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TRANSPORT SCOTLAND
CÒMHDHAIL ALBA

Annual Report and Accounts

for the year ended 31 March 2016

CONTENTS

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October 2016 SG/2016/124

PERFORMANCE REPORT

01

OVERVIEW

Statement by Chief Executive

I am pleased to introduce Transport Scotland's Annual Report and Accounts for 2015-2016. The past year has been a busy and exciting time within Transport Scotland as we continue to support Scottish Ministers in delivering transport projects and priorities across Scotland.

The Forth Replacement Crossing (FRC) project is now expected to open to traffic by May 2017, in advance of the contractual date of June 2017 and within a revised budget range of £1.325 – £1.350 billion. The project has now realised cumulative savings of £245 million since construction began in June 2011. All three towers on the new crossing had reached their final height by the end of 2015, making the Queensferry Crossing the tallest bridge in the United Kingdom. The launch of the 543 metre long twin south approach viaduct was completed by June 2015 and the 222 metre long north approach viaduct by March 2016. The impressive deck lifting operations commenced in early September 2015 and by the end of March 2016 50% of the deck sections had been lifted into place.

September 2015 saw the opening of the Borders Railway by Her Majesty The Queen, accompanied by the Duke of Edinburgh and the First Minister. The £353 million project was successfully completed on time and within budget. Patronage of the new railway has exceeded expectations while the steam train experience, which operated throughout Autumn 2015, offered travellers a unique opportunity to enjoy the route and the nearby attractions. We continue to work with our partners in order to realise the full economic benefits of the new railway, to transform tourism opportunities and to open up the communities in South-East Scotland as new places to live, work and visit.

The start of the year marked the transfer of the ScotRail franchise from First Group to Abellio. The new franchise now operates 2,400 daily services on our rail network and will continue to do so for the next ten years. Significant investment to improve our railway stations continues, including the provision of enhanced waiting facilities, additional CCTV equipment and upgrades to existing technology, new customer information screens and new ticket vending machines.

A major milestone in the Edinburgh Glasgow Improvement Programme (EGIP) was passed during 2015 when, over a 44 day period between 13 June and 27 July, Network Rail successfully completed the challenging and complex track lowering and re-engineering of the Winchburgh Tunnel in readiness for electrification. Working closely with the ScotRail Alliance and transport industry partners, Transport Scotland co-ordinated a highly effective 'disruption management and communications plan' which ensured that Scotland kept moving during the tunnel closure period.

We are committed to completing the dualling of the A9 between Perth and Inverness by 2025. With a preliminary estimate of £3 billion, this is the most expensive transport programme in Scotland's history. An important milestone was reached in September 2015 with the first section between Kincraig and Dalraddy commencing construction and completion expected in the summer of 2017. In addition, the three design contracts for the programme, each worth approximately £40 million, are now supporting almost 800 engineering design related jobs in Scotland, including 350 for graduates and apprentices. Since the announcement of the programme in December 2011, over £62.5 million has been spent, including recent ground investigation work.

Looking to the future of rail travel, the High Speed Scotland Summary Report was published on 21 March 2016. This document sets out the appraisal of a high speed rail connection between Glasgow and Edinburgh, which emerged from initial feasibility work carried out by Transport Scotland when considering potential options for linking Scotland to the high speed network being developed by HS2 Ltd.

Transport Scotland continued to support Scotland's airports in developing new routes to improve business connectivity and inbound tourism numbers. Our support for ferries built on the success of previous years, and on 11 December 2015 the MV Catriona, the third hybrid ferry for the fleet serving the Clyde and Hebrides network, was officially launched. The future of ship building on the Clyde was further supported through the award of a £97 million contract to Ferguson Marine Engineering Limited (FMEL) for two 100 metre ferries, also supporting the Clyde and Hebrides network.

In 2015-16 we also increased investment in active travel by 70% and for the first time ever, over 50% of school children travelled actively to school and over 40% participated in on-road cycle training at school.

The past year has also had its challenges, particularly with the unforeseeable closure of the Forth Road Bridge (FRB) in December/January and the significant disruption and inconvenience this brought to local communities and to businesses across Scotland. The closure tested our organisation but we responded immediately with alternative travel plans, traffic management, availability of additional public transport provision and increased communication to keep the public informed so as to mitigate as best as possible the impact of the closure. Our ability to respond and achieve an earlier than planned reopening was in no small measure due to the commitment and performance of our staff and that of our operating company, Amey and other key stakeholders

I am very proud of the skill, flexibility and professional commitment of staff within Transport Scotland. I thank all colleagues involved and also acknowledge our partners across Scotland, who played a significant role in making this a very successful year in transport.

Purpose and Activities of the Organisation

Transport Scotland is an Agency of the Scottish Government responsible for national transport and accountable to Parliament and the public through Scottish Ministers.

We oversee the operation and improvement of the trunk road, ferry, inland waterway and railway networks in Scotland; air passenger facilities in the Highlands and Islands and are responsible for securing air routes for Scotland; national concessionary travel schemes and the provision of network traffic and travel information services. We also support Ministers in prioritising future transport policy and investments, whilst actively promoting sustainable transport and road safety.

The Scottish Government aims to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth, and this provides the focus for our work. Our delivery priorities are for improved connections across Scotland; increased safety and more innovation; continuously improved performance; better journey times; better reliability; greener transport alternatives and reduced emissions.

These provide a clear focus to support development and delivery of efficient, effective and sustainable transport infrastructure and services for Scotland.

Key Issues and Risks Affecting the Organisation

The principal risks and uncertainties facing Transport Scotland relate to our major contracts for and financial investment in the provision of rail, ferry, bus and air services, the maintenance of the road, rail and the Highlands and Islands air networks and major infrastructure such as the Queensferry Crossing.

The inherent risks relate to performance by contractors which can also be affected by outside factors such as adverse weather. We have focussed efforts in particular on improving winter resilience on the trunk road network and manage the related financial risks on these contracts by providing support, including monthly reporting to budget holders, directors and the Scottish Government.

Roy Brannen
Chief Executive, Transport Scotland

PERFORMANCE ANALYSIS

The following high level objectives were set out in our Corporate Plan 2012-15 which was extended by a year to cover 2015-16 and thereby align with the Scottish Parliamentary cycle.

Improved connections across Scotland and internationally
Increased safety, more innovation
Continuously improving performance and organisation
Better journey times, better reliability, quality and accessibility
Low carbon technology and infrastructure, reduced emissions

The following reflects the key contributions of each Directorate within Transport Scotland during 2015-16. It should be noted that many of the projects/programmes set out below contribute to the achievement of multiple objectives. Regular formal progress reports on each are provided to senior management during the year, including details of progress against targets and narrative on measurement methodologies and variations from targets.

A more detailed analysis of our performance is reported more fully in our Annual Review 2015 and Supplement Annual Review 2015.

Performance in Key Areas

Trunk Roads and Bus Operations

Average speed cameras introduced on the A9 between Dunblane and Inverness with the number of "fatal and serious" accidents in the area falling by almost 59%, and "fatal and serious" casualties down by approximately 64%. The period from July to December 2015 passed without a fatal accident on the route, the first time this has happened since 1978.

The **HGV speed limit pilot**, raising HGV limits from 40 to 50 mph on the single carriageway sections between Perth and Inverness, is expected to save over 150,000 vehicle hours per year. Journey times for all A9 users are well within predicted ranges and traffic volumes are around 4% higher than they were in 2013, before average speed camera deployment began.

The Agency supported the publication of ***Cleaner Air for Scotland***, Scotland's first distinct air quality strategy which contains a vision for Scotland to have the cleanest air in Europe.

The publication by **Road Safety Scotland** of a suite of educational resources, covering the 3-18 age group, linked to the key learning approaches within Curriculum for Excellence and built on early intervention.

The completion in September 2015 of the 66 mile, £3.5 million **Great Glen Cycleway** scheme which forms part of the longer route from Oban to Inverness.

The opening of the new £2.8 million **M8 Hillington Footbridge** in September 2015 which is a vital link across the M8 motorway.

The publication of the **Road Asset Management Plan** in January 2016 setting out the level of service we intend to provide on the trunk road network alongside the work and investment required to achieve this.

Investment in **bridge structures** including completion of two bridges on the A830 between Fort William and Mallaig in December 2015, completion of the Dearg Bridge and strengthening of the Glenfarg footbridge in May 2015, and the opening of both Utha and Garbh bridges in January 2016.

We have continued to support our most vulnerable citizens by investing nearly £200 million in the Scotland Wide **Free Bus Concessionary Travel Scheme for Older and Disabled People**. Of the 1.5 million National Entitlement Cards with eligible travel concessions, around 1.3 million relate to the National Concessionary Travel Scheme (NCT) for Older and Disabled People with journeys on buses all over Scotland in 2015-16 estimated at around 147 million.

Progressing delivery of the Scottish Government's vision for one **Smart ticketing system** on all public transport throughout Scotland including via requirements in the new ScotRail franchise contract and recent ferry franchise procurement. Through the Confederation of Passenger Transport, Scottish bus operators have committed to invest in compatible ticketing equipment, in order to dovetail with ScotRail's programme. Public transport operators have established a new Steering Group with Transport Scotland to ensure compatibility and align delivery across all transport modes.

Major Transport Infrastructure Projects

The **Forth Replacement Crossing** (FRC) project is now expected to open to traffic by May 2017, in advance of the contractual date of June 2017 and within a revised budget range of £1.325 – £1.35 billion. The project has now realised cumulative savings of £245 million since construction began in June 2011.

The **FRC Contact and Education Centre** has proven to be hugely popular, with local communities, schools, colleges, universities and other organisations taking advantage of the many events held by the project team throughout the year. Since opening over 42,000 people, including more than 10,000 school pupils, have been informed about the project through the outreach and education programme.

Works are now well underway to construct the **Aberdeen Western Peripheral Route/Balmedie to Tipperty** (AWPR/B-T). Currently around 1,300 people are now working on the new road, with employment on the project set to peak at 1,500 in due course. It is estimated that, when complete in Winter 2017, AWPR/B-T will cut journey times across Aberdeen by half and will generate over £6 billion of additional income (at 2004 prices).

Construction of the £500 million **M8/M73/M74 Motorway Improvements Project** has continued to progress including the first major bridge as part of the project successfully manoeuvred into position. The new Braehead rail bridge, weighing in excess of 2,000 tonnes, slid into its final position over what will become the new M8 at Bargeddie. More than a third of the new M8 carriageway has already been completed within the site boundary, and disruption to the 100,000 vehicles using these routes every day has been kept to a minimum.

The £9.2 million investment by the Scottish Government in the **A82 at Pulpit Rock** has removed the bottleneck and traffic lights, which will increase journey time reliability and reduce driver frustration. Works commenced in May 2013, and the road-opened to 2-way traffic on 8 May 2015.

We are committed to completing the **dualling of the A9** between Perth and Inverness by 2025. Estimated at £3 billion, this is one of the biggest and most expensive transport projects in Scotland's history. The three design contracts for the programme, each worth approximately £40 million, are now supporting over 800 engineering design related jobs in Scotland, including almost 350 for graduates and apprentices.

We launched the **Academy9 Programme** in August 2015 to maximise the benefit of the A9 dualling by infusing elements of the various activities involved into the education curriculum and increasing awareness of STEM (science, technology, engineering and mathematics) and civil engineering-related careers with the goal of getting local pupils ready for the local jobs which the programme will create. To date, some 240 pupils from 13 primary schools and 80 S3 pupils from three high schools along the A9 corridor have been introduced to the programme. Meanwhile, in order to keep residents and local businesses up to date on developments, regular newsletters have been published and local events, public exhibitions and drop in sessions have been held throughout 2015.

The design contract worth at least £30 million was awarded in May 2015 for the **A96 dualling between Inverness to Nairn** (including Nairn Bypass) and work has commenced on the development and assessment of the preferred option with a view to publishing draft Orders for the scheme later in 2016 for formal comment.

The **A96 Inveramsay Bridge** opened to traffic on 18 March 2016 and the scheme will cut congestion and improve journey time and traffic flows.

Aviation, Maritime, Freight and Canals

Aviation

The Agency continued to improve Scotland's **international business connectivity** and in-bound tourism in partnership with Scottish Enterprise and Visit Scotland, including the introduction of Etihad's service from Edinburgh to Abu Dhabi and WestJet's service from Glasgow to Halifax, Nova Scotia.

The **contract for supported air services to Campbeltown, Tiree and Barra was renewed**. The new contract will result in significant improvement to these services, including the expansion of the Tiree and Barra services from daily to twice a day in order to address capacity issues. Sunday services to Campbeltown will also commence earlier in the year, as part of the new contract.

We increased the **Air Discount Scheme** discount rate from 40% to 50% for bookings made from 1 January 2016.

Ferries

The £97 million contract **was awarded** to FMEL, Port Glasgow to construct two new major 'dual-fuel' ferries for the Clyde and Hebrides Ferry Services network. These will be the largest commercial vessels to be built on the Clyde since 2001, and will mark the beginning of a new era of commercial shipbuilding on the Clyde. The ferries will operate on liquefied natural gas and marine diesel.

MV Catriona, launched in December 2015, underlines the Scottish Government's commitment to making our ferry fleet sustainable and reliable, whilst showcasing the expertise on offer at the FMEL shipyard.

We supported Scottish island communities through approximately £30 million of infrastructure investment at **Ullapool and Stornoway harbours**.

The completion of the roll-out of **Road Equivalent Tariff** fares to the Clyde and Hebrides Ferry Services (CHFS) network benefits the entire CHFS network with cheaper ferry travel, and fulfills a key commitment of our 2012 Ferries Plan.

Rail

Successfully completed on time and on budget, the **Borders Railway** is the longest new domestic railway to be constructed in Britain for over 100 years. The 30 miles of track and seven new stations provide a fast and efficient service connecting the communities of Midlothian and the Scottish Borders with Edinburgh and the wider Scottish rail network.

The launch of the **new ScotRail franchise** in April 2015, now operated by Abellio delivering significant improvements to rail services in Scotland, with more services, more trains and improved facilities.

A recruitment campaign was launched to employ **100 extra drivers** across Scotland in preparation for the introduction of brand new electric trains to the central belt network from 2017, and the popular, faster "inter-city" style high speed trains serving Scotland's seven cities from 2018.

The **Caledonian Sleeper franchise** commenced operation on 31 March 2015. The on train service offer has greatly improved for passengers, with new food and drink menus featuring Scottish-sourced produce. A new headquarters has been established in Inverness, resulting in the creation of over 20 high quality jobs. The franchise agreement specifies the involvement of Small and Medium Enterprises and over 15 such companies are now involved.

The **High Speed Scotland Summary Report** was published on 21 March 2016. It sets out the appraisal of a high speed rail connection between Glasgow and Edinburgh, which emerged from initial feasibility work carried out by Transport Scotland when considering potential options for linking Scotland to the high speed network being developed by HS2 Ltd.

In December 2015**, Gleneagles Station** was awarded the Taylor Woodrow Partnership Award sponsored by the National Railway Heritage Awards.

"***Delivering the Goods:*** *Consultation towards Scotland's Rail Freight Strategy*" was launched in October 2015, setting out a refreshed vision for a competitive, sustainable rail freight sector to support the Scottish Government's Economic Strategy by providing a safer, greener, and more efficient way of transporting products and materials through four core levers: *innovation, facilitation, promotion and investment*.

There are now eight operational **Community Rail Partnerships (CRPs)** in Scotland. Abellio's winning bid suggested a new delivery model for CRPs, within a broader "*ScotRail in the Community*" initiative, whereby the franchise holder would work with and fund established CRPs to develop their plans for a particular rail line. These plans include promotion of the line, utilising vacant station buildings for community based projects and adoption of a station, which can involve keeping station tidy, flower arrangements etc. The franchisee will also work with local community groups to establish interest in creating new CRPs or community initiatives.

Transport Policy

Fastlink, a bus rapid transit scheme, which provides a direct link from Glasgow City Centre to the new Queen Elizabeth University Hospitals Campus, opened in 2015 enabling regular, high-frequency, high-quality bus service under a bus quality partnership.

Smarter Choices, Smarter Places is a behaviour change programme of over 160 projects across Scotland to increase the number of journeys done by walking, cycling, using public transport and car sharing. The £5 million in grant funding has attracted £6.5 million in match funding from partners including local authorities, Road Transport Partnerships (RTPs), NHS and other partners.

We continued investment in the **ChargePlace Scotland** network of electric vehicle chargers, which now comprises over 1000 public charging bays (equating to over 500 points) across Scotland, including 100 'rapid' chargers, making it one of the most comprehensive networks in Europe.

Following the success of the **Transport Accessibility Summit** in March 2015, we set up a Transport Accessibility Steering Group to co-produce an accessible travel framework for Scotland. A workshop in August 2015 prepared the groundwork for the steering group to co-produce the vision and action plan, to ensure the continued involvement of disabled people in shaping and monitoring the plan, which will be published in 2016.

In 2015-16 we also increased investment in **active travel** by 70% and for the first time ever, over 50% of school children travelled actively to school and over 40% participated in on-road cycle training at school.

We worked in collaboration with the Scottish Government, SEPA, local authorities and other stakeholders to support the publication of ***Cleaner Air for Scotland***. This, Scotland's first distinct air quality strategy, contains a vision for Scotland to have the cleanest air in Europe.

Social and Community Issues

Our staff use the Scottish Government's 'Skills for Success' framework approach to learning, development and career planning. We continue to embrace a programme of education engagement (Career Ready), where staff use their skills and experience of work to help young people in the surrounding area prepare for employment.

In procuring major contracts we are at the forefront of delivering community benefits beyond those of the normal contract requirements. One example of this is the benefits to the community being delivered through the FRC project. This project has continued to directly support an average of 1,200 jobs, with total indirect and induced benefits estimated to be worth around £6 billion to the Scottish economy. In addition, Scottish firms have been awarded subcontracts totalling £264 million. During each year of construction, the FRC delivers 45 vocational training positions, 21 professional body training places and 46 positions for the long term unemployed, as well as providing further scope to maximise Modern Apprenticeship opportunities with 565 places for vocational and professional training and the long-term unemployed generated. The FRC project's commitment to engage with communities and share information regarding construction methods and progress has resulted in over 55,000 people directly engaging in the project by visiting the project exhibition or attending one of the many presentations that have taken place.

To date, £226 million worth of sub-contracts have been awarded as a result of the M8/M73/M74 Motorway Improvements Project. The project currently employs 1,050 people and has delivered opportunities for 35 apprentices and provided training opportunities for recently qualified graduates from a wide range of disciplines, with 27 graduates employed on site, eight of whom are registered for professional body training schemes. These figures are anticipated to rise as construction work on the project continues to increase during 2016.

Over £350 million worth of subcontracts have been awarded as a result of the AWPR/B-T project. The project currently employs around 1,500 people which is expected to rise to around 1,600 people at its peak and will also deliver an annual average of 30 vocational (apprentice) training positions, 15 professional body (graduate) training places and 30 positions for the long-term unemployed.

We are also delivering community benefits for the Highlands and Islands and Dundee in the aviation sector through our sponsorship for Highlands and Islands Airports (HIAL). Infrastructure is provided which supports essential air services and HIAL directly employs around 600 staff in those communities. We also contract three lifeline air services serving Barra, Campbeltown and Tiree which cannot be provided commercially and the Air Discount Scheme provides discounted air fares for the residents of some of Scotland's most remote communities, making fares more affordable.

The contract for the provision of ferry services to the Northern Isles with Serco actively identifies opportunities for supported businesses in the area and Serco remain committed to this principle, providing opportunities for supported businesses to benefit from a much larger range of opportunities and become involved in Serco's supplier forum.

Sustainable Growth

We contribute to the Scottish Government's purpose of sustainable economic growth, by supporting the targets set out in the Climate Change (Scotland) Act and the aims of the Second Report on Proposals and Policies, published in June 2013. Investment is set within a hierarchy which also promotes sustainable growth by seeking to maintain and safely operate the assets we already have, to make best use of those assets, and finally to target infrastructure improvements.

In addition, we have continued to support the development of the cycling and walking infrastructure, alongside the promotion of active travel, working with partners to deliver the Cycling Action Plan for Scotland and progress towards its vision of 10% of everyday journeys by bicycle by 2020. This will be taken forward through continuation of the Future Transport Fund.

We continue to promote alternatives to private car travel through funding to CarPlus to develop a network of car clubs across Scotland, and to the Energy Saving Trust to promote fuel efficient driving as well as working with organisations to encourage their transitions to low carbon travel and transport choices.

Future Developments

Transport Scotland's Strategic Transport Projects Review, published in December 2008, set out investment priorities for the next 20 years. This is targeted at facilitating better movement of people and goods to increase wealth and enable more people to share fairly in that wealth. Priority projects including the FRC, EGIP and AWPR continue to progress.

In addition, we are continuing to work with partners and stakeholders to take forward the development and design of other projects such as the A9 dualling between Perth and Inverness and the upgrading of the A82 between Tarbet and Inverarnan. Work commenced in September 2015 on the first A9 dualling scheme between Kincraig and Dalraddy. The project will support businesses, communities and tourism through Scotland by improving access to and from the Highlands.

Transport Scotland has a new Forth Bridges Operating Company contract to undertake responsibilities of the former Forth Estuary Transport Authority (FETA) as well as those that will come from the Queensferry Crossing. We also have responsibility for the residual FETA assets and liabilities, including those in respect of the existing liabilities accrued for FETA pensions under the Lothian Pension Fund local government scheme. Actuarial valuations have currently identified the value of the pension liabilities at £8.5 million. Transport Scotland utilised the £3.7 million residual value of FETA reserves to part-fund this payment with the balance of £4.8 million funded from Transport Scotland's 2015-16 budget.

Financials

The financial statements for the year ended 31 March 2016 have been prepared in accordance with the Accounts Direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000, and in accordance with The HM Treasury Financial Reporting Manual (FReM). The financial statements are consolidated within the Scottish Government Consolidated Resource Accounts.

These financial statements were authorised for issue on 13 September 2016.

Our Annual Review is also published on our website at: www.transportscotland.gov.uk, and the Scottish Government Consolidated Resource Accounts at www.scotland.gov.uk.

Significant accounting policies

The areas where accounting judgements have significant impact are outlined below:

- **Valuation of the Trunk Road Network**
  The trunk road network is valued on the basis of current replacement cost, adjusted to reflect the current condition of the road component and the depreciation of structures and communications assets. To produce this valuation requires the use of assumptions, estimates and professional judgement. The model used to produce the valuation is known as the Road Authorities Asset Valuation System (RAAVS), and work is currently undertaken by WS Atkins using standard costs to value the individual components of the network asset and indices to revalue these on an annual basis through a joint contract with the other UK Road Authorities.

- **Recognition and the valuation of provisions**
  Due to the long term nature of our road and rail improvement schemes certain assumptions and judgements are required to be made for the estimated cost of land acquisition and compensation claims. This is due to the often protracted negotiation periods involved and the initial uncertainty over both the financial value and the final payment date of any compensation.

- **Valuation of accruals**
  Due to the timing and availability of final year end information from external parties and operating companies within Concessionary Travel, Rail and also Roads maintenance contracts, certain assumptions and judgments are required to be made when processing final accruals.

- **Public Private Partnerships (PPP) – the balance of control**
  We have three Public Private Partnerships (PPP) agreements in the form of Private Finance Initiative (PFI) contracts (M77-Connect, M74/M6–Autolink & the M80 Highway Management). These arrangements meet the definition of Service Concession Arrangements in accordance with the disclosure requirements of IPSAS 32.

  We also have PPP agreements in the form of Non-Profit Distributing (NPD) contracts for the M8/M73/M74 Motorway Improvements Project, with Scottish Roads Partnership (SRP) and Aberdeen Roads for the new AWPR/B-T. Both SRP and Aberdeen Roads are contractually obliged to provide the infrastructure and related services to the public on our behalf. We will retain overall control of the related assets and account for them on the Statement of Financial Position (SFP).

  We have reviewed the degree of control exercised by each of the parties in existing PPP contracts and conclude that the degree of control we retain satisfies the requirements that the related assets created are required to be accounted for on our SFP. Details of the accounting treatment can be found in notes 1 and 16 to the annual accounts.

  For details of the differences between NPD and PFI contracts, see the Scottish Futures Trust website at www.scottishfuturestrust.org.uk

Rail infrastructure in Scotland

Our responsibility for rail strategy includes setting strategic outcomes, primarily through Network Rail and the ScotRail and Caledonian Sleeper franchises, and defining the level of public expenditure available to support this.

Network Rail outputs and associated funding for Control Period 5 from 1 April 2014 to 31 March 2019 in Scotland was determined by the Office of Rail Regulation (ORR). Following their reclassification as a central government body in 2014, Network Rail now borrows from the UK Government to cover its future financing requirements. The major projects specified by Scottish Ministers for delivery by 2019 are largely funded through this agreement, which includes a ring-fenced borrowing limit to protect the delivery of Network Rail's programme in Scotland. Under the Memorandum of Understanding agreed with the UK Government following reclassification, the Scottish Government, with regulatory oversight from the ORR, continues to manage its own relationship with Network Rail in the delivery and funding of specified outputs on the Scottish rail network.

Funding

Resources to fund our operating costs and capital investment programme were allocated in the Scottish Government Budget 2015-16.

The choice between public and private funding is governed by suitability for alternative forms of finance (including value for money as well as availability). The policy decision set out in the 2015-16 budget is to maximise investment by utilising all available forms of finance (whilst working within a 5% affordability envelope for revenue financed schemes) in light of significant capital constraints.

Financial performance and use of resources

We are required to monitor expenditure against our budget which forms part of the Infrastructure Investment and Cities portfolio. During the year, the budget can be subject to revision and adjustment via the Scottish Government Autumn Budget Revision (ABR) and Spring Budget Revision (SBR). The table below shows the movement in our budget and comparison with the outturn.

	Original Budget 2015-16 £000's	ABR Adjust £000's	SBR Adjust £000's	Roundings from Budget Bill £000's	Revised Budget 2015-16 £000's	Outturn 2015-16 £000's	Variance £000's
Rail Services	808,300	(14,100)	-	48	794,248	748,587	45,661
Concessionary Travel	260,600	-	-	-	260,600	252,431	8,169
Motorways & Trunk Roads	646,550	10,196	(60)	52	656,738	724,235	(67,497)
Ferries	187,100	-	-	(55)	187,045	200,894	(13,849)
Air	52,900	-	-	-	52,900	57,799	(4,899)
Other Transport	65,900	3,240	(865)	34	68,309	66,401	1,908
Scottish Futures Fund	20,250	-	-	-	20,250	14,597	5,653
Local Authority Grants	29,900	-	-	-	29,900	29,961	(61)
Total DEL	**2,071,500**	**(664)**	**(925)**	**79**	**2,069,990**	**2,094,905**	**(24,915)**
AME	-	-	1,000	-	1,000	(3,098)	4,098
ODEL PFI Resource	80,900	(2,100)	1,547	(13)	80,334	80,322	12
ODEL PFI Capital	-	-	99,223	-	99,223	99,223	0
TOTAL	**2,152,400**	**(2,764)**	**100,845**	**66**	**2,250,547**	**2,271,352**	**(20,805)**

A total of £2,071 million of budget cover was allocated from the Scottish Government Departmental Expenditure Limit (DEL) budget (14-15: £1,942m). Annually Managed Expenditure (AME) relates to land compensation and damage claims on the trunk road network (14-15: -£10m). The remaining £180 million of budget (14-15: £270m) represents on-balance sheet PFI/PPP projects scored out-with DEL. Of this, £80 million is scored against resource and includes payments for the, M77, M80 and M6 schemes. The capital element relates to the construction costs of the M8/M73/M74 project. These budgets form part of the overall budget of the Scottish Government.

Outturn Analysis

Transport Scotland 2015-16	Budget £000's	Actual £000's	Variance £000's
Resource – Operating Costs	897,358	900,435	(3,077)
Resource – Investment	612,615	592,088	20,527
Resource Depreciation (non-cash)	111,525	93,673	17,852
Capital	448,492	508,709	(60,217)
DEL total	**2,069,990**	**2,094,905**	**(24,915)**
AME	1,000	(3,098)	4,098
PFI Resource (ODEL)	80,334	80,322	12
PFI Capital (ODEL)	99,223	99,223	0
Total	**2,250,547**	**2,271,352**	**(20,805)**

The final outturn for the year against the main budget areas is shown in the outturn analysis table. The DEL overspend of £24.9 million, comprises a cash overspend of £42.8 million and a non-cash underspend of £17.9 million. In year savings including lower than expected levels of inflation within Rail Franchise and Infrastructure, contingencies released within High Speed Rail and efficiencies within the FRC project were offset by additional costs of £9.2 million from the closure of the Forth Road Bridge and recognition of £141 million of in-year capital costs of the AWPR project, which now require to be included within Capital DEL following the Office of National Statistics (ONS) reclassification of the project.

The underspend of £17.9 million on non-cash DEL is due to the RAAVS condition outturning lower than budget. The ODEL Capital figures reflect only the construction costs of M8/M73/M74 project, together with the budget allocated in the Spring Budget Revision.

The total overspend of £21 million (14-15: £206m underspend) represents approximately 0.9% (14-15: 9.4%) of the overall budget. This overspend is being managed within the overall Scottish Government budget position.

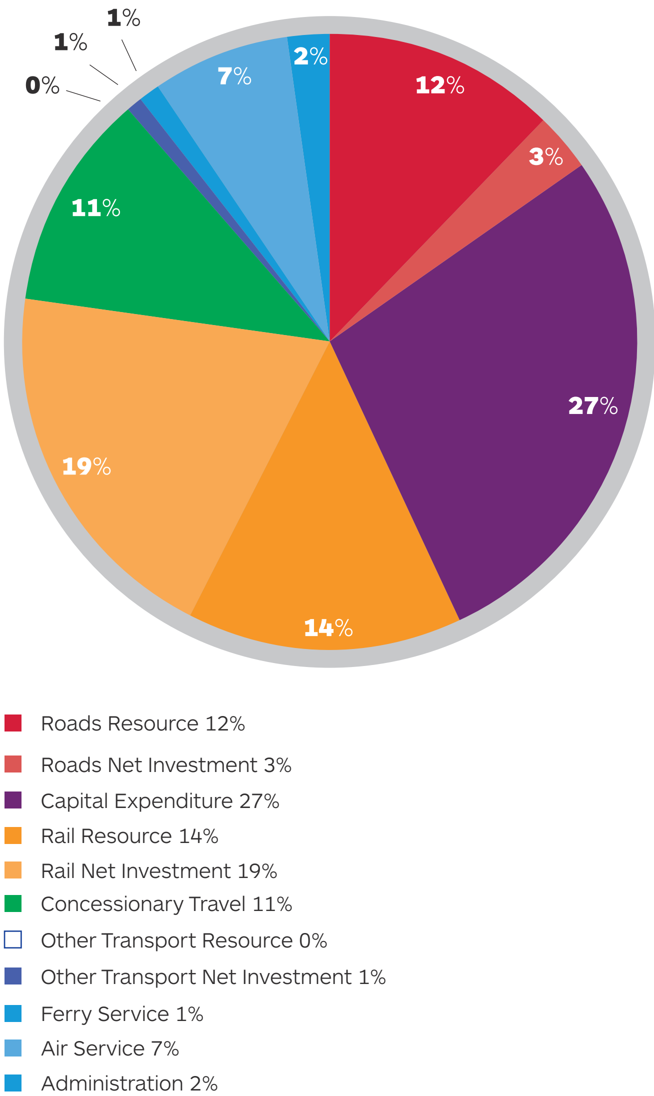
Transport Scotland has a new Forth Bridges Operating Company contract to undertake the responsibilities of the former FETA as well as those that will come from the Queensferry Crossing. We also have responsibility for the residual FETA assets and liabilities, including those in respect of the existing liabilities accrued for FETA pensions under the Lothian Pension Fund local government scheme. Actuarial valuations have identified the value of the pension liabilities at £8.5 million. Transport Scotland utilised the £3.7 million residual value of FETA reserves to part-fund this payment, with the balance of £4.8 million funded from Transport Scotland's 2015-16 budget.

The Statement of Comprehensive Net Expenditure (SoCNE) on page 27 identifies net operating costs of £1,666 million. Capital expenditure is not recognised as in-year expenditure within the SoCNE, but the table below provides a reconciliation of overall outturn to SoCNE.

	£000's
Net Operating Costs per SoCNE	**1,665,483**
Add: Additions to Intangible Assets (note 7)	30
Add: Additions to PPE (note 6)	557,364
Add: Additions to Investments (note 9)	53,711
Less: Disposals of Intangible Assets (note 7)	0
Less: Disposals of PPE (note 6)	(1,464)
Less: Repayments of Investments (note 9)	(3,767)
Less: Disposals on Assets held for Sale (note 8)	(5)
Less: De-trunkings (note 6)	0
Add: De-trunkings depreciation (note 6)	0
Outturn per Management Commentary	**2,271,352**

A further analysis of actual expenditure in 2015-16, is analysed opposite by operational area within Transport Scotland.

The majority of Transport Scotland's budget is spent, either directly or indirectly, with private sector companies. Only 1% is utilised on the ongoing Agency running costs. The chart below shows the percentage spent on each of the main areas of service provision identified in the budget.



The total asset base is £18 billion, the majority of which relates to the trunk road network. Additions to the value of the asset include the Forth Road Bridge, transferred from FETA on 1 June 2015 and the completion of the A82 Pulpit Rock scheme.

Relationship with suppliers

We are committed to prompt payment of bills for goods and services and aim to settle all undisputed invoices within contract terms and also in line with the Scottish Government 10 day payment policy. We settled 96% of invoices within this timescale (14-15: 96%). The amount owed to trade creditors at the year-end as a proportion of the aggregate amount invoiced during the year, represented 0.3 days in proportion to the total number of days in 2015-16 (14-15: 1.2 days).

Future Spending Plans

The *Scottish Budget Draft Budget 2016-17*, published in October 2015, provides details of our spending plans that will help deliver sustainable economic growth. These allocations are included in the table below for the coming financial year.

	2016-17* £000's
Resource – Operating Costs	862,784
Resource – Investment	640,066
Non-Cash	112,025
Capital	509,892
Financial Transactions	7,000
Total	**2,131,767**
ODEL	86,828
Total	**2,218,595**

**Source- Scottish Budget Act 2016-17*

Sustainability

The Climate Change (Scotland) Act 2009 requires us to report on corporate operational emissions across activities such as office energy use and business travel. Collectively, these actions underpin the commitments in our Carbon Management Plan (CMP).

When the CMP was last refreshed in 2013, it set a target to reduce our operational carbon footprint by 16% by the end of 2015-16, based on a 2010-11 baseline. In order to meet this target, the following emission reduction targets were set across a suite of corporate emissions:

- Business travel emission: 19.4% reduction against the 2010-11 baseline
- Commute travel emissions: 7.8% reduction against the 2010-11 baseline
- Office energy emissions: 6.1% reduction against the 2010-11 baseline
- Office waste emissions: 25% reduction against the 2010-11 baseline

The corporate emission reduction target was very ambitious and based on a limited dataset. By 2015-16, our emissions were 8% below our 2010-11 baseline. Whilst not meeting our CMP target, we do note a reduction in emissions against our baseline. A detailed Sustainability Report will be published in late 2016, providing fuller details of our operational carbon footprint. During the year there has been a further 5% reduction in emissions compared to the previous year.

Energy: Emissions from electricity use at Buchanan House have decreased by 1.9%, however there was an increase of 0.4% in gas consumption. The utilities information is specific for Buchanan House only.

Travel: Emissions from business travel have decreased by 17% on the previous year. Emission reductions were achieved for rail travel (26%), underground travel (100%), car hire (28%), taxi travel (51%) and ferry travel (100%). There were however increases in emissions for air travel (28%) and bus travel (44%).

The 100% decreases in emissions for underground and ferry travel are due to an alteration in the emissions factors associated with these modes of transports. The alteration in emissions factors also explains the increase in emissions attributed to air travel. The number of business flights actually reduced from 397 in 2014-15 to 300 in 2015-16, which equates to an 18% reduction in kilometres travelled.

Corporate Operational Carbon Emissions 2015-16

Element		Metric	Baseline in 2010-11	Actual in 2014-15	Actual in 2015-16	% change compared to previous year	Indicator
Total Emissions	-	kg/CO2e	724,697	732,415	689,003	-5.9%	↓
Energy (Scope 1&2 GHG emissions)	Electricity (BH)	kg/CO2e	315,768	300,821	295,000	-1.9%	↓
	Gas (BH)	kg/CO2e	221,376	211,049	212,000	0.4%	↑
Travel (Scope 3 GHG emissions)	Business Travel	kg/CO2e	186,547	217,639	179,003	-18%	↓
Waste	Waste	kg/CO2e	1,097	2,906	3,000	3%	↑

Roy Brannen
Chief Executive
12 September 2016

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Statement by Chief Executive

02

Directors Report

The Chief Executive is the Accountable Officer for the Agency. This role is supported by a Senior Management Team comprising the Chief Executive and six Executive Directors as shown below. The Accountable Officer is also supported by an Audit and Risk Committee, chaired by a non-executive member Alex Smith, and including two further external members.

Susan Dunn and Pamela Mclauchlan served as external members during 2015-16.

Current Directors:

- David Middleton; Chief Executive until 5 November 2015, replaced by Roy Brannen
- Roy Brannen; Trunk Road & Bus Operations until 5 November 2015, replaced by Hugh Gillies on 1 March 2016
- Donald Carmichael; Transport Policy
- Aidan Grisewood; Rail
- Michael Baxter; Finance, Corporate & Analytical Services
- Michelle Rennie; Major Transport Infrastructure Projects (from 27 April 2015)
- John Nicholls; Aviation, Maritime, Freight and Canals

Directors and Non-Executive/ External Members Interests

Directors' and Audit & Risk Committee External Members' interests are recorded on the electronic HR system. The 2015-16 statements of assurance completed by Directors in post as at 31 March 2016 also confirmed that no conflict of interest arose in the exercise of their duties.

Appointed Auditors

The financial statements for 2015-16 are audited by auditors appointed by the Auditor General for Scotland. Audit Scotland carried out this audit and the notional fee for this service was £182,000 which related solely to the provision of the statutory audit service. There were no payments made for non-audit work in the year.

Personal Data Related Incidents

There were no personal data related incidents in the year (14-15: none).

Statement of Chief Executive's Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed Transport Scotland to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The Accounts Direction is reproduced at Annex A to these financial statements.

The accounts are prepared on an accruals basis and must show a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Agency is required to:

- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;

- state where applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Transport Scotland will continue in operation.

The Principal Accountable Officer for the Scottish Administration has designated the Chief Executive of Transport Scotland as the Accountable Officer for the Agency. The Accountable Officer's relevant responsibilities include the propriety and regularity of the public finances for which he is accountable, keeping proper records and safeguarding the Agency's assets, as set out in the Memorandum to Accountable Officers issued by the Scottish Government.

The Accountable Officer has taken all the necessary steps to make himself aware of any relevant audit information and to establish that the body's auditors are aware of that information. There is no relevant audit information of which the body's auditors are unaware.

The annual report and accounts as a whole are fair, balanced and understandable and the Accountable Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

The Governance Statement explains our approach to corporate governance, which is vital to effective financial and risk management.

The Scottish Public Finance Manual (SPFM) summarises the purpose of the Governance Statement as being to provide a clear understanding of the organisation's internal control structure and its management of resources. The Statement should provide a sense of how successfully the organisation has coped with challenge and risk.

This Governance Statement describes how our governance structures work, how they have performed, and provides an assessment of how the Agency has been managed, including the effectiveness of the systems of internal control, risk management and accountability.

Accountable Officer's scope of responsibilities

Our role is to oversee the operation and improvement of the trunk road, ferry, inland waterway and railway networks in Scotland; the air facilities and routes in the Highlands and Islands; the air passenger facilities at Prestwick; the national concessionary travel schemes and the provision of travel information services. It also supports Scottish Ministers in prioritising future transport policy and investments and promoting sustainable transport and road safety.

As Accountable Officer for the Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of Transport Scotland's policies, aims and objectives set by Scottish Ministers, whilst safeguarding the public funds and departmental assets for which I am responsible, in accordance with the SPFM. I am supported in that role by a senior management team of six Directors and an Audit and Risk Committee, chaired by an external member and including two further external members.

Transport Scotland Audit and Risk Committee

The Audit and Risk Committee external members bring independent judgement and challenge to the governance of the Agency. The Committee meets four times a year, although the Chair may convene additional meetings and regularly meets myself and the Director of Finance, Corporate & Analytical Services to keep abreast of developments. Audit and Risk Committee meetings will normally be attended by myself as Accountable Officer, the Director of Finance, Corporate & Analytical Services, a representative of Internal Audit and a representative of external audit (Audit Scotland). In addition, the Audit and Risk Committee asks other Transport Scotland officials to attend to assist it with its discussions where specific input or expertise is required.

The Audit and Risk Committee advises on strategic processes for risk, control and governance; the accounts of the organisation, including the process for review of the accounts post audit and prior to sign off by myself as Accountable Officer; and assurances relating to the corporate governance requirements.

The Audit and Risk Committee receives copies of minutes of the monthly Directors meetings, as well as monthly finance reports, and also meets directors individually every 6 months. In addition, the Committee meets with Internal Audit and External Audit separately twice a year.

The Audit and Risk Committee also produces an Annual Report, which supports this Governance Statement. The report summarises the committee's work over the past year and assesses:

- the reliability and comprehensiveness of assurances received;
- issues pertinent to this governance statement;
- financial reporting;
- the quality of both internal and external audit; and
- its view of its own effectiveness.

Principles of Corporate Governance in Transport Scotland

Corporate governance is the system by which organisations are directed and controlled and is concerned with the structures and processes for decision-making and accountability. All public bodies must have a group which is responsible for:

- giving leadership and strategic direction;
- defining control mechanisms to safeguard public resources;
- supervising the overall management of the body's activities; and
- reporting on stewardship and performance.

Within Transport Scotland, that group is the Senior Management Team which adheres closely to robust principles of Corporate Governance, as follows.

Performance Review

All members of the Senior Management Team are subject to annual objectives and year end performance appraisal, which are both formally recorded. These are focussed on Transport Scotland's delivery priorities, which are closely linked to the Governments National Outcomes.

Performance against our objectives within the Corporate Business Plan is monitored throughout the year and measured against targets at year end. Progress on key achievements is highlighted. In addition, every Directorate within the Agency sets key performance indicators for the service it provides and progress against these is reviewed at Senior Management level. We have an annual target to achieve overall efficiency savings as a percentage of our budget and progress is reported to the Scottish Government on a quarterly basis.

Accountability

The Senior Management Team ensures that the Scottish Public Finance Manual is applied, with appropriate arrangements in place to ensure that the public funds they are accountable for are properly safeguarded and used economically, efficiently and effectively.

Delegated Authority

I, as Chief Executive and Accountable Officer for Transport Scotland, formally delegate financial management responsibilities to each Director for the propriety, regularity and good financial management of expenditure within their Directorate. This delegation is formally recorded and reviewed each year and is subject to audit scrutiny.

Financial Management

The Management Team reviews financial performance monthly as well as ensuring the timely production of Annual Report and Accounts, in compliance with relevant standards of Corporate Governance. Our budgets are set in the context of the Scottish Government's annual budget process, and forecast expenditure is continuously monitored with Scottish Government Finance Directorate.

Programme and Project Management

All investment projects are overseen by a Project Board, chaired by the Project Sponsor, incorporating appropriate procurement, legal, technical and financial expertise. In addition, non-executive members of the Audit and Risk Committee are included on the Boards of the most significant projects. The Project Board's role is to oversee the delivery of the projects, including associated risk management. This includes the development and approval of associated business cases in line with the requirements of the Scottish Public Finance Manual. Gateway Reviews and other appropriate external reviews are undertaken at relevant stages to ensure that projects are capable of delivering their stated objectives.

As Accountable Officer, I am the nominated Investment Decision Maker. I am supported by an Investment Decision Making Board, made up of senior managers, in reviewing and approving the key stages in all of Transport Scotland's major projects and procurements.

I have set objectives for the Directors within Transport Scotland to undertake a regular review process to ensure that improvement in the assurance and control environment within Transport Scotland is monitored closely and, where appropriate, actions are in place to address any weaknesses identified to ensure the continuous improvement of the system.

The System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve our policies, aims and objectives. Consequently, reasonable and not absolute assurance of its effectiveness can be provided. The system of internal control is based on an ongoing process designed to identify and prioritise risks, to evaluate their likelihood and impact and to manage them efficiently, economically and effectively. This system of internal control has been in place for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Accounts. It is in accordance with the guidance from Scottish Ministers.

Review of effectiveness

I, as the Accountable Officer, have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of Internal Audit, the managers within the Agency, the Audit and Risk Committee and the external auditors in their reports.

Assurance is provided by Directors' annual certificates of assurance covering their areas of responsibility. This is underpinned by an internal control checklist, covering all areas of corporate governance, which is subject to audit. The content of this checklist is reviewed each year.

In addition we maintain an assurance map, which sets out both corporate and directorate processes that provide assurance on achievement of our objectives and identifies officers responsible for ensuring these are accurate and up to date. This document is shared with internal and external audit, and reviewed by the Audit and Risk Committee.

Our internal auditor is provided by the Scottish Government Internal Audit Directorate and they submit regular reports to the Audit and Risk Committee on the adequacy and effectiveness of the organisation's system of internal control, together with any recommendations for improvement. Follow up work is carried out to confirm the effective implementation of recommendations agreed as a result of the audits.

The Performance Audit Group (Halcrow working in association with Pricewaterhouse Coopers and Scott Wilson Plc) perform an external assurance role for all trunk road maintenance work.

Internal Audit Reports 2015-16

Audit Area & Scope	Outcome
1. Accounts Payable and Receivable	**Assurance Provided: Substantial**
2. Project Bank Account	**Assurance Provided: Substantial**
3. Scottish Roadworks Commissioner	**Assurance Provided: Reasonable**
4. Clyde and Hebrides Ferry Procurement	**Assurance Provided: Substantial**
5. Management and Operation of PFI/PPP projects	**Assurance Provided: Substantial**

On the basis of the work undertaken and recommendations implemented in their annual report to the Transport Scotland Audit and Risk Committee, Internal Audit was able to provide **Substantial Assurance** in respect of Transport Scotland's risk management, control and governance arrangements.

Best Value

All public bodies in Scotland are responsible for achieving Best Value through ensuring sound governance, good management, public reporting on performance and a focus on improvement. Best Value provides a common framework for continuous improvement in public services in Scotland, and is a key foundation of the Scottish Government's Public Service Reform agenda. We demonstrate achievement of best value through undertaking reviews of our achievement or specific areas of it each year, using the Audit Scotland self-assessment toolkit.

A Best Value review on People Management was undertaken in 2015-16, which demonstrated a robust and forward looking approach to the area and made a number of key recommendations for further improvement relating to learning and development, flexibility of resources and the use of benchmarking which will be progressed in 2016-17.

Follow up reviews and reassessments were also conducted on financial management, and governance. Significant progress has been made across all areas of the business and actions from these reviews have been taken forward. We continue to demonstrate Best Value in all of these areas.

In 2016-17, it is the intention to conduct a further Best Value review on Procurement.

Risk Management

Risks are managed at the level most able to deal with them, with the most serious risks being escalated to the Senior Management Team. The Director of Finance, Corporate & Analytical Services was nominated as the Transport Scotland Risk Champion in November 2015 (following the appointment of the Director of Trunk Roads & Bus Operations as Chief Executive who held the Risk Champion role until that point). Each Directorate has a designated risk co-ordinator who is responsible for facilitating an effective and regular review of risks to the delivery of objectives.

There is a robust framework of responsibility for risk management in accordance with the SPFM. The system for assessment and control of risk is as follows:

- I, as Chief Executive, in conjunction with the Directors, review the strategic and operational risks to the Agency's business throughout the year, and this is a regular item at the monthly Management Team meetings;
- the Audit and Risk Committee has provided oversight of the Agency's risk management processes and strategy and Corporate Risk Register throughout the year;
- managers identify and evaluate risks to successfully deliver the Agency's objectives when they prepare and monitor directorate and business management plans; and
- I, as Chief Executive, hold regular meetings with Ministers where both strategic and operational risks are discussed.

Our overall Risk Strategy sets out a consistent approach to the implementation of risk management at strategic, programme and project levels. The Risk Management Group is responsible for developing and maintaining the Corporate Risk Register and for facilitating the ongoing production and management of risk registers within project teams and Directorates and for enhancing the management of risk across all areas of the business. The group comprises representatives from each directorate and meets quarterly with appropriate communication between meetings. Minutes of the meetings are shared with Directors and the Audit and Risk Committee.

The most significant highest scoring risks currently identified by the Agency include the management of the condition of the trunk road network and delivering the Edinburgh Glasgow Improvement Programme on budget and with minimum disruption to passengers.

In the previous financial year our Risk Management Framework was subject to a detailed review by the senior management team and Audit & Risk Committee and a number of enhancements were taken forward, including revision of risk registers. As a consequence of this, all directorate risk registers have now been reviewed and a number of bespoke training sessions run since March 2015. A further review of the framework will be undertaken in 2016-17.

Managing information and information security

We are committed to ensuring information is managed and valued, with appropriate protection and use of our information assets. The handling of data and information carries significant risks and we take information security very seriously, in compliance with the ISIS (Information Security Information Systems) Security Frameworks and Data Handling policies.

We follow the Scottish Government key principles for good information management that:

- We treat information as a Scottish Government resource
- We are all responsible for our information
- We make information accessible to others who have a need to use it
- We keep records of what we do
- Our information is accurate and fit for purpose
- Our information complies with regulations and legal requirements

All our users of information technology must comply with the IT Code of Conduct and be familiar with its contents.

Counter Fraud/Review of risk of financial loss

All cases of actual or suspected fraud are investigated promptly and appropriate action is taken, in accordance with our fraud, bribery and whistleblowing procedures which specify how cases will be dealt with and how staff can report suspicions or concerns.

We also have a designated Fraud Officer and a Fraud Response Plan in place to ensure that timely and effective action is taken in the event of a fraud. We also have a dedicated fraud hotline for the national concessionary fares scheme and are using more integrated fraud alert systems.

The Agency has also continued to increase the level and profile of training in this area, and has encouraged all staff to undertake training and review regular updates and staff notices distributed by the Fraud Officer to raise awareness of fraud identification and prevention.

Details of cases of actual or attempted fraud that come to light during the financial year are reported within the Fraud Log shared with the Audit and Risk Committee. Details are also shared with Police Scotland where this is deemed appropriate. We actively participate in the fraud alerts system run by the National Fraud Authority, which seeks to share intelligence about specific fraud risks encountered across Government.

There is a separate Concessionary Fares Fraud Team due to its unique operating environment. We participate in the National Fraud Initiative (NFI) in Scotland, led by Audit Scotland. This is a data matching process to help public sector bodies to prevent and detect fraud and error in their financial systems, using computerised techniques to compare information about individuals held by different public bodies on different systems. This will now include payments and a sample of those for the Agency has been selected for inclusion.

Business Continuity

Our Business Continuity Plan has been reviewed and updated during 2015-16. The objectives of the plan are:

- to identify risks;
- to establish clear areas of responsibility;
- to ensure Transport Scotland continues to provide essential functions and services;
- to identify measures to recover/repair assets damaged or lost; and
- to identify a medium and long term recovery strategy.

STAFF AND REMUNERATION REPORT

Staff Report

Equal opportunities

We are an equal opportunities employer with policies in place to guard against discrimination and to ensure no unfair or illegal discriminatory treatment or barriers to employment or advancement. We are also committed to meeting our duties under the Equality Act 2010. All staff should be treated equally irrespective of their sex, marital/civil partnership status, maternity/paternity status, age, race, ethnic origin, sexual orientation, disability, religion or belief, working pattern, employment status, gender identity (transgender), caring responsibility, or trade union membership.

The Scottish Government (Transport Scotland) is committed to increasing the diversity of staff within the organisation. We will develop all our staff, ignoring all irrelevant differences in their management and development. Furthermore we will positively value the different perspectives and skills of all staff and make full use of these in our work.

The breakdown for the financial year, of the number of persons of each gender employed within the agency is as follows:

Gender	Chief Executive and Directors	Employees	Total
Female	1	173	174
Male	7	283	290

Figures based on Agency numbers at the end of March 2016

The Department for Work and Pensions is responsible for developing, formulating and promulgating equal opportunities guidance for the Civil Service as a whole, but operational responsibility rests with individual departments.

Staff relations

We give a high priority to the development of all our staff. Training, development and learning is quality assured through our commitment to the Investor in People (IiP) Scheme.

We recognise that the success of any organisation depends largely on the effective performance and full attendance of all its employees. People are a valued resource, and as an employer our attendance management procedures are designed to maintain a happy, well-motivated and healthy workforce.

The procedures are aimed to:

- be supportive and positive;
- promote fair and consistent treatment for everyone;
- encourage, assist and make it easy for people to stay in work; and
- explain employees' entitlements and roles and responsibilities

In 2015-16 an average of 6.3 working days (14-15: 5.7) were lost due to sickness absence per staff year for Transport Scotland.

Employment of disabled persons

We are a "Disability Symbol" user, which recognises our commitment to both the letter and the spirit of the law and lets us demonstrate our positive attitude towards our disabled staff.

We meet our requirements as a symbol user by guaranteeing interviews to all disabled staff who meet the minimum criteria for any post; reminding line managers of their management responsibilities; helping staff balance their work and their disability; and offering advice and training to staff and managers about issues related to disability.

The number of staff as at 31 March 2016 who had declared a disability employed by Transport Scotland was 26.

Staff Costs

Details of staff numbers and costs for the year for the Agency are contained within Note 2 to the Accounts.

Pension liabilities

The pension entitlements of the Executive Directors of Transport Scotland are contained within the remuneration report. An indication of how pension liabilities are treated in the accounts and references to relevant pension schemes are also contained within the Remuneration Report and Note 2 to the Accounts.

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set in accordance with the rules set out in chapter 7.1, Annex A of the Civil Service Management Code and in conjunction with independent advice from the Senior Salaries Review Body (SSRB). In reaching its recommendations, the SSRB is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- The Government's inflation target.

Performance based pay awards are based on an assessment of performance against objectives agreed between the individual and line manager at the start of the reporting year. Performance will also have an effect on any bonus element awarded.

Further information about the work of the SSRB can be found at: www.ome.uk.com/Senior_Salaries_Review_Body

The remuneration of staff below senior civil service level is determined by the Scottish Government. In determining policy, account is taken of the need for pay to be set at a level which will ensure the recruitment, retention and motivation of staff. Also taken into account is the Government's policy on the Civil Service and public sector pay and the need to observe public spending controls.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommission.org.uk

Whilst Transport Scotland does not have a Board with non-executive directors, the Audit and Risk Committee has three external members to ensure independent oversight and challenge: Alex Smith – appointed March 2011; Susan Dunn – appointed December 2014; and Pamela Mclauchlan – appointed May 2015.

Remuneration Group

Remuneration for Transport Scotland's senior civil servants is considered by the Scottish Government's Remuneration Group. This Remuneration Group has six members, two of whom are non-executive Directors. Their remit is to consider:

- annual pay proposals for chief executives and board members and make recommendations to Ministers;
- annual guidelines for flat rate increases for chief executives and senior civil servants and consider the Public Sector Pay policies which will apply for the annual pay round and make recommendations to Ministers; and
- pay remits which look at pay proposals for public bodies in Scotland.
- The Remuneration Group will, as a minimum, report annually to the Scottish Government Strategic Board.

The following section of the Remuneration Report pertaining to salaries and pensions is subject to audit.

Directors Remuneration (Salary, benefits in kind and pensions)

The single total figure of remuneration, comprising the salary, the value of any bonuses or taxable benefits in kind and the pension benefits of the directors for the year 2015-16, along with comparative figures are shown in the table below.

Single total figure of remuneration

Directors	Salary		Bonus Payments		Benefits In Kind (To Nearest £100)		Pension Benefits (To Nearest £1,000)		Total	
	2015-16	2014-15	**2015-16**	2014-15	**2015-16**	2014-15	**2015-16**	2014-15	**2015-16**	2014-15
David Middleton (4)	60 – 65	100 – 105	-	-	-	-	21,000	21,000	80 – 85	125 – 130
Mike Baxter	70 – 75	5 – 10	-	-	-	-	48,000	4,000	120 – 125	10 – 15
Roy Brannen (1)	85 – 90	70 – 75	-	-	-	-	129,000	14,000	210 – 215	85 – 90
Donald Carmichael	65 – 70	65 – 70	-	-	-	-	32,000	14,000	100 – 105	80 – 85
Hugh Gillies (2)	5 – 10	Nil	-	-	-	-	3,000	Nil	5 – 10	85 – 90
Aidan Grisewood	70 – 75	70 – 75	-	-	-	-	30,000	21,000	100 – 105	90 – 95
John Nicholls	65 – 70	65 – 70	-	-	-	-	21,000	14,000	85 – 90	80 – 85
Michelle Rennie (3)	60 – 65	Nil					35,000	Nil	95 – 100	Nil

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

(1) Roy Brannen was Director of TRBO until 5 November 2015 (full year banding, £70k- £75k). He was appointed, through formal competition, as Chief Executive as of 5 November 2015. Full year equivalent banding, £90k – £95k

(2) Hugh Gillies took up post on 1 March 2016. Full year equivalent banding, £70k – £75k

(3) Michelle Rennie took up post on 27 April 2015. Full year equivalent banding, £65k – £70k

(4) David Middleton left post on 5 November 2015. The £60k – £65k banding represents his salary to that date

Salary

Salary and allowances cover both pensionable and non-pensionable amounts and include: gross salaries; overtime; recruitment and retention allowances; private-office allowances or other allowances to the extent that they are subject to UK taxation. This total remuneration is shown in the figures above. It does not include employers' pension contributions or amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties or employers' national insurance.

Where a Director has joined or left Transport Scotland during the year, their salary reflects only that which they received whilst a member of the senior management team. Where an individual has been a member of the senior management team for only part of the year but they have been employed by the Agency throughout the year, their annual salary has been reported on a "days served" basis as well as the full year equivalent salary.

Any amounts payable on early termination of a contract will be in accordance with the individual's circumstances.

Fees

External members of the Audit and Risk Committee are entitled to receive fees for regular attendance at Audit and Risk Committee meetings. External members' expenses incurred in attending these meetings are also reimbursed.

The fees which the external members of the Audit and Risk Committee were entitled to for 2015-16 are as follows:

Alex Smith	£232 daily rate
Pamela Mclauchlan	£232 daily rate
Susan Dunn	£232 daily rate

This is in line with core Scottish Government remuneration of external members.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The full year equivalent banded remuneration of the highest paid director was £90k – £95k (14-15: £100k – £105k). This was 2.4 times (14-15: 2.7 times) the median remuneration of the workforce, which was £38,960 (14-15: £37,072).

In 2015-16, one (14-15: one) employee received remuneration in excess of the highest paid director. Remuneration across Transport Scotland ranged from £16k – £118k (14-15: £16k – £118k).

Total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Civil Service and other Compensation Scheme – exit packages

Within Transport Scotland, no members of staff agreed departures under the Civil Service Compensation Scheme rules in 2015-16. There were eight members of staff who agreed departures under the scheme in 2014-15. No members of staff retired on ill health grounds in 2015-16, with one in 2014-15.

Reporting of Civil Service and other compensation scheme – exit packages

	2015-16			2014-15		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
less than £10,000	0	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	0	0
£25,000 to £50,000	0	0	0	0	3	3
£50,000 to £100,000	0	0	0	0	2	2
£100,000 to £150,000	0	0	0	0	3	3
£150,000 to £200,000	0	0	0	0	0	0
over £200,000	0	0	0	0	0	0
Total Number of exit packages	0	0	0	0	8	8
Total Resource cost (£'000)	£0	£0	£0	£0	£545	£0

Early Retiral costs include the elements actually paid in year.

Pensions

Accrued pension represents the director's total future entitlement to benefits payable from the Civil Service pension schemes based on reckonable service at 31 March 2015. The accrued pension includes service previous to becoming a Director and/or service in other departments.

The cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV payment is made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take into account any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV quoted in the table below represents the increase that is funded by the employer. It does not include the increase in accrued pension due to inflation, or contributions paid by employees (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Transport Scotland's contributions to the scheme in respect of the Senior Management Team amounted to £147,795 for the year to 31 March 2016. The external members of the Audit and Risk Committee do not participate in the Civil Service pension scheme.

Further details on the different schemes available to employees can be found in Note 2 to the accounts.

The pension entitlements of the Executive Directors of Transport Scotland are shown in the following table:

	Lump Sum at NRA as at 31 March 2016	Real Increase in Lump Sum at age NRA	Accrued Pension at age NRA as at 31 March 2016	Real Increase in Pension at age NRA	CETV as at 31 March 2016	CETV as at 31 March 2015	Real Increase in CETV in 2015-16
	£000	£000	£000	£000	£000	£000	£000
David Middleton	155 – 160	2.5 – 5	50 – 55	0 – 2.5	1,176	1,103	21
Roy Brannen	75 – 80	10 – 15	25 – 30	2.5 – 5	483	354	92
Mike Baxter	5 – 10	0 – 2.5	25 – 30	0 – 2.5	452	384	28
Donald Carmichael	80 – 85	2.5 – 5	25 – 30	0 – 2.5	675	597	32
Michelle Rennie	0	0	5 – 10	0 – 2.5	136	107	16
Aidan Grisewood	0	0	10 – 15	0 – 2.5	152	123	11
Hugh Gillies	0	0	15 – 20	0 – 2.5	274	262	1
John Nicholls	80 – 85	2.5 – 5	25 – 30	0 – 2.5	512	454	16

Calculated on normal retirement age (NRA) where pension entitlement due at that age or current age if over NRA.

The above pension data was supplied to Transport Scotland by MyCSP for all of the Directors.

During the course of 2015-16, the majority of staff within the civil service pension scheme changed from the PCSP to the Alpha scheme. Consequently, the figures included above, provided by MyCSP, contain figures for both schemes for directors – Michelle Rennie, Hugh Gillies, Mike Baxter, Aidan Grisewood and Roy Brannen.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions.

Parliamentary Accountability Report

Regularity of Expenditure

The expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Fees and Charges

Transport Scotland does not raise any significant income through fees and charges.

Remote Contingent Liabilities

The Financial Reporting Manual states that where information about contingent liabilities is not required to be disclosed because the likelihood of a transfer of economic benefits is considered too remote, they should be disclosed separately for parliamentary reporting and accountability purposes. Transport Scotland has a number of these liabilities and they are disclosed in Note 19 (c) to the Annual Accounts.

Roy Brannen
Chief Executive
12 September 2016

Independent Auditors' Report

Independent auditor's report to Transport Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Transport Scotland for the year ended 31 March 2016 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of Chief Executive's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2016 and of its net operating costs 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 2015/16 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

Brian Howarth ACMA CGMA
Assistant Director

Audit Scotland
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

13 September 2016

ANNUAL ACCOUNTS 2015-16

FINANCIAL STATEMENTS

03

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Note	£'000 Staff Costs	£'000 Other Cost	£'000 Income	2015-16 £'000 Total	2014-15 £'000 Total
Administration costs						
Staff costs	2	12,916			12,916	13,166
Other administration costs	3		4,988		4,988	5,312
Total administration costs					17,904	18,478
Programme costs						
Staff costs	2	5,168			5,168	4,038
Other programme costs	4		1,664,528		1,664,528	1,548,187
Income	5			(22,117)	(22,117)	(3,437)
Total programme costs					1,647,579	1,548,788
Total		18,084	1,669,516	(22,117)	1,665,483	1,567,266
Net operating costs for the year ended 31 March 2016					**1,665,483**	**1,567,266**

Other Comprehensive Net Expenditure

	Note	2015-16 £'000	2014-15 £'000
Items that will not be reclassified to net operating costs:			
Net (gain)/loss on:			
–revaluation of property, plant and equipment	6	281,146	383,208
–revaluation of intangibles		0	0
		281,146	383,208
Items that may be reclassified subsequently to net operating costs:			
Net (gain)/loss on:			
–revaluation of assets held for sale	8	0	0
Total comprehensive net expenditure for the year ended 31 March 2016		**1,946,629**	**1,950,474**

All income and expenditure is derived from continuing activities.

Statement of Financial Position as at 31 March 2016

	Note	£'000	31 March 2016 £'000	£'000	31 March 2015 £'000
Non-current assets					
Property, plant & equipment	6	18,827,990		18,171,965	
Intangible assets	7	30		0	
Financial assets	9	149,904		99,947	
Other receivables	10	30,665		38,452	
Total non-current assets			19,008,589		18,310,364
Current assets					
Assets held for sale	8	204		76	
Financial assets	9	3,754		3,767	
Trade and other receivables	10	49,858		97,160	
Cash & cash equivalents		0		0	
Total current assets			53,816		101,003
Total assets			19,062,405		18,411,367
Current liabilities					
Trade and other payables	11	(170,384)		(214,231)	
Provisions	12	(33,722)		(30,901)	
Total current liabilities			(204,106)		(245,132)
Total assets less current liabilities			18,858,299		18,166,235
Non-current liabilities					
Other payables and financial liabilities	11	(777,427)		(548,472)	
Provisions	12	(49,300)		(68,725)	
Total non-current liabilities			(826,727)		(617,197)
Assets less liabilities			18,031,572		17,549,038
Taxpayers' equity					
General fund	SoCTE		10,385,288		9,521,496
Revaluation reserve	SoCTE		7,646,284		8,027,542
Total taxpayers' equity			18,031,572		17,549,038

Roy Brannen
Chief Executive
12 September 2016

The notes on pages 31 to 53 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
(A) Cash flows from operating activities			
Net operating cost	SoCNE	(1,665,483)	(1,567,266)
Adjustments for non-cash transactions	3/4	94,397	59,097
Decrease/(increase) in trade and other receivables	13	54,962	21,123
Adjustment for the revaluation element of Assets Held for Sale	8	0	0
Increase/(decrease) in trade and other payables	13	(21,146)	36,538
Increase/(decrease) in provisions	13	(16,604)	(13,848)
Adjustment for interest element of PFI contracts	4	29,989	30,689
Net cash outflow from operating activities		(1,523,885)	(1,433,667)
(B) Cash flows from investing activities			
Purchase of property, plant and equipment	6	(557,363)	(424,439)
Purchase of intangible assets	7	(30)	0
Roads Developer Contribution		0	0
Transfer of assets held for sale to property, plant and equipment	6/8	132	(32)
Disposal of property, plant and equipment	6	1,464	59
Impairment of property, plant and equipment		0	0
Increase/(decrease) in capital accruals	13	(23,549)	(118,172)
Voted loans	9	(49,944)	(4,543)
Net cash outflow from investing activities		(629,290)	(547,127)
(C) Cash flows from financing activities			
Funding from the Scottish Government	SoCTE	1,553,259	1,951,430
Inter Entity transfers		400,101	(45,748)
Capital element of payments – finance leases and On Balance Sheet PFI contracts	13	229,804	105,801
Interest element of PFI contracts	4	(29,989)	(30,689)
Net Financing		2,153,175	1,980,794
Net increase/(decrease) in cash and cash equivalents in the period		0	0
Cash and cash equivalents at the beginning of the period		0	0
Cash and cash equivalents at the end of the period		0	0

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2014		**8,921,828**	**8,452,506**	**17,374,334**
Changes in taxpayers' equity for 2014-15				
Net loss on revaluation of property, plant and equipment	6	0	(383,208)	(383,208)
Non-current assets adjustments		0	0	0
Roads trunkings/de-trunkings		122,033	0	122,033
Roads historic value adjustment		97,326	0	97,326
Roads developer contribution		(44)	0	(44)
Realised element of the revaluation reserve		41,756	(41,756)	0
Inter-Entity transfers		(45,748)	0	(45,748)
Non-cash charges – auditors remuneration	3	182	0	182
Net operating costs for the year	SoCNE	(1,567,266)	0	(1,567,266)
Total recognised income and expense for 2014-15		(1,351,761)	(424,964)	(1,776,725)
Funding from Scottish Government		1,951,430	0	1,951,430
Balance at 31 March 2015		9,521,496	8,027,542	17,549,038
Changes in taxpayers' equity for 2015-16				
Net loss on revaluation of property, plant and equipment	6	0	(281,146)	(281,146)
Non-current assets adjustments		0	0	0
Roads trunkings/de-trunkings	6	514,452	0	514,452
Roads historic value adjustment	6	(38,692)	0	(38,692)
Transfers to Scottish Government	6	(139)	0	(139)
Realised element of the revaluation reserve		100,112	(100,112)	0
Inter Entity transfers		400,101	0	400,101
Non-cash charges – auditors remuneration	3	182	0	182
Net operating costs for the year	SoCNE	(1,665,483)	0	(1,665,483)
Total recognised income and expense for 2015-16		(689,467)	(381,258)	(1,070,725)
Funding from Scottish Government		1,553,259	0	1,553,259
Balance at 31 March 2016		10,385,288	7,646,284	18,031,572

Notes to the Accounts

1. Statement of Accounting Policies

These accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual. The particular accounting policies applied by Transport Scotland are described below. The accounts are prepared using, where necessary, estimation techniques which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in International Accounting Standard 8. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note. There is the possibility that there may be outcomes within the next financial year that differ from those made this year and consequently these may require a material adjustment to the carrying amount of an affected asset or liability.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified by the revaluation of non-current assets and intangible assets to fair value. New or amended accounting standards that are considered relevant and the anticipated impact on the accounts are as follows:

- IFRS 16 – Leases replaces IAS 17, however FRAB is still considering applicability within the FReM. This would effectively eliminate accounting for operating leases and recognise 'right of use' assets specified to operators in contracts for the provision of services.
- Other standards issued but not yet effective, including IFRS7, IAS1, IAS16, IAS39 and IFRS 11, have minimal relevance to Transport Scotland and are not considered likely to impact the Agency.

1.2 Trunkings/Detrunkings

The accounts reflect ownership and responsibility to maintain the trunk road network. Transfers of the responsibility for maintaining sections of the trunk road network to/from the Local Authority network are referred to as 'de-trunkings' or 'trunkings' respectively and are treated as transfers to/from other Government Departments at nil consideration through the General Fund.

1.3 Property, Plant and Equipment (PPE)

All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale (see 1.6). Title to the freehold land and buildings shown in the accounts of Transport Scotland is held by Scottish Ministers.

1.4 Capitalisation Policy

The trunk road network is recognised as a single infrastructure asset in accordance with FReM. However, it comprises four distinct elements that are accounted for differently: Land; Road Pavement; Structures; and Communications.

Subsequent expenditure is capitalised where it adds to the service potential or replaces the existing elements of assets that were previously identified in the Road Authority Asset Valuation System (RAAVS). Expenditure that does not replace or enhance service potential will be expensed as a charge to the Statement of Comprehensive Net Expenditure. Where a scheme is subsequently cancelled the capital costs are written off to the Statement of Comprehensive Net Expenditure. Any retained land or building assets are transferred to the land and buildings category where it is not currently possible to market them for sale or to Assets Held for Sale where they are being marketed for sale.

Other non-current assets are capitalised where expenditure exceeds the following thresholds:

Land & Buildings	£10,000
Leasehold Improvements	£10,000
Information & Communication Technology (ICT)	£25,000
Plant & Machinery	£5,000

Items falling below these limits are charged as an expense and shown in the Statement of Comprehensive Net Expenditure. Furniture and fittings are not capitalised unless part of a specially identified project, such as a major relocation exercise.

Valuation

Land is held at current market values, as assessed by the Valuation Office Agency (VOA). A revaluation exercise was carried out at 31 March 2013 on buildings and dwellings as part of the Scottish Government five year rolling programme, with indexation applied in the intervening years.

Other items of property, plant and equipment are held at current value in existing use. Since 1 April 2007 these assets have not been re-valued, as the movement in their relevant indices was considered to be negligible and the economic lives of the assets so short that the impact of any adjustment was not considered significant.

Infrastructure Assets – the road network
The road network is held at its depreciated replacement cost based on service potential and classed as a specialist asset for which a market valuation is not available. Land is valued at rates supplied by the VOA.

The road pavement, structures and communications elements are valued using agreed rates determined to identify the gross replacement cost of applicable types of road, structure or communications on the basis of new construction on a greenfield site. These rates are re-valued annually using indices to reflect current prices and are also updated when new construction costs become available as comparators to the costs previously identified for specific road types. However special structures, which tend to be one off by their nature, are valued using specific costs that are updated to current prices.

Depreciation is accounted for in respect of the road pavement by reference to the service potential assessed by condition surveys that are carried out over the whole network as part of a rolling programme that covers every section of road at least every five years. The Structures and Communications elements are depreciated using the straight line method applied to the re-valued replacement costs, and also inspected every five years to identify any other changes. Land is not depreciated.

The indexation factors applied are:

Road Pavement and Structures	Baxter Index, published by the Department for Business, Innovation and Skills
Communications	Traffic Scotland provide new gross and calculated depreciated values each year
Land	Land indices produced by VOA

Upwards movements in value are taken to the revaluation reserve. Downward movements in value are set off against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure. Historic valuation adjustments in respect of minor corrections to prior year measurements and valuations of the road network are separately identified in the Statement of Changes in Taxpayers' Equity and Property Plant and Equipment note and not treated as prior year adjustments.

Assets Under Construction
Road building schemes in the course of construction are capitalised at actual cost with no indexation.

Land and Buildings
Land and buildings released from road schemes deemed surplus to requirements are transferred to, and accounted for as, Assets Held For Sale (see Note 1.6).

Information Technology
Information technology assets are stated at historical cost with no indexation applied.

1.5 Depreciation
Infrastructure assets – the road network
Roads and associated street furniture are surveyed over a five year rolling period to assess their estimated remaining useful lives and the resultant assessment is used to determine their valuation, with any changes reflected as a condition variance. The variance is valued according to the rates applied to the respective sections of road. The useful economic lives of elements of the road valuation are assessed according to the following design lives:

	Life in years
Road surface, sub-pavement layer, fencing, drainage and lighting	20 to 50
Road bridges, tunnels and underpasses	20 to 120
Culverts, retaining walls and gantries	20 to 120
Road communications assets	15 to 50

The annual depreciation charge for the road surface is determined by the annual condition variance.

Structures and communications assets are depreciated on a straight line basis over the expected useful lives above.

Non-Infrastructure Assets
With the exception of surplus land and properties awaiting sale, non-infrastructure assets are depreciated on a straight line basis over the expected life of the particular asset category as follows:

	Life in years
Freehold buildings	5 to 100
Leasehold buildings	Shorter of length of lease or specific asset life
IT Equipment	3 to 10
Plant and Machinery	5

1.6 Assets Held For Sale
A property is derecognised and held for sale when:

- it is available for immediate sale;
- a plan is in place, supported by management, and steps have been taken to conclude the sale; and
- it is actively marketed and there is an expectation that the sale will be made in less than 12 months.

Assets held for sale are those we expect to sell within one year. Assets classified as held for sale are measured at the lower of their carrying amounts and their fair value less cost of sale. Assets classified as held for sale are not subject to depreciation or amortisation.

1.7 Intangible Non-Current Assets
Intangible non-current assets are capitalised where expenditure of £25,000 or more is incurred in acquiring them. These are valued at historic cost and amortised on a straight line basis over the expected life of the asset.

1.8 Financial Instruments
Financial instruments are measured in accordance with IAS32, IAS39, and IFRS7, as interpreted and adapted by the Government Financial Reporting Manual (FReM). The extent of the financial instruments disclosures included in the Annual Report and Accounts reflects Transport Scotland's financial risk exposure.

1.9 Other Infrastructure Expenditure
Other infrastructure expenditure is differentiated between capital and resource. The resource expenditure relates to infrastructure expenditure that is not capital in nature, or expenditure that is capital in nature but the asset created or enhanced is reflected by external bodies. Such expenditure includes the grant and Regulated Asset Base charges paid to Network Rail.

1.10 Operating Income
Operating income relates to operating activities and principally comprises fees and charges for services provided on a full-cost basis to external customers in both the public and private sectors. It includes not only income retained but also income due to the Consolidated Fund. Operating income is stated net of VAT.

1.11 Administration and Programme Expenditure
The Statement of Comprehensive Net Expenditure is analysed between administration and programme. Administration costs reflect the costs of running the Agency and include staff costs as well as accommodation, services and supplies. Programme costs reflect the costs of operating, maintaining, managing and improving the road, rail, aviation and maritime infrastructure for which we have responsibility, as well as those incurred in delivering transport policies, such as concessionary fares, and grants and subsidies to contribute to the provision of rail, bus, ferry and air services.

1.12 Grants Payable
Grants payable are recorded as expenditure in the period that the underlying activity giving entitlement to the grant occurs. Where necessary, obligations in respect of grant schemes are recognised as liabilities.

1.13 Pensions
Past and present employees were, until 2015-16, mainly covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), more details of which can be found in Note 2. The PCSPS is an unfunded multi-employer defined benefit scheme. Transport Scotland's contributions are recognised as a cost in the year. During the course of 2015-16, the majority of staff within the civil service pension scheme changed from the PCSP to the Alpha scheme, details of which can also be found in Note 2.

1.14 Private Finance Transactions (PFI/PPP/NPD)
Private finance transactions that meet the definition of service concession arrangements are accounted for in accordance with IPSAS 32. We have three such existing operational PFI schemes and two Non Profit Distributing (NPD) schemes currently under construction (see Note 16 for more details). The private sector operator is contractually obliged to provide the services related to the infrastructure that they construct, which is recognised as a non-current asset. The unitary charge payments comprise service charges, repayment of capital and interest and are accounted for as such.

1.15 Leases
At their inception, leases are classified as operating or finance leases, based on the allocation of the risks and rewards of ownership of the underlying assets. Land and buildings elements are separately accounted for where applicable.

Arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease.

Rentals under operating leases are charged to the Statement of Comprehensive Net Expenditure. Where the arrangement includes incentives, such as rent-free periods, the value is recognised over the lease term. Where the substantial risks and rewards of ownership are borne by the Agency, the asset is recorded as property, plant and equipment and a liability to the lessor is recorded of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Statement of Comprehensive Net Expenditure over the period of the lease.

1.16 Provisions

Legal and constructive obligations that are of uncertain timing or amount are provided for in the Statement of Financial Position at 31 March on the basis of the best estimate available. Provisions are charged to the Statement of Comprehensive Net Expenditure unless they will be capitalised as part of additions to non-current assets. Major projects provisions relates to compensation claims made in respect of work done under the projects that have not yet been fully settled.

1.17 Contingent Liabilities

Contingent Liabilities are disclosed in respect of:

- possible obligations arising from past events whose existence will be confirmed by the occurrence of uncertain future events out with Transport Scotland's control; or
- present obligations arising from past events where it is not likely that resources will be required to settle the obligation or it is not possible to measure it reliably.

1.18 VAT

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Transport Scotland is part of the Scottish Government VAT registration and any outstanding VAT balances are accounted for by the Scottish Government.

1.19 Segmental Reporting

Segmental reporting identifies components of expenditure that are regularly reviewed by the Senior Management Team in order to manage financial performance.

1.20 Trade Receivables

Trade receivables are valued at their carrying amount. A provision for impairment is made where there is objective evidence that Transport Scotland will not be able to collect all amounts due according to the original terms of the receivables.

1.21 Trade Payables

Trade payables are valued at their carrying amount.

1.22 Employee Benefits

A short term liability and expense is recognised for leave entitlement, bonuses and other short-term benefits when employees render service that increases their entitlement to these benefits. As a result an accrual has been made for leave earned but not taken.

1.23 Critical Accounting Estimates

Critical accounting estimates are used in the calculation of the valuations for the road network, for the recognition and valuation of provisions, for the Concessionary Travel Scheme and for the Private Finance arrangements. These are detailed in the section on Significant Accounting Policies contained within the Performance Report.

2. Staff Numbers and Costs

Staff costs comprise:

	2015-16			2014-15		
	Permanently Employed Staff £'000	Others £'000	Total £'000	Permanently Employed Staff £'000	Others £'000	Total £'000
Administration:						
Wages and salaries costs	9,587	421	10,008	9,368	585	9,953
Social security costs	813	0	813	791	0	791
Other pension costs	1,987	0	1,987	1,792	0	1,792
Early retirement costs	108	0	108	630	0	630
	12,495	**421**	**12,916**	**12,581**	**585**	**13,166**
Programme:						
Wages and salaries costs	3,384	729	4,113	2,921	254	3,175
Social security costs	308	0	308	278	0	278
Other pension costs	747	0	747	585	0	585
	4,439	**729**	**5,168**	**3,784**	**254**	**4,038**
Total staff costs to be charged to Comprehensive Net Expenditure	16,934	1,150	18,084	16,365	839	17,204

The costs of staff employed on the design, procurement and management of capital projects undertaken by Transport Scotland were charged to capital expenditure in respect of the projects identified in year. These have been identified in the table below along with prior year's figures to reflect costs that were similarly capitalised in that year. These costs are included with the project costs in Note 4. The cost of early retirals in the table above includes the cost in year and also the continuing payments in relation to previous year's packages.

Staff costs comprise:

	2015-16			2014-15		
	Permanently Employed Staff £'000	Others £'000	Total £'000	Permanently Employed Staff £'000	Others £'000	Total £'000
Capitalised Programme:						
Wages and salaries costs	**2,456**	**48**	**2,504**	3,246	52	3,298
Social security costs	**198**	**0**	**198**	275	0	275
Other pension costs	**487**	**0**	**487**	621	0	621
	3,141	**48**	**3,189**	**4,142**	**52**	**4,194**
Total staff costs charged to capital expenditure	**3,141**	**48**	**3,189**	4,142	52	4,194
Total Staff Costs	**20,075**	**1,198**	**21,273**	**20,507**	**891**	**21,398**

Permanent employed staff are civil servants who have an employment contract with Transport Scotland, Others are agency staff.

Wages & salaries include gross salaries, performance pay or bonuses received in year, overtime, recruitment and retention allowances, private office allowances, ex-gratia payments and any other allowance to the extent that it is subject to UK taxation. The payment of legitimate expenses is not part of salary.

Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Transport Scotland is unable to identify its share of the underlying liabilities. As a result this scheme is accounted for as a defined contribution scheme. The scheme Actuary valued the scheme liabilities as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 civil servants may be in one of five defined benefit schemes; either a final salary scheme (Classic, Premium or Classic Plus); or a whole career scheme (Nuvos or Alpha). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under Classic, Premium, Classic Plus and Nuvos and Alpha are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

From 1 April 2015, employee contributions are salary-related and range between 1.5% and 8.05% of pensionable earnings for Classic and 4.6% and 8.05% for Premium, Classic Plus, Nuvos and Alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos and Alpha, a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. From October 2015, the employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos. Pension age in Alpha is linked to the members state pension age.

Further details about the Civil Service pension arrangements can be found at: www.civilservicepensionscheme.org.uk.

New Career Average pension arrangements were introduced from 1 April 2015 and the majority of Classic, Premium, Classic Plus and Nuvos members joined the new scheme. Further details of this new scheme are available at: http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/.

For 2015-16, employers' contributions of £3,221k (2014-15, £2,998k) were payable to the PCSPS at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Average numbers of persons employed

	2015-16			2014-15		
	Permanent Staff	Others	Total	Permanent Staff	Others	Total
Trunk roads major projects	72	7	79	81	4	85
Trunk road maintenance	133	13	146	131	9	140
Rail	54	3	57	59	1	60
Finance and other	47	2	49	62	1	63
Aviation, maritime, freight & canals	28	1	29	27	3	30
Transport policy	43	1	44	41	2	43
Total average staff numbers	377	27	404	401	20	421

The above figures exclude consultants, in post and not in post.

3. Other Administration Costs

	Note	2015-16 £'000	2014-15 £'000
Rentals under operating leases		1,221	1,221
Accommodation		1,240	1,373
Office costs and supplies		1,170	1,321
Hospitality		40	49
Travel		457	528
Training		104	99
Consultancy		32	3
Non-cash items			
Depreciation	6/7	542	536
Auditors' remuneration and expenses – external	22	182	182
Total administration costs		4,988	5,312

4. Programme Costs

	Note	2015-16 £'000	2014-15 £'000
Other programme expenditure			
Roads			
Capital maintenance		67,630	72,369
Current maintenance		102,122	93,121
Other		0	281
PFI interest charges		29,989	30,689
PFI service charges		50,333	37,381
Rail			
ScotRail franchise*		314,874	261,100
Rail infrastructure in Scotland**		446,972	426,458
Other		249	2,296
Concessionary travel			
Smartcard applications		1,224	1,727
Concessionary travel schemes		193,520	195,205
Other public transport			
Major public transport projects – rail		3,439	2,471
Transport information		964	565
Ferry services in Scotland		166,845	168,634
Air services in Scotland		48,293	43,013
Bus services in Scotland		56,239	54,382
Other transport directorate programmes		43,651	54,579
Scottish Futures Fund Projects		14,550	15,002
Central Government grants to Local Authorities		29,961	30,535
Non-cash items			
Depreciation	6/7	93,673	58,379
Total other programme costs		1,664,528	1,548,187

**Payments to Abellio (£294m) and Serco (£21m) totalled £315m. This included depreciation of £11k which is included in the depreciation charge (non-cash items) as required by International Financial Reporting Standards*

***The Rail infrastructure in Scotland capital figure of £447m was paid directly to Network Rail*

5. Operating Income

	2015-16 £'000	2014-15 £'000
Programme income		
Interest receivable – loans	(3,878)	(3,207)
Rental income – land & properties	(10)	(11)
Other income	(196)	(195)
Ports income	10	(30)
Profit on disposal of land	(543)	6
Borders roof tax income	(17,500)	0
Total operating income	(22,117)	(3,437)

Operating income principally arises from:

- interest receivable from loans to Caledonian Maritime Assets Limited (CMAL);
- rental income from land and properties acquired for road schemes and now surplus to requirements;
- sale of land and property which is surplus to the requirements of the road or rail scheme;
- port income fees for authorising works to ports and harbours;
- Borders Roof Tax income from Local Authorities in relation to the Borders Rail project.

6. Property, Plant and Equipment

2015-16	Road Network £'000	Land £'000	Buildings £'000	Transport £'000	IT £'000	Leasehold Improvements £'000	Assets under Construction £'000	Total £'000
Cost or Valuation								
At 1 April 2015	20,164,262	8,155	10,589	154	4,609	1,507	1,158,350	21,347,626
Detrunkings	0	0	0	0	0	0	0	0
Additions	14,101	0	0	47	0	0	543,216	557,364
Disposals	0	(1,464)	0	0	0	0	0	(1,464)
Revaluation	(357,351)	(24)	136	0	0	0	0	(357,239)
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	(44,406)	0	0	0	0	0	0	(44,406)
Transfers and reclassifications	1,000,692	0	0	(139)	0	0	(10,973)	989,580
Transfers (to)/from assets held for sale	0	(132)	0	0	0	0	0	(132)
Balance at 31 March 2016	20,777,298	6,535	10,725	62	4,609	1,507	1,690,593	22,491,329
Depreciation								
At 1 April 2015	3,167,550	0	2,273	29	4,461	1,349	0	3,175,662
Detrunkings	0	0	0	0	0	0	0	0
Charge for the year	93,600	0	465	12	78	27	0	94,182
Disposals	0	0	0	0	0	0	0	0
Revaluation	(76,093)	0	34	0	0	0	0	(76,059)
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	(5,714)	0	0	0	0	0	0	(5,714)
Transfers and reclassifications	475,268	0	0	0	0	0	0	475,268
Balance at 31 March 2016	3,654,611	0	2,772	41	4,539	1,376	0	3,663,339
Net Book Value at 31 March 2016	17,122,687	6,535	7,953	21	70	131	1,690,593	18,827,990
Net Book Value at 31 March 2015	16,996,712	8,155	8,316	125	148	158	1,158,350	18,171,964
Asset Financing								
Owned	14,772,377	6,535	7,658	21	70	(1)	1,334,850	16,121,510
Finance Leased	0	0	0	0	0	0	0	0
On Balance Sheet PFI	2,350,310	0	0	0	0	0	355,743	2,706,053
Donated	0	0	295	0	0	132	0	427
Net Book Value at 31 March 2016	17,122,687	6,535	7,953	21	70	131	1,690,593	18,827,990

Detrunkings reflect the transfer of road assets to Local Authority control, with the corresponding entry flowing through the General Fund (SoCTE). Transfers and reclassifications include roads and associated land and buildings, which have transferred from Local Authority control as a result of the trunking of those particular sections of the road network.

WS Atkins LLP (RICS Regulated) carry out an annual valuation of the trunk road network.

Revaluation is based on Baxter's indexation for all road network assets with the exception of land. Land is valued at market rates based on information supplied by the Valuation Office Agency. All revaluation movement is reflected through the revaluation reserve (SoCTE).

6. Property, Plant and Equipment

2014-15	Road Network £'000	Land £'000	Buildings £'000	Transport £'000	IT £'000	Leasehold Improvements £'000	Assets under Construction £'000	Total £'000
Cost or Valuation								
At 1 April 2014	20,321,649	5,510	10,486	62	4,609	1,507	827,755	21,171,578
Detrunkings	(28,788)	0	0	0	0	0	0	(28,788)
Additions	8,843	0	0	138	0	0	415,458	424,439
Disposals	0	(59)	0	0	0	0	0	(59)
Revaluation	(482,325)	54	103	0	0	0	0	(482,168)
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	105,730	0	0	0	0	0	0	105,730
Transfers and reclassifications	239,153	2,612	0	(46)	0	0	(84,857)	156,862
Transfers (to)/from assets held for sale	0	38	0	0	0	0	(6)	32
Balances at 31 March 2015	20,164,262	8,155	10,589	154	4,609	1,507	1,158,350	21,347,626
Depreciation								
At 1 April 2014	3,193,841	0	1,791	16	4,364	1,322	0	3,201,334
Detrunkings	(3,780)	0	0	0	0	0	0	(3,780)
Charge for the year	58,200	0	460	14	98	26	0	58,798
Disposals	0	0	0	0	0	0	0	0
Revaluation	(98,982)	0	22	0	0	0	0	(98,960)
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	8,404	0	0	0	0	0	0	8,404
Transfers and reclassifications	9,867	0	0	(2)	0	0	0	9,865
Balances at 31 March 2015	3,167,550	0	2,273	28	4,462	1,348	0	3,175,661
Net Book Value at 31 March 2015	16,996,712	8,155	8,316	126	147	159	1,158,350	18,171,965
Net Book Value at 1 April 2014	17,127,808	5,510	8,695	46	245	185	827,755	17,970,244
Asset Financing								
Owned	15,105,343	8,155	7,972	126	147	0	1,042,830	16,164,573
Finance leased	0	0	0	0	0	0	0	0
On Balance Sheet PFI	1,891,369	0	0	0	0	0	115,520	2,006,889
Donated	0	0	344	0	0	159	0	503
Net Book Value at 31 March 2015	16,996,712	8,155	8,316	126	147	159	1,158,350	18,171,965

7. Intangible Assets

	2015-16 £'000	2014-15 £'000
At replacement cost or valuation		
At 1 April	461	461
Additions	30	0
Disposals	0	0
Balance at 31 March	491	461
Accumulated Amortisation		
At 1 April	461	344
Charge for the year	0	117
Revaluations	0	0
Disposals	0	0
Balance at 31 March	461	461
Net Book Value at 31 March	30	0

Purchased computer software licences are capitalised as intangible non-current assets where expenditure of £25,000 or more is incurred. These are valued at historic cost and amortised on a straight line basis over the expected life of the asset.

8. Assets Held For Sale

	2015-16 £'000	2014-15 £'000
Balance at 1 April	76	169
Transfers to non-current assets	0	(49)
Transfers from non-current assets	132	11
Disposals	(4)	(55)
Change arising on revaluation	0	0
Balance at 31 March	204	76

The above land assets have been presented for sale by Transport Scotland with an expected completion date within 12 months. Assets classified as held for sale are measured at the lower of their carrying amount immediately prior to their classification as held for sale and their fair value less costs to sell. Assets held for sale are not subject to depreciation or amortisation.

9. Financial Assets

2015-16	Interests in Nationalised Industries & Limited Companies £'000	Voted Loans £'000	Other Funds £'000	Total £'000
Balance at 1 April 2015	20,550	66,770	12,627	99,947
Add element reported within current assets	0	3,767	0	3,767
Advances and repayments				
Cash advances	0	41,160	12,551	53,711
Repayments	0	(3,767)	0	(3,767)
Balance at 31 March 2016	20,550	107,930	25,178	153,658
Loans repayable within 12 months transferred to current assets	0	(3,754)	0	(3,754)
Balance at 31 March 2016	20,550	104,176	25,178	149,904

2014-15	Interests in Nationalised Industries & Limited Companies £'000	Voted Loans £'000	Other Funds £'000	Total £'000
Balance at 1 April 2014	20,550	69,776	5,827	96,153
Add element reported within current assets	0	3,018	0	3,018
Advances and repayments				
Cash advances	0	3,680	6,800	10,480
Repayments	0	(5,937)	0	(5,937)
Balance at 31 March 2015	20,550	70,537	12,627	103,714
Loans repayable within 12 months transferred to current assets	0	(3,767)	0	(3,767)
Balance at 31 March 2015	20,550	66,770	12,627	99,947

Financial Assets have been measured and presented in accordance with IAS32, IAS39 and IFRS7 as modified by the FReM (see Note 1.8).

As at 31 March Scottish Ministers, represented by Transport Scotland, are the sole shareholders in Caledonian Maritime Assets Ltd, David MacBrayne Ltd, Highlands and Islands Airports Ltd and TS Prestwick HoldCo Ltd. Scottish Ministers hold the following investments:

Caledonian Maritime Assets Ltd	1,500,000 ordinary shares of £10 each
David MacBrayne Ltd	5,500,002 ordinary shares of £1 each
Highlands and Islands Airports Ltd	50,000 ordinary shares of £1 each
TS Prestwick Holdco Ltd	1 ordinary share of £1

These organisations are operated and managed independently of the Scottish Government, and do not fall within the Departmental Accounting boundary. The companies all publish an annual report and accounts. The net assets and results of the above bodies are summarised below.

	Prestwick HoldCo Ltd £m	Highlands and Islands Airports Ltd £m	Caledonian Maritime Assets Ltd £m	David MacBrayne Ltd £m
Net assets/(liabilities) as at 31 March	(21.3)	(24.0)	74.6	13.5
Turnover	10.6	20.6	33.4	190.2
Profit/(loss) for the financial year	(9.7)	(4.5)	7.9	(4.8)

All results are draft and subject to audit with final accounts yet to be published.

Highlands and Islands Airports Limited (HIAL)
Scottish Ministers are the sole shareholders in HIAL. The company's purpose is to maintain the safe operation of its airports to support economic and social development in the Highland and Islands. HIAL currently operates 11 airports; 10 in the Highlands and Islands and also Dundee, via a wholly owned subsidiary, Dundee Airport Ltd.

Caledonian Maritime Assets Limited (CMAL)
Following a restructure of the Caledonian MacBrayne Group in 2006, Caledonian MacBrayne Ltd became known as Caledonian Maritime Assets Ltd (CMAL) and CalMac Ferries Ltd (CFL) was incorporated. CFL took over operation of the Clyde & Hebrides Ferry Services as successor to Caledonian MacBrayne. CMAL retained ownership of all vessels and ports, which it leases to the operator of the Clyde & Hebrides Ferry services (currently CFL). CMAL remains wholly owned by Scottish Ministers.

David MacBrayne Limited
Scottish Ministers previously owned 2 shares of £1 in a dormant company, David MacBrayne Ltd. In the course of the 2006 restructuring of Caledonian MacBrayne, Scottish Ministers' shareholding in David MacBrayne Ltd was increased by 5,500,000 shares to 5,500,002 ordinary shares of £1. David MacBrayne Ltd is now the Holding Company for the ferry operating companies CalMac Ferries Ltd, Argyll Ferries Ltd and Northlink Ferries Ltd, and for the dormant companies Cowal Ferries Ltd and Rathlin Ferries Ltd.

TS Prestwick HoldCo Limited
In 2013 Transport Scotland purchased the entire share capital of Prestwick Aviation Holdings Ltd, which is the Holding Company of subsidiaries who own and operate Glasgow Prestwick Airport, through a company set up for this specific purpose – TS Prestwick Holdco Ltd. Subsequently Transport Scotland advanced loan funding to the Group to cover the cash deficit arising from its operating deficit and capital expenditure.

Voted Loans
Transport Scotland provides loans to CMAL to be used for the construction of new shipping.

Other Funds
These represent loans that Transport Scotland provides to Preswick Airport as noted above and to the Energy Saving Trust to fund loans for energy efficient transport initiatives.

In respect of IFRS12, it should be noted that both HIAL and David MacBrayne are classed as Non Departmental Public Bodies (NDPB's), and are treated in accordance with the HM Treasury Consolidated Budgeting guidance https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2015-to-2016. Transport Scotland has taken account of these bodies' forecast expenditure within its budget.

Scottish Canals is currently classed as an NDPB, however, HM Treasury have agreed not to apply the budgeting or accounting impact of this until the Office of National Statistics (ONS) complete a planned forthcoming classification review, after which they will review the position. CMAL and Prestwick are classed as Public Corporations and are not included in the accounting or budgetary boundary.

10. Trade Receivables and Other Assets

10a Analysis by classification	As at 31/03/16 £'000	As at 31/03/15 £'000
Amounts falling due within one year:		
Trade and other receivables		
Trade and other receivables	1,562	1,107
Damage claims	1,398	1,719
Prepayments and accrued income	46,898	94,334
	49,858	97,160
Amounts falling due after more than one year:		
Prepayments and other receivables	30,665	38,452
	30,665	38,452

10b Intra-Government balances	As at 31/03/16 £'000	As at 31/03/15 £'000
Amounts falling due within one year:		
Intra-Government balances		
Other Central Government bodies	1,279	939
Local Authorities	30	56
Public corporations and trading funds	1,921	791
	3,230	1,786
Balances with bodies external to Government	46,628	95,374
Total receivables	49,858	97,160
Amounts falling due after more than one year:		
Intra-Government balances		
Other Central Government bodies	0	0
Local Authorities	15,665	0
Public corporations and trading funds	0	0
	15,665	0
Balances with bodies external to Government	15,000	38,452
Total receivables	30,665	38,452

Trade receivables are shown net of a provision for impairment as follows:

	As at 31/03/16 £'000	As at 31/03/15 £'000
At 1 April	0	0
Charge for the year	0	0
Unused amount released	0	0
Utilised during the year	0	0
At 31 March	0	0

11. Trade Payables and Other Liabilities

11a Analysis by classification	As at 31/03/16 £'000	As at 31/03/15 £'000
Amounts falling due within one year:		
Trade and other payables		
Trade payables	1,216	3,681
Accruals	153,216	168,634
Other payables	4,710	27,970
Financial liabilities - PFI	11,171	10,418
Deferred income	71	3,528
	170,384	214,231
Amounts falling due after more than one year:		
Other payables	1,056	1,152
Financial liabilities - PFI	776,371	547,320
	777,427	548,472

11b Intra-Government balances	As at 31/03/16 £'000	As at 31/03/15 £'000
Amounts falling due within one year:		
Intra-Government balances		
Other Central Government bodies	858	448
Local Authorities	14,314	22,320
Public corporations and trading funds	(11)	369
	15,161	23,137
Balances with bodies external to Government	155,223	191,094
Total payables	170,384	214,231
Amounts falling due after more than one year:		
Intra-Government balances		
Other Central Government bodies	0	0
Local Authorities	0	107,439
Public corporations and trading funds	0	0
	0	107,439
Balances with bodies external to Government	777,427	441,033
Total payables	777,427	548,472

12. Provisions for Liabilities and Charges

12a Provisions for liabilities and charges	Land and Property Acquisition £'000	Major Projects £'000	Other £'000	Total £'000
2015-16				
Balance as at 1 April 2015	90,351	8,253	1,023	99,627
Provided in year	0	0	5,023	5,023
Provisions not required written back	(1,376)	0	(59)	(1,435)
Provisions utilised in year	(16,227)	(2,767)	(356)	(19,350)
Discount amortised	(606)	(215)	(21)	(842)
Balance as at 31 March 2016	72,142	5,271	5,610	83,023
2014-15				
Balance as at 1 April 2014	101,261	11,121	1,093	113,475
Provided in year	0	0	45	45
Provisions not required written back	0	(1,934)	(9)	(1,943)
Provisions utilised in year	(9,857)	(789)	(108)	(10,754)
Discount amortised	(1,053)	(145)	2	(1,196)
Balance as at 31 March 2015	90,351	8,253	1,023	99,627

12b Analysis of expected timing of discounted flows	Land and Property Acquisition £'000	Major Projects £'000	Other £'000	Total £'000
In the remainder of the period to 2017	24,431	3,818	5,473	33,722
Between 2018 and 2021	47,710	1,453	137	49,300
Between 2022 and 2026	0	0	0	0
Thereafter	0	0	0	0
Balance as at 31 March 2016	72,141	5,271	5,610	83,022
In the remainder of the period to 2016	28,695	1,938	268	30,901
Between 2017 and 2020	61,655	6,315	755	68,725
Between 2021 and 2025	0	0	0	0
Thereafter	0	0	0	0
Balance as at 31 March 2015	90,350	8,253	1,023	99,626

Land and Property Acquisition

Land and property acquisition provision relates primarily to the estimates made of the likely compensation payable in respect of planning blight, discretionary and compulsory acquisition of property from property owners arising from physical construction of a road or rail scheme. When land is acquired by compulsory purchase procedures, it is not known when compensation settlements will be made. A provision for the estimated total cost of land acquired is created when it is expected that a General Vesting Declaration (GVD) will be published in the near future. It may take several years from the announcement of a scheme to completion and final settlement of all liabilities. The estimates provided by the VOA are reviewed bi-annually.

Major Projects

Major projects provision relates to compensation claims made in respect of work done under the projects that have not yet been fully settled.

Other

Transport Scotland agreed to meet the additional agreed cost of benefits payable to specific employees who retired early until they reach the age of 60 at which point the liability is assumed by the PCSPS. The cost of these benefits is provided in full when the employee retires.

13. Movement on Working Capital Balances

	Note	As at 31/03/16 £'000	As at 31/03/15 £'000	2015-16 Net Movement £'000	2014-15 Net Movement £'000
Receivables					
Due within one year	8/10	50,063	97,236	47,173	(5,424)
Due after more than one year	10	30,665	38,452	7,787	26,548
Net (increase) / decrease		80,728	135,688	54,960	21,124
Payables					
Due within one year	11	170,384	214,231	(43,847)	(80,205)
Due after more than one year	11	777,427	548,472	228,955	104,372
		947,811	762,703	185,108	24,167
Less: Lease and PFI creditors included in above	11	787,542	557,738	229,804	105,802
Less: Capital accruals included in the above		2,281	25,830	(23,549)	(118,172)
Net increase/(decrease)		157,988	179,135	(21,147)	36,537
Provisions	12	83,023	99,627	(16,604)	(13,848)
Net increase/(decrease)		83,023	99,627	(16,604)	(13,848)
Net movement increase/(decrease)		321,739	414,450	92,711	(1,565)

14. Capital Commitments

Transport Scotland's capital commitments relate to future payments on major road schemes currently under construction. The main works contracts have been awarded and the loans agreed. These commitments have not been reflected elsewhere in the accounts.

	As at 31/03/16 £'000	As at 31/03/15 £'000
Property, plant and equipment	770,609	539,236
Total contracted capital commitments for which no provision has been made	770,609	539,236

15. Commitments under Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	As at 31/03/16 £'000	As at 31/03/15 £'000
Obligations under operating leases comprise:		
Land & buildings		
Due within 1 year	1,444	1,444
Due after 1 year but not more than 5 years	5,159	5,313
Commitments thereafter	0	1,290
	6,603	8,047

16. Commitments under PFI Contracts

Transport Scotland has entered into the following PFI contracts for the design, build, finance and maintenance of assets reflected on the Statement of Financial Position:

a) M6 (A74M) – the contract covers the design, construction and financing of 28.3km of new motorway, as well as the operation and maintenance of 90km of existing motorway. Payments are made under a shadow toll regime. The toll period began in July 1997 and expires in July 2027.

b) M77 – the contract is a Public Private Partnership (PPP) entered into with East Renfrewshire and South Lanarkshire Councils. The project covers the design, construction, financing and operation of 15km of motorway and 9km local road to the A726 trunk road. Payments are made under a shadow toll regime. The toll period began in April 2005 and expires in April 2035.

c) M80 – the contract covers the design, build and financing of approximately 18 km of motorway and associated roads, junctions, structures and associated works and their ongoing maintenance for a period of 30 years. Unitary charge payments commenced in September 2011 and will cease in September 2041.

Under IPSAS 32, the substance of these PFI contracts is a finance lease, with the asset being recognised. Payments under PFI contracts are comprised of two elements; imputed finance lease charges and services charges.

We have also entered into the following contract for the design, build, finance and maintenance of assets yet to be completed.

M8, M73, M74 Improvements – the project will upgrade the A8 Baillieston to Newhouse, completing the M8 motorway between Glasgow and Edinburgh, including improvements to the M74 Raith Interchange and widening of key sections of the M8, M73 and M74. The NPD contract also incorporates the management, operation and maintenance of this motorway for the next 30 years. The unitary charge payments will become committed after construction completion in 2017 and will cease in 2047.

AWPR/BT – the project will construct a new dual carriageway to by-pass the City of Aberdeen and upgrade the road between Balmedie and Tipperty to dual carriageway. The NPD contract also incorporates the management, operation and maintenance of these roads for the next 30 years. The unitary charge payments will become committed after construction completion in 2018 and will cease in 2048.

	As at 31/03/16 £'000	As at 31/03/15 £'000	As at 31/03/14 £'000
Imputed finance lease obligations under PFI contracts comprise:			
Rentals due within 1 year	40,407	40,407	40,407
Rentals due within 2 to 5 years	161,627	161,627	161,627
Rentals due thereafter	976,141	776,325	701,212
	1,178,175	978,359	903,246
Less: Interest element (finance cost)	(390,633)	(420,622)	(451,311)
Total capital cost	787,542	557,737	451,935
Imputed service charge obligations under PFI contracts comprise:			
Service charge due within 1 year	52,831	54,995	44,086
Service charge due within 2 to 5 years	194,441	206,619	217,540
Service charge due thereafter	348,791	394,262	433,518
Total service charge	596,063	655,876	695,144

Transport Scotland does not have any commitments under PFI contracts in respect of assets that are not reflected in the Statement of Financial Position.

17. Other Financial Commitments – Rail

Transport Scotland is committed to pay an income stream to Network Rail in accordance with the Deed of Grant and to Abellio ScotRail and Serco Caledonian Sleeper Ltd under the Franchise Agreements.

Network Rail Control Period 5 runs from April 2014 to March 2019. The Determination for this current control period has been set by the Office of Rail and Road for the Deed of Grant and Track Access charges and is therefore reflected below.

The total amount charged to the Transport Scotland Statement of Comprehensive Net Expenditure in respect of these schemes reflects the cessation of the FirstScotRail Franchise on 31.03.15 and the commencement on 01.04.15 the AbellioScotRail and Caledonian Sleeper Franchises:

The total amount charged to the Transport Scotland Statement of Comprehensive Net Expenditure in respect of these schemes is:

	2015-16 £'000	2014-15 £'000
Network Rail	446,972	426,458
First ScotRail	0	261,112
Abellio ScotRail	293,478	0
Serco Caledonian Sleeper Limited	21,207	0
Total	761,657	687,570

Following expiry of the contract with First Scotrail, further contracts were awarded to Abellio for the Scotrail Franchise, and Serco for the Caledonian Sleeper Franchise, from April 2015. Amounts due under these contracts in future years, analysed between those periods where the commitment falls are:

	Network Rail Deed of Grant £'000	Abellio ScotRail £'000	Serco Caledonian Sleeper Limited £'000	Total £'000
Expiry within 0-12 months	463,947	246,740	19,198	729,885
Expiry within 1 to 2 years	426,543	291,626	21,697	739,866
Expiry within 2 to 5 years	1,158,060	1,157,211	64,568	2,379,839
Total	2,048,550	1,695,577	105,463	3,849,590

18. Financial Instruments

18a Financial Instruments by Category

	Note	Assets at Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Total £'000
Assets per statement of financial position				
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable		0	174,207	174,207
Balance as at 31 March 2016		0	174,207	174,207

	Note	Assets at Fair Value through Profit & Loss £'000	Other Financial Liabilities £'000	Total £'000
Liabilities per statement of financial position				
PFI liabilities	16	0	787,542	787,542
Trade and other payables excluding statutory liabilities (VAT, income tax and social security)		0	158,598	158,598
Balance as at 31 March 2016		0	946,140	946,140

18b Financial Risk Factors

Exposure to Risk

Due to the largely non-trading nature of its activities and the way in which Government Departments are financed, Transport Scotland is not exposed to the degree of financial risk faced by business entities. A high level review of risk management is now considered at each meeting of the Audit and Risk Committee.

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows. Balances due within 12 months are included at their carrying balances as the impact of discounting is not significant.

	Carrying value £'000	0-12 months £'000	1-2 years £'000	2-5 years £'000	5-10 years £'000	>10 years £'000
Non-derivative liabilities	732,395	288,972	11,623	36,001	79,774	316,025
Derivative liabilities	0	0	0	0	0	0
Total financial liabilities	732,395	288,972	11,623	36,001	79,774	316,025

Cash Flow and Fair Value Interest Rate Risk

Transport Scotland loans to CMAL accrue interest at the rate set for the National Loans Fund and those to Prestwick at the rate specified by the European Commission. Income, expenditure and cash flows are dependent on changes in market interest rates that affect this. Transport Scotland has interest bearing liabilities in respect of PFI schemes and minor lease rentals that are determined in the contracts entered in to and, as such, the related income, expenditure and cash flows are substantially independent of changes in market interest rates.

19. Contingent Liabilities

19a Contingent Assets disclosed under IAS37

Transport Scotland successfully defended an allegation of GARL copyright infringement, and a subsequent appeal which was dismissed in May 2012. The process of recovering the expenses awarded by the Court of Session is now in the hands of the Accountant in Bankruptcy.

Transport Scotland successfully defended a legal challenge in respect of the procurement of the Northern Isles Ferry Service. The legal judgement was confirmed in March 2016. The process of recovering the expenses awarded by the Court of Session is continuing.

19b Contingent Liabilities disclosed under IAS37

As part of Transport Scotland's normal course of business the Forestry Commission granted the right to use a forestry track as an emergency diversion route on the A83 Rest and Be Thankful on the understanding that Transport Scotland will have liability for any incidents that may occur whilst the track is being used for this purpose. The potential obligation is estimated at £5 million but it is not considered likely that any liability will occur.

19c Possible Contingent Liabilities not required under IAS37 but included for parliamentary reporting and accountability purposes

The FReM states that where information about contingent liabilities is not required to be disclosed because the likelihood of a transfer of economic benefits is considered too remote, they should be disclosed separately for parliamentary reporting and accountability purposes.

i. Contracts held by Transport Scotland should include indemnity clauses where risk is either considered part of the normal course of business or is not quantifiable:

- Operating agreements (ScotRail and Caledonian Sleeper Rail Franchise Agreements) with indemnities to Abellio ScotRail Ltd and Serco Caledonian Sleepers Ltd, both commencing on 1 April 2015;
- Indemnity clause in roads contracts to compensate Network Rail for any damage or loss of access;
- Liability agreement for any issues caused by the GARL ground investigation work for the next 8 years.

ii. Guarantees/Letters of Comfort issued by Transport Scotland on behalf of Scottish Ministers:

- s54 guarantees issued as part of rail rolling stock procurement process;
- Scottish Government underwriting Abellio Scotrail and Serco Caledonian Sleeper Ltd pension funds from 1 April 2015 in line with that provided to other train operators by DfT.

iii. Other contingent liabilities held by Transport Scotland:

- Monklands Canal – maintenance of pipes under trunk roads.
- The responsibility for the ongoing maintenance of the Forth Road Bridge was transferred from the Forth Estuary Transport Authority (FETA), which was subsequently dissolved, to the Forth Bridges Operating Company (FBOC) at the end of June 2015. This arrangement included the transfer of FETA employees to FBOC. The ongoing liability in respect of the employer contribution to the pension deficit in respect of the employees that transferred and former employees was settled with the Lothian Pension Fund (LPF), to which they previously belonged, by a single payment in respect of the agreed value of the cessation deficit. This was calculated on a deliberately prudent basis to mitigate the risk of any requirement for a future additional payment. There is therefore a contingent liability in respect of any further payment required. This is considered to be a remote possibility due to the assumptions made in the calculation of the deficit payment and it cannot be estimated because it is not possible to predict what any subsequent valuation of the pension deficit will be to inform any further contribution required from Transport Scotland.

20. Related Party Transactions

Transport Scotland is an Executive Agency of the Scottish Government. The Scottish Government is regarded as a related party with which it had various material transactions during the year. David MacBrayne Limited, Caledonian Maritime Assets Limited (CMAL), TS Prestwick Holdco Limited and Highlands & Islands Airports Limited (HIAL) are wholly owned subsidiaries of Transport Scotland with whom it also had various material transactions during the year.

Loans were also advanced to and repaid by CMAL in respect of vessel funding and grants paid to HIAL to subsidise its operating and capital expenditure and to CMAL to fund agreed pier and harbour infrastructure projects. David MacBrayne Limited is the parent company of Calmac Ferries Limited, Argyll Ferries Limited and Northlink Ferries Limited who operated Ferry Services under contracts with Transport Scotland, which Transport Scotland supported by the payment of subsidies. TS Prestwick Holdco Limited is the parent company of subsidiaries who own and operate Glasgow Prestwick Airport. Transport Scotland advanced loan funding to the group to cover the cash deficit arising from its operating deficit and capital expenditure.

Transport Scotland paid grants to British Waterways Scotland, trading as Scottish Canals, for the operation and maintenance of Scottish canals and related infrastructure and capital grants for related investments during the year.

Transport Scotland also had significant transactions with Local Authorities, Sustrans, the Energy Saving Trust, Loganair Limited, Forth Estuary Transport Authority, Northern Isles Ferries, Cycling Scotland, Strathclyde Partnership for Transport and the Tay Road Bridge Joint Board during the year, principally in relation to payment of grants to deliver specific transport objectives.

Payments were also made to Network Rail under the Deed of Grant and other arrangements identified in Note 17.

All interests declared by members of the Transport Scotland Senior Management Team are of a minor nature and have no impact on the awarding of contracts and commissions.

21. Segmental Reporting

21a Business Segments – Statement of Comprehensive Net Expenditure

2015-16	Resource £'000	Net Investment £'000	Income £'000	Non Cash £'000	AME	ODEL £'000	Total £'000
Total continuing segments							
Roads	100,254	72,419	(728)	93,600	(1,035)	80,322	344,832
Rail	315,124	433,453	0	10	0	0	748,587
Concessionary travel & bus services	252,074	265	0	63	0	0	252,402
Other public transport	21,425	0	0	0	0	0	21,425
Ferry services in Scotland	160,026	6,869	(3,394)	0	0	0	163,501
Air services in Scotland	30,173	18,120	(494)	0	0	0	47,799
Other transport directorate programmes	25,486	16,940	0	0	0	0	42,426
Scottish Futures Fund	489	14,061	0	0	0	0	14,550
Grants to Local Authorities	0	29,961	0	0	0	0	29,961
	905,051	592,088	(4,616)	93,673	(1,035)	80,322	1,665,483

2014-15	Resource £'000	Net Investment £'000	Income £'000	Non Cash £'000	AME	ODEL £'000	Total £'000
Total continuing segments							
Roads	93,407	73,667	(200)	58,200	0	68,069	293,143
Rail	263,397	429,848	0	14	0	0	693,259
Concessionary travel & bus services	251,425	1,110	0	163	0	0	252,698
Other public transport	19,943	34,140	0	0	0	0	54,083
Ferry services in Scotland	146,205	22,474	(3,014)	0	0	0	165,665
Air services in Scotland	29,113	13,969	(222)	0	0	0	42,860
Other transport directorate programmes	20,022	0	0	0	0	0	20,022
Scottish Futures Fund	581	14,421	0	0	0	0	15,002
Grants to Local Authorities	0	30,535	0	0	0	0	30,535
	824,093	620,164	(3,436)	58,377	0	68,069	1,567,267

21b Business Segments – Capital Expenditure

2015-16	Trunk Road Maintenance £'000	Capital Projects £'000	Other Assets £'000	Voted Loans £'000	Total Capital Expenditure £'000
Total continuing segments					
Roads	14,101	541,752	42	0	555,895
Rail	0	0	0	0	0
Other public transport	0	0	30	0	30
Ferry, aviation and other services in Scotland	0	0	0	49,944	49,944
	14,101	541,752	72	49,944	605,869

2014-15	Trunk Road Maintenance £'000	Capital Projects £'000	Other Assets £'000	Voted Loans £'000	Total Capital Expenditure £'000
Total continuing segments					
Roads	8,843	415,399	83	0	424,325
Rail	0	0	0	0	0
Other public transport	0	0	0	0	0
Ferry, aviation and other services in Scotland	0	0	0	4,543	4,543
	8,843	415,399	83	4,543	428,868

22. Notional Charges

The following notional charges have been included in the accounts:

	Note	2015-16 £'000	2014-15 £'000
Auditors' remuneration	3	182	182
		182	182

23. Losses and Special Payments

	Number of cases	2015-16 £'000	2014-15 £'000
Total cash losses	34	68	549
Details of cases over £250,000	0	0	0
Including – claims abandoned	34	68	549
– active claims	0	0	0

The costs of damage to the trunk road network due to road accidents are charged to Transport Scotland as part of the road maintenance programme. These costs are recovered from the party responsible through their insurance company wherever possible, except where there has been a fatal injury. The costs are held in a debtor account until the recovery is successful. In 2015-16 a detailed review of the costs held in the debtor account identified those deemed recoverable. Irrecoverable costs no longer being pursued amounted to £0.068 million in respect of 34 cases and these have now been written off.

24. GARL Closedown Costs

Branchline works for the Glasgow Airport Rail-Link (GARL) were cancelled in September 2009. However, obligations under the GARL Act for certain branchline works were not cancelled. Where obligations under the Act could not be cancelled, costs have been incurred. These costs include land and associated costs, BAA costs and associated compensation, contractor closedown costs and completion of advanced works, where completion was a more cost effective solution than cessation.

Costs incurred in 2015-16 were £17,000 (2014-15 £46,000), with revenues of £nil generated (2014-15 £nil).

ANNEX A

TRANSPORT SCOTLAND
DIRECTION BY THE SCOTTISH MINISTERS

IN ACCORDANCE WITH SECTION 19(4) OF THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

1. The statement of accounts for the financial year ended 31 March 2007 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government *Financial Reporting Manual* (FReM) which is in force for the year for which the statement of accounts are prepared.

2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

3. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 17 January 2006

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