### a) General Principles

The Annual Accounts summarise the Partnership's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Partnership is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which sets out that they require to be prepared in accordance with proper accounting practice. These practices are the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice (SeRCOP) supported by International Financial Reporting Standards (IFRS). They are designed to provide a 'true and fair view' of the financial performance and position of the Council.

The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### b) Accruals of Income & Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- suppliers' invoices paid in the two weeks following the year-end have been analysed and included together with specific accruals in respect of further material items provided the goods and services were received in 2015/16,
- all known specific and material sums payable to the Partnership have been included. Revenue for the sale of goods or the provision of services is recognised when it is determined that the service has been provided,
- supplies are recorded as expenditure when they are consumed. When there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet,
- where income and 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income which will not be collected.

#### c) Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with an insignificant risk of changes in value.

#### d) Changes in Accounting Policies and Prior Period Adjustments

Changes in accounting policies are only made when required by proper accounting practice or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Partnership's financial position or financial performance. Where a change is made it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior periods as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## Notes to the Accounts (continued)

### e) Charges to Revenue for Non-Current Assets

The Partnership is charged with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the Partnership,
- revaluation and impairment losses on assets used by the Partnership where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

### f) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events which occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts is adjusted for events which provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is not adjusted for events which are indicative of conditions which arose after the end of the reporting period. However where such events would have a material effect, a disclosure is made in the Notes to the Accounts of the nature of the event and the estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### g) Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Partnership's financial performance.

### h) Grants & Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions & donations are recognised as due to the Partnership when there is a reasonable assurance that:

- the Partnership will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants in advance. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (revenue grants) or Taxation & Non Specific Grant Income (capital grants) in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Amounts in the Capital Grant Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

### i) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

## Notes to the Accounts (continued)

### The Partnership as Lessor

#### *Operating leases*

The Partnership has entered into leases relating to the operational use of vehicles, which are accounted for as operating leases. Where the Partnership grants an operating lease over a vehicle the asset is retained on the Balance Sheet.

### **j) Overheads and Support Services**

The costs of Central Support departments, such as Financial Services, Legal Services and accommodation, are procured from Dumfries & Galloway Council. The cost of these is based on services provided to SWestrans during the year. In accordance with SeRCOP, the costs of Corporate and Democratic Core have been identified and reported separately within the Comprehensive Income & Expenditure Statement.

### **k) Property, Plant & Equipment**

Assets which have a physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant & Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the asset will flow to the Partnership and the cost of the item can be reliably measured. Expenditure that does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

#### Measurement

Assets are carried on the Balance Sheet at fair value, determined as the amount that would be paid for the assets in its existing use.

#### Revaluation

All assets are formally revalued at least once every five years and the revised amount is then included in the Balance Sheet. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in the value are identified these are accounted for by:

- writing down any balances on the Revaluation Reserve for that asset up to the accumulated gain,
- where there is no or insufficient balance on the Revaluation Reserve, the loss is charged against the relevant service line in the Comprehensive Income & Expenditure Statement.

#### Impairment

Assets are reviewed at each year end as to whether there is an indication that an asset may be impaired. Where indications exist, the recoverable amount of the asset is estimated and where this is less than the carrying amount, an impairment loss is recognised. Impairment losses are accounted for by:

- writing down any balances on the Revaluation Reserve for that asset up to the accumulated gain,
- where there is no or insufficient balance on the Revaluation Reserve, the impairment loss is charged against the relevant service line in the Comprehensive Income & Expenditure Statement.



## Notes to the Accounts (continued)

### Depreciation

Depreciation is provided on all Property, Plant & Equipment, on a straight line basis over the expected life of the asset. Where an item of Property, Plant & Equipment has major components whose lives are different and whose costs are significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **l) Reserves**

Reserves are categorised under accounting regulations into two broad categories:

- usable reserves, which are available to support services,
- unusable reserves, which are required to facilitate accounting requirements.

SWestrans is statutorily unable to hold balances on its usable reserves at the year end.

### **m) VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs (HMRC) and all VAT paid is recoverable from it.

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## **2. Remuneration Report**

SWestrans does not employ any staff, therefore a Remuneration Report is not required for 2015/16.

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## **3. Accounting Standards Issued & Not Yet Adopted**

The Partnership must disclose information relating to the impact of an accounting change that will be required by a new Accounting Standard that has been issued but not yet adopted. For 2015/16 these relate to amendments to IFRSs which will impact on group accounts. These will not be applicable to the Partnership.

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## **4. Critical Judgements in Applying Accounting Policies**

In applying the Accounting Policies in note 1, the Partnership has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- all leases involving the Partnership as lessor have been reviewed and it has been determined that the Partnership is not party to any finance leases.

## Notes to the Accounts (continued)

### 5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Partnership about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There were no items in the Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year.

### 6. Events After the Balance Sheet Date

The unaudited Statement of Accounts were issued by the Treasurer on 28 June 2016. Events taking place after this date are not reflected in the financial statements or notes. There have been no material or non-material events since the date of the Balance Sheet which have required the figures in the financial statements and notes to be adjusted.

### 7. Property, Plant & Equipment

The following table contains details on the movements on the Property, Plant & Equipment assets contained in the Balance Sheet.

	2014/15 Vehicles £000	2015/16 Vehicles £000
<b>Cost or Valuation</b>		
<b>At 1 April</b>	2,278	2,278
Additions	0	850
Revaluations	0	0
<b>At 31 March</b>	<b>2,278</b>	<b>3,128</b>
<b>Accumulated Depreciation at 1 April</b>	<b>(541)</b>	<b>(755)</b>
Charge for year	(214)	(265)
<b>Accumulated Depreciation at 31 March</b>	<b>(755)</b>	<b>(1,020)</b>
<b>Net Book Value at 31 March</b>	<b>1,523</b>	<b>2,108</b>

**Notes to the Accounts (continued)**

**Depreciation**

Depreciation has been provided for on non-current assets with a finite useful life which can be determined at the time of acquisition or revaluation. The depreciation methods and useful lives used within each category of non-current assets have been determined on an individual asset basis in line with the Royal Institute of Chartered Surveyors (RICS) recommended practice. Vehicles are depreciated on a straight line basis over up to 12 years.

**8. Usable Reserves**

Movements in the Transport Partnership’s usable reserves are detailed in the Movement in Reserves Statement.

**9. Unusable Reserves**

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement. The Account is credited with the amounts set aside by the Partnership as finance for the costs of acquisition, construction and enhancement.

	2014/15 £000	2015/16 £000
<b>Balance at 1 April</b>	<b>(1,712)</b>	<b>(1,498)</b>
Depreciation of non-current assets	214	265
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement	(0)	(850)
<b>Balance at 31 March</b>	<b>(1,498)</b>	<b>(2,083)</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation,
- disposed of and the gains are realised.

**Notes to the Accounts (continued)**

	2014/15 £000	2015/16 £000
<b>Balance at 1 April</b>	(25)	(25)
Upward revaluation of assets	0	0
<b>Balance at 31 March</b>	<u>(25)</u>	<u>(25)</u>

**10. Payments to Members**

No payments were made to Members of the SWestrans Board during 2015/16 or 2014/15.

**11. Audit Fees**

The external audit fee payable for 2015/16 was £11,440 (£11,440 in 2014/15).

**12. Grant Income**

The Partnership credited the following grants and contributions to the Comprehensive Income & Expenditure Statement:

	2014/15 £000	2015/16 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Capital grants & contributions	0	(850)
<b>Total</b>	<u>0</u>	<u>(850)</u>
<b>Credited to Services</b>		
Scottish Government grants	(259)	(259)
Dumfries & Galloway Council service funding	(3,795)	(3,739)
<b>Total</b>	<u>(4,054)</u>	<u>(4,848)</u>

## Notes to the Accounts (continued)

### 13. Related Parties

The Transport Partnership is required to disclose material transactions with related bodies – bodies or individuals that have the potential to control or influence the Transport Partnership or to be controlled and influenced by the Transport Partnership.

#### Central Government

Central Government is responsible for providing the statutory framework within which the Transport Partnership operates, provides some of its funding in the form of grants and prescribes the terms of many of the transactions that the Transport Partnership has with other parties. Details of Central Government Grants received are contained in Note 12 (grant income).

#### Other Public Bodies

Dumfries & Galloway Council is responsible for providing the funding for the day to day operation of the Transport Partnership under the Transport (Scotland) Act 2005. In 2015/16 the Council provided £100k (£100k in 2014/15) as match funding to a Scottish Government grant for core running costs and a further £3.735 Million (£3.695 Million in 2014/15) was requisitioned by the Transport Partnership to cover the operating costs for 2015/16. SWestrans does not employ its own staff and during 2015/16 Dumfries & Galloway Council charged SWestrans £164k (£151k in 2014/15) in respect of staff support, supplies and other support services.

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### 14. Leases

#### Partnership as Lessor

SWestrans purchased 10 buses in 2015/16 (none in 2014/15) and leased it to private bus operators as part of specific route tenders. No income is received from these operating leases.

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## **Independent Auditors' Report**

### **Independent auditor's report to the members of South West of Scotland Transport Partnership and the Accounts Commission for Scotland**

We certify that we have audited the financial statements of South West of Scotland Transport Partnership for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of the Treasurer and auditor**

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

#### **Scope of the audit of the financial statements**

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

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

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the body as at 31 March 2016 and of the income and expenditure of the body for the year then ended;

**Independent Auditors' Report (continued)**

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

**Opinion on other prescribed matters**

In our opinion:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

Lindsey Paterson, (for and on behalf of PricewaterhouseCoopers LLP)  
141 Bothwell Street  
Glasgow  
G2 7EQ

23 September 2016