

The Highlands and Islands

Transport Partnership

Annual Accounts

(Audited)

2020-2021

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
UNAUDITED ANNUAL ACCOUNTS 2020/21

CONTENTS

<u>MANAGEMENT COMMENTARY</u>	<u>3</u>
<u>STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS</u>	<u>11</u>
<u>ANNUAL GOVERNANCE STATEMENT</u>	<u>12</u>
<u>REMUNERATION REPORT</u>	<u>15</u>
<u>INDEPENDENT AUDITORS REPORT</u>	<u>18</u>
<u>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</u>	<u>22</u>
<u>MOVEMENT IN RESERVES STATEMENT</u>	<u>23</u>
<u>BALANCE SHEET</u>	<u>24</u>
<u>CASH FLOW STATEMENT</u>	<u>25</u>
<u>ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS</u>	<u>26</u>

MANAGEMENT COMMENTARY

The management commentary is intended to assist users in understanding the objectives and strategy of the Partnership, and to provide a review of its business and financial performance in the year. In addition, it provides information on the principal risks and uncertainties which are likely to affect the future development and performance of the Partnership.

Background

The Highlands and Islands Transport Partnership (HITRANS) was established under the Regional Transport Partnership (Establishment and Constitution) (Scotland) Order 2005, effective 5 December 2005. The power granted to the new statutory body came into force on 1 April 2006.

The Partnership was established as one of the seven Scottish Regional Transport Partnerships. The Transport Scotland Act 2005 requires these Partnerships to prepare Transport Strategies for their regions which will enhance economic wellbeing; promote safety, social inclusion and equal opportunity; plan for a sustainable transport system; and integrate across boundaries with other Partnerships. These Strategies must take account of future needs and set priorities for transport development and improvement and will set the framework for investment in strategic transport infrastructure and services for the next 5 to 10 years.

The Strategy was submitted to the Scottish Government in June 2007. The Partnership commenced working towards implementing the Strategy in 2007/08 and has continued every year and will be ongoing. The Strategy is intended to be a live document and needs to be reviewed and updated over its 15-year lifespan. The Partnership has prepared a monitoring strategy which includes setting both interim and final targets with progress being identified as part of ongoing reporting processes. The Strategy was refreshed and approved by the Partnership Board in 2018 and will be subject to a light touch refresh in 2021/22 to align priorities more closely with the National Transport Strategy which was published by Government in 2020.

The Partnership comprises The Highland Council, Moray Council, Comhairle Nan Eilean Siar, Orkney Islands Council and Argyll & Bute Council (excluding Helensburgh and Lomond).

The 2005 Order, referred to above, states the membership will be made up from one Member from each constituent Local Authority, and two or three other (Non-Councillor) Members. The (Non-Councillor) Members were firstly appointed in 2007 by the Scottish Ministers and have subsequently been appointed by the Partnership with the approval of Scottish Ministers.

Voting is weighted with Highland Council having three votes, Moray Council two and the remaining Councils one vote each. External Members are entitled to vote on such matters as the Partnership determines appropriate but not on financial matters.

Operational control of the Partnership is the responsibility of the Partnership Director, Randal Robertson. The Highland Council provides financial and computing services with Liz Denovan as the Partnership Treasurer, and Comhairle Nan Eilean Siar provides administrative, personnel and legal services.

Board Composition

The Board Members for 2020/21 as at June 2021 are named in the following table:

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

Council	Substantive Member	Substitute Member
Highland Council	Cllr Allan Henderson	Cllr Hugh Morrison
Moray Council	Cllr John Cowe	Cllr Graham Leadbitter
Argyll & Bute Council	Cllr Robin Currie	Cllr John Armour
Comhairle Nan Eilean Siar	Cllr Uisdean Robertson	Cllr Kenny MacLeod
Orkney Islands Council	Cllr Graham Sinclair	Cllr James Stockan
Non-Council Board Member	Prof David Gray	
Non-Council Board Member	Mrs Naomi Bremner	
Non-Council Board Member	Mr Robert Andrew	

Statutory Framework

The accounting framework defines local authorities as councils constituted under section 2 of the Local Government (Scotland) Act 1994 and the Valuation Joint Boards (Scotland) Order 1995; the Strathclyde Partnership for Transport and those bodies to which section 106(1) of the Local Government (Scotland) Act 1973 applies (i.e. committees, joint committees and joint boards, the members of which are appointed by local authorities and charities, etc).

In Scotland the local authority accounting framework is enacted as follows:

- the Local Government (Scotland) Act 1973, section 96, requires Scottish authorities to keep accounts; The Local Government in Scotland Act 2003, section 12 places a duty of Best Value on the authority and also a duty to observe proper accounting practices; the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) supported by International Financial Reporting Standards (IFRS), other statutory guidance issued under section 12 of the 2003 Act, defines proper accounting practices for local authorities in the UK;
- the Local Authority Accounts (Scotland) Amendment Regulations 2014 (SSI No.2014/200) require local authorities in Scotland prepare a Remuneration Report as part of the annual statutory accounts; under paragraph 21 of the Local Authority Accounts (Scotland) Regulations 2014 (Finance circular 7/2014) the proper officer is responsible for certifying that the Financial Statements give a true and fair view of the financial position of the local authority and its group for the year then ended. The certification includes a statement to this effect as part of the Statement of Responsibilities and by signing the Balance Sheet. This certification is required before the Annual Accounts are submitted to the appointed auditor. The proper officer re-certifies the audited Annual Accounts after they have been approved for signature by the local authority or a committee of the local authority, in this case the Highlands and Islands Transport Partnership. The proper officer, known as the Treasurer, is the Executive Chief Officer for Resources and Finance of Highland Council; and

The Code reiterates the primacy of legislative requirements whereby the overriding principle of public sector accounts is that where an accounting treatment is prescribed by law, the legal requirement must be applied.

The overriding requirement of the Code is that the Annual Accounts provide a true and fair view of the financial position and the financial transactions of the Partnership.

Review of 2020/21 Developments and Achievements

The Regional Transport Strategy (RTS) and its associated RTS Delivery Plan set out the key priorities, proposals and interventions required to support successful implementation and realisation of the Strategy's Vision and Objectives. Each year the Partnership approves a Business Plan which sets out the Partnership's key delivery priorities for the financial year concerned.

The Business Plan details the projects the Partnership is involved in and an update is reported to the Partnership Board which meets four times per annum. These projects link to the aims of the strategy and the Annual Report provides a report of performance against objectives, targets and performance indicators as outlined in the Regional Transport Strategy.

During 2020/21 the Business Plan set out a wide range of regional, local regional and national scale projects that have been delivered. These include:-

- Ongoing development, monitoring and refresh of the RTS
- Orkney Internal Air and Ferry Study Outline Business Case
- Real Time Passenger Information
- Inverness Airport (Dalcross) Station Development
- HiTravel Shared Service Travel Information Project
- Smarter Choices Smarter Places Project Support
- GO-HI MaaS Project (MaaS Investment Fund)
- G-PaTRA North Sea Area Project
- MOVE North Sea Area Project
- INCLUSION Horizon 2020 Project
- PAV North Sea Region Project
- Stronger Combined North Sea Region Project
- FASTER SEUPB Programme Project
- ERDF Smart Cities – Scotland's 8th City ERDF
- Low Carbon Transport and Travel ERDF
- EU Project Development (eHubs, Ride2Autonomy)
- CivTech 5.0 Programme

HITRANS also received direct budget from Transport Scotland to support the delivery of a Regional Active Travel Fund and at the end of the financial year an allocation from the unallocated Transport Scotland Active Travel programme to deliver the following projects:

- Feasibility and Design of Active Travel Routes
- Bikes on Buses
- Cycle Parking at Interchanges
- Active Travel Masterplan Implementation
- Inverness eBike Dock System

In addition to the above projects, the Active Travel partnership with Sustrans during 2020/21 secured a grant allocation of £100,000 from the national Places for programme to support the development and provision of Active Travel projects across the region. During 2020/21 projects delivered under this programme include:-

- Active Travel Workplace Challenge
- Cycle Counters
- Cycle Shelters
- Cycle Stands
- Cycle Lockers
- Active Travel Maps
- Active Travel Facilities at Transport Hubs
- Active Travel Feasibility and Design

In addition to its principal focus on developing and delivering the RTS through work on the Research and Strategy Delivery Programme a significant proportion of staff time and resource

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

was committed to supporting Community Planning engagement and activity in all five partner Council areas.

Further information on the Partnership's activity, the Regional Transport Strategy and our Revenue and Strategy Delivery Programme work can be obtained by visiting our website www.hitrans.org.uk.

Going Concern

Note 13 to the Core Statements details the income and expenditure charged to the income and expenditure account under IAS 19 in respect of the Local Government Pension Scheme, based upon assessments provided by the Actuary to the Scheme. The Balance Sheet on Page 24 shows that the Partnership has an excess of liabilities over assets of £1.316m as at 31 March 2021 (31 March 2020 £0.768m) due to the accrual of pension liabilities of £1.308m (2020 - £0.765m) and accumulated absences of £0.012m (2020 - £0.010m) in accordance with IAS 19. A going concern basis of accounting has been adopted in the preparation of the financial statements as future actuarial valuations of the pension scheme will consider the appropriate employer's rate to meet the commitments of the Scheme. The constituent authorities of the Partnership are required to fund the liabilities of the Partnership as they fall due.

Primary Financial Statements

The Partnership is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires that they 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 and the Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS).

A description of the purpose of the Primary Financial Statements has been included immediately prior to the four statements: the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement. These four Statements are accompanied by Notes to the Accounts which set out the Accounting Policies adopted by the Partnership and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

The Primary Financial Statements and Notes to the Accounts, including the accounting policies, form the relevant Annual Accounts for the purpose of the auditor's certificate and opinion.

Financial Performance

The purpose of the Annual Accounts is to present a public statement on the stewardship of funds for the benefit of both members of the Transport Partnership and the public. The Partnership is funded by The Highland Council, Moray Council, Comhairle Nan Eilean Siar, Orkney Islands Council and Argyll & Bute Council (excluding Helensburgh and Lomond). The Partnership normally meets four times a year, with its budget meeting taking place in February. The Partnership's budget is its prime annual planning document and actual expenditure is monitored against it during the year.

The Partnership's financial results for the year, compared against budget, are as shown below. The outturn position for the year as shown in the Comprehensive Income and Expenditure Statement on page 22 is £0.280m and reflects the statutory adjustments as shown in the Expenditure and Funding Analysis on page 26 to come back to the budgeted position reported.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

**Budget Performance Statement
For the year ended 31 March 2021**

	2020/21		
	Budget £000	Actual £000	Variance £000
Staff costs	578	585	7
Property costs	22	20	(2)
Travel and subsistence costs	28	2	(26)
Administration and meeting costs	32	28	(4)
Research and strategy development costs	540	1,144	604
Publicity costs	10	10	-
European projects costs	-	824	824
Support services	40	39	(1)
Gross expenditure	1,250	2,652	1,402
Government grants	(790)	(1,279)	(489)
Other grants	(100)	(805)	(705)
Other income	(160)	(365)	(205)
Constituent Council requisitions	(200)	(200)	-
Gross income	(1,250)	(2,649)	(1,399)
Net deficit	-	3	3

Overall the budget was overspent by £0.003m and this sum was transferred to the General Fund Reserve with the main variations from budget during the year being as follows:

- Government grants exceeded their target. The excess was specific to particular projects included in the research and strategy development costs budget.
- The overspends in both research and strategy development costs and European projects costs are offset by third party contributions, included in other income, for project work and grant income received in respect of European projects. Given the nature of the unpredictability of both the expenditure and income profiles at budget setting time it is very hard to set a definitive budget. However, going forward, a more realistic budget will be set and adjusted through the regular financial monitoring reported to the Partnership Board.
- The budget for other grants relates to a grant from Sustrans for cycling project work. The majority of the favourable variance relates to grant income for European projects.

A reconciliation of the above is shown in the Expenditure and Funding Analysis on page 26 which in turn reconciles to the Comprehensive Income and Expenditure Statement on page 22.

Balance Sheet

Highland Council's Loans Fund provides short term borrowing facilities for the Partnership, as and when required. At 31 March 2021 the Partnership had short term borrowing of £0.321m (31 March 2020 - £0.564m) with the Loans Fund. This was down by £0.243m on the previous year. The movement was due to an increase in short term liabilities principally in the amounts due to partners in European projects and an increase in short term debtors principally in the amounts due from Scottish Government.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

Unusable reserves increased by £0.545m from £0.775m to £1.320m as at 31 March 2021. This was due to a combination of actuarial losses and gains on the Pension Scheme liabilities and assets respectively.

Reserves

Section 122 of the Transport (Scotland) Act 2019 amended previous legislation and now permits the carrying of a General Fund reserve, allowing flexibility across financial years.

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 funding formula for Council contributions was agreed by the Partnership in July 2006. This is based 50% on voting weight and 50% on population share. The population figures take account of the 2017 position as shown in the General Register Office for Scotland. The 2018 position, the most recent published data, has been reviewed and there has been very little change in the population figures, therefore the percentage share of income to be contributed by each Council remains the same and is as follows:

2019/20		Constituent Authority	2020/21	
£000	% share		£000	% share
91	45.5	The Highland Council	91	45.5
47	23.4	Moray Council	47	23.4
26	13.1	Argyll and Bute Council	26	13.1
19	9.3	Comhairle Nan Eilean Siar	19	9.3
17	8.7	Orkney Islands Council	17	8.7
200	100.0	Total	200	100.0

Statement of Requisitions 2020/21

Constituent Authority	Budget requisition £000	Actual requisition £000	Balance due to constituent authority £000
Highland Council	91	91	-
Moray Council	47	47	-
Argyll and Bute Council	26	26	-
Comhairle Nan Eilean Siar	19	19	-
Orkney Islands Council	17	17	-
Total	200	200	-

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 the Highland Council. Note 13 to the Core Statements details the income and expenditure charged to the income and expenditure account under IAS 19 in respect of the Local Government Scheme, based upon assessments provided by the Actuary to the Scheme.

The Balance Sheet on Page 24 shows that the Board has a net pension liability of £1.308m as at 31 March 2021 (31 March 2020 £0.765m) due to the accrual of pension liabilities in accordance with IAS 19.

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 31 March 2021.

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.

Financial Outlook

The current economic climate has led to funding pressures within the public sector, exacerbated by the COVID-19 pandemic, consequently placing challenges on the Partnership to continue to deliver the most effective and efficient services possible. Regional Transport Partnerships face substantial real-term reductions in finance in the coming years. Public finance and the funding pressures associated with reductions continue to provide challenges but real progress is being made in developing efficient working practices and models through partnership working. A core aim of the Partnership is to support its partner Local Authorities, Scottish Government and other key public and private sector partners in delivering improved transport services across the Highlands and Islands. The Partnership will continue to work hard to attract external funding and focus on a partnership approach to delivery.

On 5 February 2021, the Partnership's Board agreed a revenue budget for 2021/22, which made provision for £0.529m of core service costs and £0.749m of project expenditure in support of Regional Transport Strategy and European funded projects. In recognition of the current financial constraints faced by public sector organisations, the 2021/22 budget makes provision for no increase in constituent council requisitions. Council and Scottish Government funding is confirmed for a period of one year. The budget includes £0.555m of grants from Transport Scotland Active Travel Fund, contributions from Sustrans and European project grants. The Partnership is working towards identifying further cashable efficiency savings for 2021/22 and anticipates savings on a number of budget lines in 2021/22 when compared with 2020/21.

Continuing pressure on public finances makes it very difficult for the Partnership to plan ahead with certainty. There is a significant risk to the level of work that the Partnership will be able to complete should resources reduce. The Partnership will continue to work with its Constituent Authorities, and the Scottish Government, to get clarification of future funding levels.

The Partnership's financial position requires stringent management and at times difficult decisions over resource priorities. It is important, therefore, that the maximum amount of resources is channelled into achieving the Partnership's objectives. There are, however, risks

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

to achieving these objectives. Risks are inevitable and, in practice, cannot be avoided. Risks, therefore, must be managed, understood and controlled if the Partnership is to meet its objectives.

Risk management is about managing the Partnership's exposure to risk, the probability of it occurring and the impact it would have. It involves identifying the risks, assessing them and responding to them. Risk management is not restricted to limiting adverse outcomes and it can be used to achieve desirable outcomes.

Consequently, the Partnership's needs to be pro-active and prepared in the way it manages its risk portfolio. Incorporating a more formal approach to risk management in its day to day operations will enable it to deliver its responsibilities and work towards achieving its objectives. In fact, management of risks is fundamental to ensuring that objectives are fulfilled.

The Partnership operates a Risk Management Strategy with a Risk Register which is reviewed regularly. This strategy is firmly embedded in the work of the Partnership and is subject to annual review through the Partnership board meeting process.

The financial outlook for all public sector spending will be affected by the ongoing crisis caused by the COVID-19 pandemic. In common with all public bodies HITRANS will need to include these impacts in its management of risk. Regional Transport Partnerships are well placed to contribute to the restart and renewal phase as lockdown restrictions ease and as an organisation HITRANS has already made the case for its role to be enhanced to improve governance and decision making by devolving areas of transport planning from the centre to a more local regional level.

Events after the Balance Sheet

Events after the Balance Sheet date until the date of signing the accounts have been taken into consideration.

Acknowledgements

During the 2020/21 financial year the Partnership's financial position has undertaken regular scrutiny and strict budgetary control. We would wish to place on record our appreciation of the excellent work carried out by the Partnership's officers, supported by the officers of Highland Council in the financial management of the Partnership and in the preparation of the 2020/21 Annual Accounts.

Cllr. Allan Henderson
Chair of the Partnership Board
15 December 2021

Liz Denovan CPFA
Treasurer
15 December 2021

Ranald Robertson
Partnership Director
15 December 2021

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

Responsibilities of the Partnership

The Partnership is required to:

- (i) 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 the Highlands and Islands Transport Partnership that officer is the Treasurer to the Partnership.
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) 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).
- (iv) Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Partnership Board at its meeting on 15 December 2021.

Cllr. Allan Henderson
Chair of the Partnership Board
15 December 2021

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Partnership's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Treasurer, has:-

- (i) Selected suitable accounting policies and then applied them consistently
- (ii) Made judgements and estimates that were reasonable and prudent
- (iii) Complied with legislation
- (iv) Complied with the local authority Accounting Code (in so far as it is compatible with legislation)

The Treasurer has also:-

- (i) Kept adequate accounting records which were up to date
- (ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the financial statements 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.

Liz Denovan CPFA
Treasurer
15 December 2021

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The Highlands and Islands Transport Partnership's aim is to develop a transportation system for the region covering Highland, Moray, Comhairle Nan Eilean Siar, Orkney Islands and Argyll & Bute (excluding Helensburgh and Lomond) Council areas, as outlined in the Partnership's Regional Transport Strategy 2008 to 2023.

The Partnership is responsible 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 economically, efficiently and effectively. The Partnership also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out. In discharging these overall responsibilities, the Partnership is responsible for implementing proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Partnership has approved and adopted a set of governance documents which is consistent with appropriate corporate governance. These documents are reviewed every 2 to 3 years, the most recent review was carried out in 2016/17. The next review is planned to take place in 2021/22.

The Partnership's Governance Framework is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'.

This statement explains how the Partnership delivers good governance and reviews the effectiveness of these arrangements.

The Partnership's Governance Framework

The governance framework comprises the systems and processes, and cultures and values, by which the Partnership is directed and controlled, and the activities used to engage with and lead the community. It enables it to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services. The framework reflects the arrangements in place to meet the seven supporting principles of effective corporate governance:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the partnership's capacity including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Focusing on the purpose of the Partnership and on outcomes for the community, and creating and implementing a vision for the area:

- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Partnership and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

The Partnership recognises that good governance is essential to any public body and their arrangements are set out in their business plan. This details the various policies and procedures within the Partnership including their Scheme of Delegation, Contract Standing Orders, Financial Regulations, through to their arrangements for interaction with stakeholders and the Partnership's powers and functions.

A Risk Management Strategy, which sets out the aims and objectives of the Partnership and the management of its risks in the short to medium term, was approved by the Partnership Board in February 2011. Annual updates on the Risk Register are provided to the Board with the most recent information provided on 13 November 2020, which included reference to the impact of COVID- 19 on governance arrangements.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

Determining the Partnership's Purpose, Its Vision for the Local Area and Intended Outcomes for the Community

The Partnership aims to develop a transportation system for the region covering Highland, Moray, Comhairle Nan Eilean Siar, Orkney Islands and Argyll & Bute (excluding Helensburgh and Lomond) Council areas, which will enable business to function effectively and provide everyone living in the region with improved access to health care, education, public services and employment opportunities. The vision for achieving this is outlined in the Regional Transport Strategy.

The Annual Research and Strategy Development Programme detail the projects the Partnership is involved in and an update is reported to each Partnership Board. These projects link to the aims of the strategy and the Annual Business Plan provides a report of performance against objectives, targets and performance indicators as outlined in the Regional Transport Strategy.

Review of Effectiveness

Highlands and Islands Transport Partnership has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Partnership and The Highland Council. In particular, the internal control system includes:

- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts.

The Treasurer to the Partnership has overall responsibility for Internal Audit in Highlands and Islands Transport Partnership. The Highland Council's Corporate Audit Manager is responsible for the day to day management of the service and reports to the Treasurer on management and performance issues. In accordance with the principles of Corporate Governance, an annual report is made to the Partnership. The Internal Audit Service operates in accordance with the Code of Practice for Internal Audit (the standards) which came into effect from 1 April 2013 and applies to all internal audit service providers. These Standards have been developed through collaboration between the Chartered Institute of Public Finance

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The Corporate Audit Manager prepares an Annual Report containing a view on the adequacy and effectiveness of the system of internal control.

The review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the Transport Partnership;
- The work of the internal auditors as described above, and
- The external auditors in their annual audit letter and other reports.

In order to inform the Corporate Audit Manager's annual Statement of Internal Control, work was undertaken to review the Highland Council's financial systems, which are also used to administer HITRANS' transactions. This consisted of:

- A review of the adequacy and effectiveness of the systems of internal control for the financial year 2020/21.
- Review of a random sample of financial transactions during the year to verify that the expected controls had been complied with. This comprised of both income and expenditure transactions. The income transaction was received in full and promptly recorded in the ledger. For the expenditure transactions these were procured and paid correctly, with the correct information recorded in the financial ledger.

Audit recommendations are action tracked to ensure that the management agreed actions have been satisfactorily implemented. There are no outstanding agreed actions from previous reports.

On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that Reasonable Assurance can be placed upon the adequacy and effectiveness of the HITRANS' framework of governance, risk management and control for the year to 31 March 2021.

In 2010 CIPFA issued its Statement on the Role of the Chief Financial Officer in Local Government together with an application note enabling authorities to review the effectiveness of their own governance arrangements by reference to best practice and using self-assessment. This review has been undertaken and the arrangements within the Partnership are broadly compliant with the CIPFA Statement. One area of exception is the requirement for the Chief Financial Officer (ie the Treasurer) to report directly to the Chief Executive (ie the Partnership Director) and be a member of the leadership team. With regard to the Partnership the following arrangements are in place which contribute to delivering the same impact:

- The Partnership's Financial Regulations recognise the Treasurer as being "responsible for the proper financial administration of the Partnership's affairs, and acts as financial adviser to the Partnership". In addition, the Regulations require:
 - That the Partnership Director ensures that all spending conforms to proper accounting standards and will seek appropriate clarification on such matters from the Treasurer.
 - The accounting procedures, records of the Partnership and Annual Accounts to be prepared in accordance with directions provided by the Treasurer.
 - Reports to the Partnership containing financial implications to be discussed with the Treasurer.
- The Treasurer's staff work closely with the Partnership's staff regarding financial matters. In response to the COVID-19 Pandemic, the Board operated virtually and remains confident sound governance continues to operate during the period of disruption and is fully committed to maintaining the system to deliver this.

Cllr. Allan Henderson
Chair of the Partnership Board
15 December 2021

Ranald Robertson
Partnership Director
15 December 2021

REMUNERATION REPORT

All information disclosed in the tables at paragraphs 3 and 4 in the Remuneration Report have been audited by Grant Thornton. The other sections of the Remuneration Report have been reviewed by Grant Thornton to ensure that they are consistent with the financial statements.

1. Appointments

Appointment of the senior employee (Partnership Director) in the Transport Partnership is made by the Partnership Board. The Director is responsible for making any further appointments and ensuring that they are made in accordance with staff structures approved by the Partnership.

2. Remuneration Policy

2.1 Senior Employees

There is no national salary mechanism in place for Regional Transport Partnerships. It is up to individual authorities and Transport Partnerships to determine these salaries. As such, the salary of the senior employee (Partnership Director) is set and approved by the Partnership, based on advice received from the Comhairle Nan Eilean Siar's Personnel Service. The current grading of the senior post was agreed by the Partnership in June 2012.

2.2 Senior Councillors

The Chair and Vice-chair of the Highlands and Islands Transport Partnership are remunerated by the Council of which they are a council member.

The remuneration of councillors is regulated by the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The regulations provide for the grading of councillors for the purpose of remuneration arrangements, as either the Leader of the Council, The Civic Head, Senior Councillors or Councillors. The regulations are silent on the payment of the Chair and Vice Chair of Regional Transport Partnerships. Therefore, on the basis there is no specific provision in legislation, the Highlands and Islands Transport Partnership does not remunerate the Chair or Vice Chair of the Partnership.

3. Remuneration

3.1 Remuneration of Senior Employee of the Partnership

Name and Post Title	Salary, Fees and Allowances	Total Remuneration 2020/21	Total Remuneration 2019/20
	£	£	£
Ranald Robertson, Partnership Director	85,511	85,511	83,020
Total	85,511	85,511	83,020

The senior employee did not receive any taxable expenses.

The table includes any senior employee:

- Who has responsibility for management of the Partnership to the extent that the person has power to direct or control the major activities of the Partnership (including activities involving the expenditure of money), during the year to which the report relates, whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration is £150,000 or more.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

3.2 Remuneration by Pay Band

Analysis of Employees Earning Over £50,000

	2020/21	2019/20
Salary Band	Number	Number
£80,000-£84,999	-	1
£85,000-£89,999	1	-

3.3 Senior Councillors and Chairs and Vice Chairs of Regional Transport Partnerships

The following table provides details of the remuneration paid to the Chair and Vice Chair of the Highlands and Islands Transport Partnership.

Councillor Name & Responsibility	2020/21			2019/20
	Salary, Fees and Allowances	Non-cash expenses & benefits-in-kind	Total Remuneration	Total Remuneration
	£	£	£	£
A Henderson Chair	-	-	-	-
J Cowe Vice-Chair	-	-	-	-
Total	-	-	-	-

The Chair and Vice-Chair did not receive taxable expenses.

3.4 Remuneration Paid to Councillors

The Partnership paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year.

Type of Remuneration	2020/21	2019/20
	£	£
Salaries	-	-
Expenses	-	530
Total	-	530

The annual return of Councillors' salaries and expenses for 2020/21 is available for any member of the public to view at all public offices and is also available on the Constituent Councils (Highland Council; Moray Council; Argyll and Bute Council; Comhairle Nan Eilean Siar; and Orkney Islands Council) websites.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

4. Pension Benefits

The pension entitlement of the senior employee for the year to 31 March 2021 is shown in the table below, together with the contribution made by the Partnership to the Senior Employee's pension during the year

Name and Post Title	In-year pension contributions			Accrued Pension Benefits	
	For year to 31 March 2021	For year to 31 March 2020		As at 31 March 2021	As at 31 March 2020
	£	£		£000	£000
Ranald Robertson, Partnership Director	15,991	15,525	Pension Lump Sum	30 32	29 31
Total	15,991	15,525		62	60

The senior employee shown in the table above is a member of the Local Government Pension Scheme (LGPS).

The pension figures shown in the table relate to the benefits that the person has accrued as a consequence of their total local government service.

The employer's contribution rate in 2020/21 is 18.7% of the pensionable salary (2019/20: 18.7%).

Cllr. Allan Henderson
Chair of the Partnership Board
15 December 2021

Ranald Robertson
Partnership Director
15 December 2021

INDEPENDENT AUDITORS REPORT

Independent auditor's report to the members of The Highlands and Islands Transport Partnership and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of The Highlands and Islands Transport Partnership for the year ended 31 March 2021 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 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 our 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 body 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We 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 we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body'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.

Risks of material misstatement

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

Responsibilities of the Treasurer and The Highlands and Islands Transport 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 body'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 Highlands and Islands Transport Partnership is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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. We design procedures in line with our 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 body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- 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 our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

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

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

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 our auditor's report.

Reporting on other requirements

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

We have audited the part of the Remuneration Report described as audited. In our 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.

Our 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 our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we 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 Governance Statement

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

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

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our 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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd, for and on behalf of Grant Thornton UK LLP
110 Queen Street
Glasgow
G1 3BX
Date: 15 December 2021

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices governed by International Financial Reporting Standards (IFRS), rather than expenditure permitted by regulations which is funded by requisitions from the constituent authorities. The funding position is shown in both the Expenditure and Funding Analysis and in the Movement in Reserves Statement.

Gross Expenditure £000	2019/20 Gross Income £000	Net Expenditure £000		Gross Expenditure £000	2020/21 Gross Income £000	Net Expenditure £000
2,604	(2,306)	298	Roads and transport services	2,729	(2,449)	280
298			Cost of services	280		
	25		Financing and Investment Expenditure – Net interest on defined benefit liability (note 13)			19
	<u>(223)</u>		Requisition from Constituent Authorities (note 10)			<u>(200)</u>
	100		Deficit on provision of services (note 1)			99
	121		Return on plan assets (excluding the amount included in net interest expense) (note 13)			(449)
	(484)		Actuarial losses/(gains) arising on changes in financial assumptions (note 13)			898
	<u>(263)</u>		Total comprehensive (income) and expenditure			<u>548</u>

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Partnership, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Statement shows how the movements in the year of the Partnership's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to the Constituent Authorities. The net increase/decrease line shows the movement in the year for the various reserves and fund following these adjustments.

2019/20				2020/21				
General Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000		General Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
-	-	(1,031)	(1,031)	Balance brought forward	7	7	(775)	(768)
				Movement in reserves				
(100)	(100)	363	263	Total Comprehensive Expenditure and income	(99)	(99)	(449)	(548)
107	107	(107)	-	Adjustments between accounting basis and funding basis under regulations (note 6)	96	96	(96)	-
7	7	256	263	Net Increase/(Decrease)	(3)	(3)	(545)	(548)
7	7	(775)	(768)	Balance at 31 March 2021	4	4	(1,320)	(1,316)

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

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 the reserves held by the Partnership. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Partnership may use to provide services. The second category of reserves is those that the Partnership is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Pension Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31/03/20		Notes	31/03/21
£000			£000
620	Short term debtors	16	775
620	Current assets		775
	Cash and cash equivalents - Highland Council		
(564)	funding	9	(321)
(59)	Short term creditors	17	(462)
(623)	Current liabilities		(783)
(765)	Other long term liabilities	13	(1,308)
(765)	Long term liabilities		(1,308)
(768)	Net assets		(1,316)
	7 General Fund		4
(765)	Pensions reserves	7	(1,308)
(10)	Employee statutory adjustment account		(12)
(768)	Total reserves		(1,316)

The unaudited Annual Accounts were issued on 29 June 2021 and the audited Annual Accounts were authorised for issue on 15 December 2021.

Liz Denovan CPFA
Treasurer
15 December 2021

The notes on pages 26 to 43 form part of these financial statements.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

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 requisitions 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.

2019/20 £000		Notes	2020/21 £000
100	Net (surplus)/deficit on the provision of services	1	99
(545)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	8	144
-	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities		-
<u>(445)</u>	Net cash flow from operating activities		<u>243</u>
-	Financing activities		-
<u>(445)</u>			<u>243</u>
<u>(119)</u>	Cash and cash equivalents at the beginning of the year		<u>(564)</u>
<u>(564)</u>	Cash and cash equivalents at the end of the year	9	<u>(321)</u>

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. EXPENDITURE AND FUNDING ANALYSIS

This statement shows for the Partnership, how annual expenditure is used and funded from resources (government grants, other grants and other income); in comparison with those resources consumed or earned, in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure chargeable to the General Fund £000	2019/20 Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure chargeable to the General Fund £000	2020/21 Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
484	82	566	Staff costs	585	77	662
22	-	22	Property costs	20	-	20
25	-	25	Travel and subsistence costs	2	-	2
37	-	37	Administration and meeting costs	28	-	28
1,051	-	1,051	Research and strategy development costs	1,144	-	1,144
13	-	13	Publicity costs	10	-	10
852	-	852	European projects costs	824	-	824
38	-	38	Support services	39	-	39
<u>2,522</u>	<u>82</u>	<u>2,604</u>	Cost of Services	<u>2,652</u>	<u>77</u>	<u>2,729</u>
(2,529)	25	(2,504)	Other Income and Expenditure	(2,649)	19	(2,630)
<u>(7)</u>	<u>107</u>	<u>100</u>	Deficit	<u>3</u>	<u>96</u>	<u>99</u>
-			Opening General Fund Balance at 31 March 2020	<u>7</u>		
<u>7</u>			Surplus / (Deficit)	<u>(3)</u>		
<u><u>7</u></u>			Closing General Fund Balance at 31 March 2021	<u><u>4</u></u>		

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

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 and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments between Funding and Accounting Basis

Net Change for the pensions Adjustments £000	2019/20		Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure	Net Change for the pensions Adjustments £000	2020/21	
	Employee Annual Leave Accrued Adjustment £000	Total Adjustments £000			Employee Annual Leave Accrued Adjustment £000	Total Adjustments £000
83	(1)	82	Staff costs	79	(2)	77
83	(1)	82	Net Cost of Services	79	(2)	77
25	-	25	Other income & expenditure	19	-	19
108	(1)	107	Total Adjustments	98	(2)	96

2. ACCOUNTING POLICIES

General principles

The Annual Accounts summarises the transactions of the Partnership for the 2020/21 financial year and its position at the year end of 31 March 2021. The Partnership is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires that they 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 and the Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS).

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.

The accounts are prepared on a going concern basis.

Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Partnership transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Partnership.
- Revenue from the provision of services is recognised when the Partnership can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Partnership.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by officers of the Partnership) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

The Highland Council loans fund provides all the day to day banking requirements of the Partnership. The balance of £0.321m (2019/20 £0.564m) represents the negative balance in Partnership funds that temporarily sit with the Highland Council loans fund.

Employee benefits

Benefits payable during employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, bonuses, paid annual leave and paid sick leave for current employees, are recognised as an expense in the year in which the employees render service to the Partnership. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year and is required under statute to be reversed out of the General Fund balance by a credit to the Employee Statutory Adjustment Account in the Movement in Reserves Statement.

Post-Employment Benefits

Employees of the Partnership are admitted to the Highland Council Pension Fund which administers the Local Government Pension Scheme. As of 1 April 2015 this is a defined benefit career average revalued earnings (CARE) scheme.

Local Government Pension Scheme

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

- The liabilities of the Highland Council Pension Fund attributable to the Partnership are included in the Balance Sheet on an actuarial basis using the projected unit method which assesses the present value of the future payments that will be made in relation to retirement benefits earned to date, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees
- The assets of the Highland Council Pension Fund 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
 - property – market value

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

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 accrued in the year – allocated in the Comprehensive Income and Expenditure Statement 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 on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the defined benefit liability, ie net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the net defined benefit obligation 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.

Re-measurements of the net defined benefit liability (asset) comprising:

- the return on plan assets – excluding amounts included in net interest on the net pensions 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 their assumptions – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Highland Council pension fund

- 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 provisions require the General Fund balance to be charged with the amount payable by the Partnership to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on 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.

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.

Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts is authorised for issue. Two types of events can be identified:

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

Adjusting events

- those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts is adjusted to reflect such events

Non-adjusting events

- those that are indicative of conditions that arose after the reporting period – the Annual Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

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

Government grants and contributions

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

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

Amounts recognised as due to the Partnership are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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 property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Partnership does not have any finance leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Partnership as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Property, plant and equipment

The Partnership does not currently hold fixed assets. Any expenditure on the acquisition or creation of property, plant and equipment will be capitalised on an accruals basis provided it yields benefits to the Partnership and the services that it provides for more than one financial year. A de minimis level of £20,000 has been applied to all asset categories.

Provisions, Contingent liabilities and Contingent assets

Provisions

Provisions are made where an event has taken place that gives the Partnership a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Partnership may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Partnership becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Partnership settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Partnership a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Partnership. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Partnership a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Partnership.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

Legislation permits Regional Transport Partnerships to hold a modest usable reserve and certain reserves are kept to manage the accounting processes for employee benefits and retirement benefits and are classed as unusable resources for the Partnership.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

3. Accounting standards that have been issued but have not yet been adopted

The following accounting standards will be adopted within the 2021/22 Code effective from 1 April 2021. There is therefore no impact on the 2020/21 financial statements.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

- 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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by The Code:

- IFRS 16 Leases will require local authorities that are lessees to recognise these leases on their balance sheets as right-of-use assets along with the corresponding lease liabilities, except for low value and short-term leases. As a result of the current COVID-19 response CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2022.

Changes arising from the adoption of these standards are not expected to have any impact on the General Fund balance.

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 2, the Partnership has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no critical judgements to disclose.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Annual 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.

The only item in the Board's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year is the pension liability. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Partnership with expert advice about the assumptions to be applied. The impact of changes in the assumptions used on the pension liability has been assessed by the actuaries and is illustrated in Note 13.

6. 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 and expenditure recognised by the Partnership in the year 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.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

General Fund £000	Unusable reserves £000	Total 2019/20 £000		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 and Expenditure Statement (see note 13)			
(172)	172	-		(178)	178	-
			Employers' pension contributions and direct payments to pensioners payable in the year			
66	(66)	-		84	(84)	-
			Adjustments involving the Employee Statutory Adjustment Account			
			Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements			
(1)	1	-		(2)	2	-
(107)	107	-	Total adjustments	(96)	96	-

7. Balance Sheet – 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 and 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 the costs. However, statutory arrangements require benefits earned to be financed as the Partnership makes employer's contributions to pension 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.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

2019/20		2020/21
£000		£000
1,022	Balance at 1 April	765
121	Return on plan assets (excluding the amount included in the net interest expense)	(449)
(369)	Actuarial (gains)/losses arising on changes in financial assumptions	885
(100)	Actuarial (gains)/losses arising on changes in demographic assumptions	15
(15)	Experience adjustments	(2)
(363)		449
172	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	178
(66)	Employer's pension contributions and direct payments to pensioners payable in the year	(84)
765	Balance at 31 March	1,308

8. Cash flow statement – adjustments to surplus/deficit on the provision of services

2019/20		2020/21
£000		£000
	Non-cash items	
(94)	IAS 19 transactions	(104)
	Items on accruals basis	
(266)	Increase in debtors	(155)
(185)	(Decrease)/increase in creditors	403
(545)	Total cash and cash equivalents	144

9. Cash flow statement – cash and cash equivalents – Highland Council funding

The balances of cash and cash equivalents comprise:

2019/20		2020/21
£000		£000
(564)	Temporary Advances from Highland Council Loans Fund	(321)
(564)	Total cash and cash equivalents	(321)

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

10. External audit costs

The Partnership has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and to non-audit services provided by external auditors

2019/20 £000		2020/21 £000
10	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	10

No non-audit services were provided by the external auditor during the year.

11. Taxation and non-specific grant income

2019/20 £000		2020/21 £000
223	Requisitions from constituent authorities	200

12. Grant income

The Partnership credited the following specific grants to the Comprehensive Income and Expenditure Statement

2019/20 £000		2020/21 £000
523	Scottish Government – core funding	523
25	Scottish Government – Scottish Islands Passport	262
-	Scottish Government – Mobility as a Service (MaaS) project	323
185	Scottish Government – Regional Active Travel Fund	495
260	Scottish Government – Transport Scotland Active Travel Fund	-
200	Active Travel Projects	90
491	Smart Peripheral and Remote Airports 2020 (SPARA) – European transport project	-
56	Scotland's 8 th City – the Smart City – European development of urban centres project	22
128	Green Passenger Transport in Rural Areas (G-PaTRA) – European transport project	49
22	Stronger Combined – European transport project	67
10	Mobility Opportunities Valuable to Everybody (MOVE) – European transport project	40
-	Inclusion Horizon 2020 transport project	12
26	Planning for Autonomous Vehicles (PAVe) – European transport project	201
1,926		2,084

13. 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 HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

- The Local Government Pension Scheme, administered locally by the Highland Council Pension Fund – This is a funded defined benefit career average revalued earnings (CARE) scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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 and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2019/20 £000		2020/21 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services	
160	Current service cost	159
(13)	Past service cost (including curtailments)	-
<u>147</u>		<u>159</u>
	<i>Financing and investment income and expenditure</i>	
71	Interest cost	62
(46)	Interest income on plan assets	(43)
<u>25</u>		<u>19</u>
172	Total post-employment benefits charged to the surplus or deficit on the provision of services	178
	Other post-employment benefits charged to the comprehensive income and expenditure statement	
	<i>Re-measurement of the net defined benefit liability comprising:</i>	
121	Return on plan assets (excluding the amount included in the net interest expense)	(449)
(369)	Actuarial losses/(gains) arising on changes in financial assumptions	885
(100)	Actuarial losses/(gains) arising on changes in demographic assumptions	15
(15)	Experience Adjustments	(2)
<u>(363)</u>	Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	<u>449</u>
	Movement in reserves statement	
(172)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(178)

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

2019/20
£000

2020/21
£000

**Actual amount charged against the General Fund balance
for pensions in the year**

66 Employers' contributions payable to the scheme

84

Pension assets and liabilities recognised in the Balance Sheet

	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	(2,620)	(3,699)
Fair value of pension fund assets	1,855	2,391
Net liability arising from defined benefit obligation	(765)	1,308

Information about the defined benefit obligation as at 31 March 2021 – Funded Obligations

	Liability split	
	£000	Percentage (%)
Active members	2,664	72.0
Pensioner members	1,035	28.0
Total	3,699	100.0

The durations are weighted averages as at the last formal valuation date.

Assets and liabilities in relation to post-employment benefits

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

	2019/20 £000		2020/21 £000
2,903	Opening value		2,620
147	Current service cost		159
71	Interest cost		62
(484)	Actuarial loss/(gain)		872
(48)	Estimated Benefits paid net of transfers in		(51)
31	Contributions by scheme participants		37
2,620	Closing value		3,699

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

Reconciliation of fair value of the scheme assets

2019/20		2020/21
£000		£000
1,881	Opening value	1,855
46	Expected return on Scheme assets	43
(121)	Actuarial (loss)/gain	423
66	Contributions by employer	84
31	Contributions by Scheme participants	37
(48)	Estimated Benefits paid net of transfer in and including unfunded	(51)
1,855	Closing value	2,391

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:

2019/20		2020/21
6%	Cash and cash equivalents	7%
	Equity securities:	
	<i>By Industry type</i>	
16%	Consumer	18%
8%	Manufacturing	11%
2%	Energy and utilities	1%
9%	Financial institutions	11%
5%	Health and Care	5%
5%	Information Technology	5%
1%	Other	1%
	Debt securities:	
	<i>By sector</i>	
3%	Property	2%
6%	Private Equity	5%
	Property:	
9%	UK	8%
	Other Investment Funds:	
14%	Equity	13%
16%	Bonds	13%
100%	Total	100%

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

Notes:

- a) All pension fund assets other than private equity and property have quoted prices in active markets
- b) The risks relating to assets in the scheme are also analysed below:

2019/20	Fair value of pension fund assets	2020/21
£000		£000
	Equity Instruments	
1,686	• Quoted in an active market	2,215
170	• Not quoted in an active market	176
1,855	Subtotal equity instruments	2,391

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 Hymans Robertson LLP, an independent firm of actuaries, estimates for the Highland Council Pension Fund being based on the latest 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)	
21.0	• Men	20.9
23.2	• Women	23.5
	Longevity at age 65 for future pensioners (years)	
22.0	• Men	22.3
24.8	• Women	25.5
1.9%	Rate of inflation	2.85%
2.8%	Rate of increase in salaries	3.65%
1.9%	Rate of increase in pensions	2.85%
2.3%	Rate for discounting fund liabilities	2.00%
50.0%	Take up of option to convert annual pension into retirement lump sum (pre 2009)	50.0%
75.0%	Take up of option to convert annual pension into retirement lump sum (post 2009)	75.0%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses 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 changes while all the other assumptions remain constant. The methods and types of assumption used in preparing the sensitivity analysis below did not change from those used in the previous period.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

Impact on the Defined Benefit Obligation in the Fund		
	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
Rate of increase in salaries (increase by 0.5%)	12%	450
Rate of increase in pensions (increase by 0.5%)	3%	95
Rate for discounting fund liabilities (decrease by 0.5%)	9%	341

Impact on the Partnership's Cash Flow

The aims of the fund are to:

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

The employer's contributions are set by the Fund actuary at each triennial actuarial valuation (the most recent being as at 31 March 2020 for the 2020/21 Annual Accounts), 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 £0.087m.

14. 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 the Partnership. 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 bargain freely with the Partnership.

Highland Council

The Highland Council provided £0.091m representing 45.5% of the requisition funding for the Partnership and holds 3 of the 8 votes on the Board. In addition Highland Council provides financial and computing services, at a cost of £0.021m, to the Partnership. The Highland Council also provided £0.010m towards the cost of the Partnership employing a Public Transport Information Officer and a £0.061m contribution towards the Inverness City Active Travel Network project. In the year the Partnership contributed £0.060m towards the active travel link at Balmakeith Industrial Estate in Nairn and a further £0.077m towards travel related projects undertaken by Highland Council. At 31 March 2021 Highland Council owed £0.056m to the Partnership.

Moray Council

Moray Council provided £0.047m representing 23.5% of the requisition funding for the Partnership and holds 2 of the 8 votes on the Board. Moray Council also provided £0.008m towards the cost of the Partnership employing a Public Transport Information Officer, a £0.008m contribution towards groundworks for cycle parking in Moray, part of the Regional Active Travel project. In the year the Partnership contributed £0.058m contribution towards a low carbon travel and transport project, forming part of the G-PaTRA European project.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

Argyll and Bute Council

Argyll and Bute Council provided £0.026m representing 13.0% of the requisition funding for the Partnership and holds 1 of the 8 votes on the Board. Argyll and Bute Council also provided £0.008m towards the cost of the Partnership employing a Public Transport Information Officer. In the year the Partnership contributed £0.056m for design and construction of Lochgilhead town centre active travel improvements.

Comhairle Nan Eilean Siar

The Comhairle Nan Eilean Siar provided £0.019m representing 9.5% of the requisition funding for the Partnership and holds 1 of the 8 votes on the Board. Comhairle Nan Eilean Siar also provided £0.005m towards the cost of the Partnership employing a Public Transport Information Officer. Comhairle Nan Eilean Siar provides administrative, personnel and legal services at a cost of £0.008m. The Partnership contributed £0.003m towards the local transport strategy undertaken by Comhairle Nan Eilean Siar.

Orkney Islands Council

Orkney Islands Council provided £0.017m representing 8.5% of the requisition funding for the Partnership and holds 1 of the 8 votes on the Board. Orkney Islands Council also provided £0.005m towards the cost of the Partnership employing a Public Transport Information Officer. In the year the Partnership contributed £0.026m towards the costs of travel related projects. At 31 March 2021 the Partnership owed £0.026m to Orkney Islands Council.

Scottish Government

Scottish Government exerts significant influence through legislation and grant funding. Scottish Government provided grant funding of £0.523m for the Partnership, grant funding of £0.465m from Regional Active Travel Funds, £0.323m for the Mobility as a Service (MaaS) project, £0.100m for the CivTech programme, £0.094m for the Scottish Islands Passport project, and £0.057 for other transport related projects. The Partnership contributed £0.040m to the CivTech transport project. At 31 March 2021 Transport Scotland owed £0.400m to the Partnership.

15. Operating Leases

The Partnership leases office premises at two locations.

Partnership as Lessee

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

2019/20		2020/21
£000		£000
10	Not later than one year	10
17	Later than one year and not later than five years	7
<u>27</u>		<u>17</u>

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

2019/20		2020/21
£000		£000
10	Minimum lease payments	10
<u>10</u>		<u>10</u>

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

16. Short Term Debtors

2019/20 £000		2020/21 £000
105	Central government bodies	459
272	Other local authorities	124
243	Other entities and individuals	192
620	Total	775

17. Short Term Creditors

2019/20 £000		2020/21 £000
7	Central government bodies	27
-	Other local authorities	89
52	Other entities and individuals	346
59	Total	462

18. Financial Instruments Balances

The following categories of financial instruments are carried in the Balance Sheet:-

Financial Assets

Current Debtors 31 March 2020 £000		Current Debtors 31 March 2021 £000
603	Amortised cost	760
603	Total Financial Assets	760
17	Non-financial assets	15
620	Total Assets	775

Non-financial assets held under current debtors consist of prepayments.

Financial Liabilities

Current			Total	Current			Total
Cash and cash equivalents 31 March 2020 £000	Creditors 31 March 2020 £000	31 March 2020 £000		Cash and cash equivalents 31 March 2021 £000	Creditors 31 March 2021 £000	31 March 2021 £000	
564	59	623	Amortised cost	321	462	783	
564	59	623	Total Financial Liabilities	321	462	783	
-	-	-	Non-financial liabilities	-	-	-	
564	59	623	Total Liabilities	321	462	783	

Non-financial liabilities held under current creditors consist of receipts in advance.

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP
AUDITED ANNUAL ACCOUNTS 2020/21

Financial Instrument Gains and Losses

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

2019/20 Surplus or Deficit on the Provision of Services £000		2020/21 Surplus or Deficit on the Provision of Services £000
25	Interest Expense	19

19. Contingent Liability

The decisions of the Court of Appeal in the Sargeant/McCloud cases (now generally known as McCloud for Local Government Pension Schemes) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. Going forward remedies relating to the McCloud judgement will need to be made in relation to all public sector pension schemes including the LGPS.

The Partnership's pension liability and pension costs for 2019/20 and 2020/21 includes the actuary's estimate of the impact of the McCloud remedy, however the exact timing and costs to the Council are unknown at this time.

20. Events after Reporting Period

The unaudited Annual Accounts were issued by the Treasurer on 29 June 2021 and the audited Annual Accounts were authorised for issue on 15 December 2021. Events taking place after this date are not reflected in the Annual Accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the Annual Accounts and notes to be adjusted in all material respects to reflect the impact of this information.