TRANSPORT SCOTLAND

ANNUAL REPORT AND ACCOUNTS for the year ended 31 March 2011

TRANSPORT SCOTLAND
ANNUAL REPORT AND ACCOUNTS 2010/11

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Laid before the Scottish Parliament by the Scottish Ministers
October 2011
SG/2011/191

SCOTTISH GOVERNMENT TRANSPORT PRIORITIES

Wealthier and fairer Scotland

Making journey times faster and more reliable and improving connections to help build and sustain economic growth; providing travel opportunities for employment, business, leisure and tourism and linking towns, cities and rural communities throughout Scotland.

Smarter Scotland

Promoting innovation and encouraging implementation of new transport technologies, such as alternative fuels, to allow us to meet greener challenges and contribute to Scotland's economic growth.

Healthier Scotland

Encouraging a shift from car to public transport and to healthier and physically active forms of transport and improving transport access (public and private) to health and community services.

Safer and stronger Scotland

Improving the quality, accessibility and affordability of public transport to provide access to essential services and economic opportunities, including support for communities in less accessible or remote parts of Scotland. Reducing accidents by improving the condition of our roads, investing in new technologies to increase safety and security, and promoting road safety and driver education.

Greener Scotland

Reducing transport emissions to tackle the issues of climate change and air quality by promoting public transport and encouraging individuals to shift from the private car to more sustainable, healthy and active forms of transport. Encouraging the adoption of new low carbon technologies and promoting cleaner vehicles.

ANNUAL REPORT

CHIEF EXECUTIVE'S INTRODUCTION

The 2010-11 year has seen the Agency continuing to deliver transport investment and projects, and provide Scottish Ministers with advice and support across a wide range of policies and issues. Our focus remains contributing to the Scottish Government's Purpose of increasing sustainable economic growth, ensuring that Transport Scotland delivers the Scottish Government's vision of sustainable transport making a difference for people, businesses and communities who rely on our transport systems throughout Scotland.

During the year we spent £1.8 billion in investment and support across a wide range of transport services. In challenging economic times, it remains important that we support Ministers in delivering the priority projects and target support to meet the outcomes sought, and do so efficiently and effectively. Our Annual Report sets out the progress we have made against our key delivery priorities from our Corporate Plan, and in meeting the specific targets and outputs in our annual Business Plan for the year, and highlights key achievements.

This Report also includes for the first time information taking account of the merger of Transport Scotland with the Transport Directorate which took effect from 1 August 2010. This brought together all of the Scottish Government's transport responsibilities into a single body, and we believe this approach makes for greater synergy in our work, and allows us to bring together the advice, support and transport funds for Ministers in a coherent structure, and assists our many stakeholders across the country.

Finally, I should pay tribute to the work of our staff across a wide range of policy project and support activity, in particular in dealing with the exceptional weather events of the 2010-11 winter. This involved working in a multi agency approach with our transport providers and colleagues within Scottish Government, the emergency services and the local authority sector during what were challenging and quite exceptional events. This was a major effort and I acknowledge the work and support received.

David Middleton
Chief Executive
Transport Scotland

WHO WE ARE AND WHAT WE DO

Role
Transport Scotland was created in 2006 as an Agency of the Scottish Government, accountable to Parliament and the public through the Scottish Ministers.

On 1st August 2010 Transport Scotland and the Scottish Government's Transport Directorate were brought together into a single transport unit covering all of the Scottish Government's transport responsibilities. These include overseeing the operation and improvement of the trunk road, ferry, inland waterway and railway networks in Scotland; the air passenger facilities and routes in the Highlands and Islands; the national concessionary travel schemes and for the provision of travel information services. We also support Ministers in prioritising future transport policy and investments and promoting sustainable transport and road safety.

Strategy and Planning
Our strategic focus is to help the Scottish Government achieve its Purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. Our delivery priorities - improved connections across Scotland; better journey times, better reliability; greener transport alternatives, reduced emissions; and increased safety, more innovation – are all aligned to this end. Taken together, they provide a clear focus to enable us to develop and deliver efficient, effective and sustainable transport infrastructure and services for Scotland.

Our detailed delivery outcomes are set out in our Corporate Plan and annual Business Plans. Delivery against our targets for 2010/11 are summarised on pages 9 – 11.

Governance
The Chief Executive is the Accountable Officer for the Agency. This role is supported by a Board comprising the Chief Executive and six Executive Directors as shown below. The terms of office of two non executive Directors, Iain Docherty and Jacqueline Redmond, were completed at the end of December 2010. Following discussions with Ministers it was agreed that the Board should continue as an internal Board without non executive membership. However, 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 Dorothy Fenwick and Eileen Marshall.

Current Directors

David Middleton	Chief Executive
Roy Brannen	Trunk Road and Bus Operations
Donald Carmichael	Transport Policy
Frances Duffy	Rail
Sharon Fairweather	Finance and Analytical Services
Ainslie McLaughlin	Major Transport Infrastructure Projects
Alastair Wilson	Aviation, Maritime, Freight and Canals

Richard Scott served as Director of Business Improvement and Corporate Services throughout the period of the report until retiring from the Agency on 30 June 2011. Jim Barton served as Director of Trunk Road and Bus Operations until retiring from the Agency on 31 March 2011. He was succeeded by Roy Brannen. Bill Reeve served as Director of Rail Delivery and Frances Duffy as Director of Strategy and Investment until 1 December 2010 when a revised structure for a single Rail Directorate led by Frances Duffy was established. Within the new rail structure a Commercial Unit was established, led by Bill Reeve, to take forward the tendering of the ScotRail Franchise.

DELIVERY AGAINST OUR PRIORITIES

Annual Review

The Agency publishes an Annual Review document, and the 2011 version is available on the Agency website http://www.transportscotland.gov.uk. Although not formally part of the Annual Report it presents similar information in a more summarised format, as part of our effort to provide accessible information about our activities.

Improved Connections

Improving transport connections and services across Scotland is vital in opening up new markets, increasing access to employment and helping to build a critical mass of business that drives up competiveness and delivers sustainable economic growth. In delivering an efficient transport system for Scotland, we aim to ensure that everyone in Scotland benefits by providing effective links between people and between communities, both in rural areas and in parts of our larger cities which might otherwise face a degree of isolation.

A significant amount of preparatory work continued on the **Forth Replacement Crossing** project. Royal Assent was granted for the new crossing and a preferred bidder was chosen for the main contract to build the bridge and connecting road elements. The Forth Crossing Bridge Constructors (FCBC) consortium comprises Dragados, Hochtief, American Bridge International and Morrison Construction. FCBC's successful bid for the design and build contract at a base price of £790 million represents a significant saving on the initial estimated cost range of £0.9 billion to £1.2 billion.

The tenders for the **Gourock-Dunoon ferry service** were issued in February 2011, and the successful bidder commenced the new service on 30 June 2011 thereby ensuring the long-term continuity of the ferry service for the people of Gourock and Dunoon.

Advance works continued on the Borders Railway project with ground and structural investigations underway. The process for delivery of the scheme by the end of 2014 continued to be progressed.

The **M74 Completion Project** opened to traffic on 28 June 2011, on time and under anticipated construction cost. The new motorway network will take approximately 20,000 vehicles per day off the M8 between Baillieston and Charing Cross and will cut 5-10 minutes off peak hour journey times across and through Glasgow. The motorway will provide improved access to economic, employment and education opportunities for the people of Scotland. The construction work included the Auchenshuggle Bridge which is one of the 13 major structures on the new motorway that crosses over water, and the Port Eglinton Viaduct, which crosses the West Coast Main Line, local rail lines and a number of roads.

Work on the **M80 Stepps to Haggs** upgrade moved forward with the early opening of the Moodiesburn Bypass, a key section of project, which will reduce traffic through the villages of Moodiesburn, Chryston and Muirhead by 70 per cent. In addition to this the 40mph speed restriction was lifted on 23 July 2011 with the exception of the section between Auchenkilns and Mollinsburn south bound. This restriction will remain for a short period to allow completion of the works around the M80/M73 junction. When completed in the Autumn, the £320 million project will bring improved journey times, reliability and safety for people using this busy route, cutting journey times during peak periods, by 30 to 40 percent, saving motorists up to 15 minutes each way.

The **Airdrie-Bathgate Rail Link** was completed in December 2010. Communities in North Lanarkshire and West Lothian can now enjoy access to Scotland's two main cities for business, pleasure and employment without needing access to a car. The new route also provides a fourth rail route between our major cities. At a cost of £375million, Network Rail delivered the new route on time and on budget.

Other notable achievements in improving connections during the year include:

- Approval, subject to availability of funding, was given to complete the motorway between Edinburgh and Glasgow by upgrading to motorway status the **A8 from Baillieston to Newhouse**. New Road Orders enabling improvements to the M74 Raith Junction and the widening of key sections of the M8, M73 and M74 were published, together with the A8. These mark a step forward in completing the **Central Scotland motorway network**.

- The 1st anniversary of the re-opening of **Laurencekirk Station** saw passenger journeys almost double the predicted 36,000 per annum.

<u>Better Journey Times, Better Reliability</u>
Making journey times more reliable is one of the main ways in which transport can help build and sustain growth in the economy.

Transport Scotland's Resilience Team coped with intense winter weather pressure as they worked round the clock trying to keep Scotland moving through the worst December weather on record. The multi agency team, which includes operating companies, the Police, Traffic Scotland, Network Rail and ScotRail, was set up following lessons learned from the last severe winter weather. This was in addition to the work of our staff across a wide range of policy project and other support activity. The bad weather also resulted in Trunk Roads Operating Companies being given an extra £2 million to repair potholes and we invested in regular supplies of salt stocks, topping up the national reserve stock, held centrally for those in particular need and specifically secured for the Scottish roads network. Despite the bad weather our **Trunk Road Operating Companies** provided an excellent service to the public keeping disruption to a minimum and working through extremely difficult conditions to keep trunk roads open.

Colleagues from across the Agency worked closely with SGoRR (Scottish Government Resilience Room) to keep the country on the move as planes were grounded due to **volcanic ash**.

Work started on a £10 million duelling scheme on the **A9 at Crubenmore** to construct a 2 mile extension to the existing dual carriageway near Etteridge on this crucial link to north Scotland.

A £6 million scheme to construct a 1.4 mile dual carriageway section on the **A75 Cairntop to Barlae** opened to traffic over two months ahead of schedule.

Draft road orders were published for £11 million improvement works on the **A82 at Pulpit Rock.**

A £5.5million construction contract was awarded to improve the safety and efficiency of a key route linking the west coast ports to the rest of Scotland, providing dedicated safe overtaking opportunities in both directions for nearly 2 miles between **Parkend and Bennane**, just to the north of Ballantrae.

Following on from the findings and the recommendations of the public local inquiry, the Minister announced in January 2011 that the Scottish Government will proceed with the scheme to dual the A90 between **Balmedie and Tipperty**.

Traffic Scotland and Traveline Scotland provide road and public transport users with up to date information 24 hours a day, seven days a week. During 2010/11 Traffic Scotland's web service responded to the challenges of extreme winter conditions and special events such as "T in the Park" and the Papal visit.

Other notable achievements in seeking to improve journey times and reliability include:

- Work on a £30 million package of improvements to **M8 White Cart Viaduct**, near Glasgow Airport, reached a significant stage when the works moved onto the bridge carriageway.
- Transport Scotland's strategy for the management and monitoring of its Trunk Road Operating Companies won the **'Quality and efficiency of rendered services'** award at the "Road to Excellence" challenge hosted by the Swedish Roads Administration in Stockholm.
- A £1.65 million contract was awarded to resurface the **M8 between Junctions 2 and 3 at Livingston,** delivering 2.5 miles of improved road surface, providing motorists with a safer, smoother journey.
- £3million **An-Coileach scheme** to overlay and widen the existing carriageway of 2.7km of the A87 in Skye from 6m to 7.2m.
- £1.5million resurfacing of the **A9 at Aberuthven.**
- £1million reconstruction of a section of the **M8 at Harthill.**
- £2.6million **A9 Ralia scheme** to reconstruct surfacing and kerbing and replace existing drainage; upgrade and resurface lay-bys and install road safety measures.
- Transport Scotland hosted the national **Roads for All Conference** to raise awareness in the wider roads community of the issues faced in making road travel accessible to all.

Greener Transport Alternatives

Reducing greenhouse gas emissions and achieving changes in both the means and patterns of travel are key challenges in securing sustainable economic growth and a greener Scotland. The environmental impacts of all new transport projects and of the management and maintenance of the trunk road network are considered in the context of the **Climate Change (Scotland) Act 2009** challenging target of reducing emissions by 80% (from 1990 levels) by 2050.

A **Freight Facilities Grant** of £829,000 was provided to Carr's Flour Mills Ltd which will enable them to remove almost a quarter of a million lorry miles per year from our roads.

During the year our future ambitions for **Low and Ultra Low Carbon Vehicles** were set out in a progress report whilst tendering commenced for the purchase of a new **low-carbon hybrid ferry** combining diesel and electric battery power which will reduce fossil fuel consumption and carbon emissions.

The **Scottish Bus Fleet** was enhanced when five bus operators across Scotland were awarded £4.4 million in grant funding to invest in 48 new Low Carbon Vehicles (LCVs). LCVs allow growth in patronage to be increasingly favourable due to the reduction in emissions per passenger. The Fund also enabled economies of scale to bus manufacturing thereby enabling increasing numbers of LCVs to operate in Scotland. These new buses are expected to deliver an average reduction in CO_2 of around 21 tonnes per year and 300 tonnes over their life cycle (assuming a 15 year life-cycle).

Grants of £255,000 saw the return of freight transportation along the **Caledonian Canal** and will benefit the environment by removing over 15,000 lorry trips from the road network.

Dumfries was home to the launch of Scotland's first **cycle hire scheme**, providing greener, healthier travel options.

The Transport Scotland **Travel Plan** for 2010-2013 was published, setting out challenging new targets for reducing business travel and commuting to reduce carbon emissions.

The First Minister announced the launch of the **Low Carbon Vehicle Procurement Support Scheme** at the 2020 Climate Change Conference in June 2010.

The £3.3million scheme provided a grant subsidy, in 2010/11 financial year for the difference in cost between a low carbon vehicle and its conventionally powered equivalent. Participating bodies also claimed for the costs of procuring and installing infrastructure to support these vehicles. Approximately 150 low carbon vehicles and over 80 electric charging points were procured by the public sector through this scheme.

The Sustainable Transport Team led a successful bid to join the UK wide **Plugged-in Places scheme**, which will generate matched funding for the installation of publicly accessible electric vehicle charging points. This will result in the installation of 375 charging points across Central Scotland by 2013, with work already under way to install points.

Increased Safety, More Innovation

We continued to upgrade Scotland's trunk road network in order to further improve safety for road users. Reported road casualty statistics for 2009 showed that Scotland achieved the lowest road accident fatality rates since records began - and continued to exceed the UK road safety targets.

Road Safety Scotland received a Prince Michael of Kent International Road Safety Award for 25 years of commitment to road safety.

Road Safety Scotland launched **'Go Safe! - Ziggy's Road Safety Mission'** on 5 October 2010 at the Glasgow Science Centre and then launched the resource in Gaelic at Dynamic Earth on 24 January 2011. This is a pioneering new road safety approach aimed at all children from birth to six and their parents, carers and educational staff.

Transport Scotland was shortlisted in the project of the year category at the Scottish Transport Awards for their publication on school transport safety.

Transport Scotland introduced two new innovations on our roads: **StreetPrint**, a resurfacing process and **Durakerb**, a lightweight kerbing system.

We launched the **Traffic Scotland Travel App,** a joint initiative with Traveline Scotland which, for the first time, integrates both traffic and public transport information in the same mobile application. This has been very well received, earning a 4 star review rating from users.

An early trial of an innovative way to tackle extreme temperatures on Scotland's roads provided favourable results. A liquid solution was successfully tested on hard-packed snow and ice. It will provide a new way of clearing roads at temperatures of up to minus 20 degrees and strategic stocks will be placed around the country for targeted use during lower temperatures, when normal salt is not as effective.

Striving Towards Excellence

We aim to achieve excellence in all that we do, bringing together all our expertise and working with our partners to develop and implement Scotland's transport priorities. As an organisation we are committed to being engaged with our stakeholders and attuned to their needs, respected for our professional judgement, trusted in our advice and effective in our delivery.

The A82 that stretches from Glasgow to Inverness was voted **'The Best Ride in Britain'** for its comfort and smoothness.

A Transport Scotland report was published outlining potential reforms to the Blue Badge Scheme to establish ways in which the scheme might be altered and improved.

We completed a major 4 year project to procure and rollout **new smart enabled ticket machines** to the entire bus fleet in Scotland. The Transport Scotland and Logica project team that delivered the rollout had their achievements recognised at the Scottish Transport Awards where they won **Best Transport Partnership of the Year Award**.

Transport Scotland hosted the annual **European Transport Conference** in Glasgow for the first of a three year tenure from 11th to 13th October 2010. The conference successfully attracted 500 delegates from 34 countries over the 3 days and 244 speakers gave presentations on a diverse range of transport related subjects. Delegates also enjoyed a range of social and networking events at the conference including a civic reception in Glasgow's City Chambers and dinner at the Glasgow Science Centre.

Network Rail completed a £1million project to make Cupar station step free. This is now the seventh station to be made accessible for wheelchair users, pushchairs and for people with mobility difficulties through the £41million **Access for All** programme managed by Transport Scotland.

BUSINESS PLAN 2010-11 KEY ACHIEVEMENTS

Our Business Plan for the year to 31 March 2011 committed Transport Scotland to delivering a number of key achievements as follows:

Priority: Improved connections across Scotland	Progress
Design and develop the Forth Replacement Crossing	Achieved
Work with colleagues in Scottish Government and with Local Authority partners to improve the integration of transport and land use planning	Achieved
Following completion of the Strategic Transport Projects Review and its Strategic Environmental Assessment, develop a future programme of investment in key transport projects, road, rail and other public transport across Scotland to be delivered 2012-2022	Achieved
Secure delivery of the Paisley Corridor Improvements works	Achieved
Deliver a new, electrified railway between Edinburgh and Glasgow linking Bathgate and Airdrie and allowing for direct rail services to run from Lanarkshire to Edinburgh and West Lothian to Glasgow	Achieved
Deliver a new interchange between the rail and tram networks providing connections to Edinburgh Airport and the West Edinburgh Development Area	Due to delays in the Edinburgh tram project this has not yet been delivered
Support the delivery of the Edinburgh Tram Project	Achieved
Work on the A90 including commencing work on the Aberdeen Western Peripheral Route (AWPR) and completing the dual carriageway from Balmedie to Tipperty	Construction has been delayed to both schemes due to the legal challenges that were submitted against the AWPR. The Court decision was published on 11 August refusing the appeals.
Begin construction of the railway to the Borders	Achieved
Enhance rail and road connections in the Highlands including key connections to Inverness and planning for the dualling of the A9 between Perth and Inverness	Achieved
Continue to develop and improve railway stations	Achieved

Priority: Better journey times, better reliability	Progress
Invest in the maintenance and improvement of the trunk road network, targeting improvements to reduce congestion and investing in new technology to improve journey reliability	Achieved
Complete construction of the M74 in Glasgow	Achieved
Work with Network Rail and First ScotRail to reduce rail journey times and improve train service frequencies	Achieved

Take forward the Edinburgh-Glasgow Improvements Programme to enhance the rail network in the Central Belt	Achieved
Extend and enhance the systems underpinning Traffic Scotland and Traveline Scotland to improve the delivery of travel information and trunk road traffic control	Achieved
Take forward "smarter" integrated ticketing	Achieved

Priority: Greener transport alternatives, reduced emissions	**Progress**
Provide more sustainable public transport alternatives to the private car	Ongoing
Increase electrification of the rail network	Achieved
Improve rail journey times between our main cities	Achieved
Encourage the move of freight from road to rail	Achieved
Ensure successful delivery and entry into passenger service of a new fleet of efficient electric trains and effective cascade of existing fleets	Achieved
Maximise the use of the national concessionary travel schemes	Achieved
Lead the way in reducing emissions and adapting to climate change	Achieved
Provide ambitious vision for sustainable transport in the Low Carbon Scotland policy documents	Ongoing
Support achievement of the Scottish Government's carbon emissions reduction targets, with an ambitious vision for sustainable transport set out in the Low Carbon Scotland Report on Policies and Proposals	Ongoing
Successful bid for Plugged in Places UK funding to develop charging infrastructure in central Scotland.	Achieved
Deliver a £3.3million Low Carbon Vehicle Procurement scheme for Community Planning Partnerships, enabling purchase of approximately 150 vehicles and 80 charging points by the public sector	Achieved
Publish the Cycling Action Plan for Scotland which will deliver a vision of 10% modal share for cycling by 2020	Achieved
Complete delivery in 7 communities across Scotland of the 3-year Smarter Choices Smarter Places demonstration programme to encourage sustainable transport choices	Achieved
Provide development assistance to 10 communities, organisations and local authorities engaged in the process of researching and establishing a Car Club in Scotland as an alternative to car ownership. 5 communities will “go live” in April/May 2011 with a further 5 engaged in preparatory work	Achieved
Introduce 48 new low carbon buses into the Scottish Bus Fleet as a result of the £4.4million Scottish Green Bus Fund, benefiting 5 bus operators across Scotland	Achieved
Pay £281,210 to Glasgow City Council and £243,000 to City of Edinburgh Council from the Bus Retro-Fitting Fund for the purchase of Particulate Matter Traps with the aim of improving air quality in urban areas by cutting particulate matter emissions from buses	Achieved

Priority: Increased safety, more innovation	Progress
Continue to improve the safety of Scotland's trunk road network through the delivery of the Strategic Road Safety Plan	Achieved
Develop and introduce innovative ways of improving the road and rail networks, for example overtaking lanes and flyover junctions	Achieved
Provide a range of safety enhancements on the A9 and on the A75 and A77 routes serving the key ferry terminals to Ireland	Achieved
Enable customers to use the latest smart technology in order to travel as seamlessly as possible by fitting all 6,100 buses in Scotland with new ticket machines	Achieved
Continue to improve the safety of Scotland's road network by delivering on commitments contained in Scotland's Road Safety Framework to 2020	Achieved

Priority: Strive for excellence in everything we do	Progress
Work closely with partners including all Scottish Local Authorities and Regional Transport Partnerships to deliver integrated transport solutions which support the local and national outcomes as set out in Single Outcome Agreements	Achieved
Work with UK Government and wider rail industry bodies to ensure efficient and affordable outcomes for Scotland for both devolved and reserved issues, including accessibility, European and safety policy	Achieved
Manage and monitor the First ScotRail Franchise	Achieved
Work with Network Rail to facilitate its delivery of operation, maintenance and renewal targets as determined and enforced by the Office of Rail Regulation	Achieved
Improve transport capacity and resilience	Achieved
Improve business processes	Achieved
Implement conclusions of Shaping Up review of transport	Achieved
Ensure that equalities and cultural issues underpin all of Transport Scotland's activities	Achieved
Deliver efficiency savings in excess of £150 million over the three-year period of the Corporate Plan 2008-11	Achieved
Introduce legislation on reform of eligibility criteria for the Blue Badge scheme	Achieved
Support the delivery of Mobility and Access Committee for Scotland (MACS) and Passenger View Scotland (PVS) Annual Reports to highlight issues of importance to all passengers using public transport	Achieved

ANNUAL ACCOUNTS

MANAGEMENT COMMENTARY

Financial Statements

The financial statements cover the period from 1 April 2010 to 31 March 2011. They 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). As Transport Scotland is an executive agency of the Scottish Government, the financial statements are consolidated within the Scottish Government Consolidated Resource Accounts.

The Accountable Officer authorised these financial statements for issue on 15 September 2011.

Transport Scotland's Annual Review and Accounts are published on the agency website at: www.transportscotland.gov.uk, and the Scottish Government Consolidated Resource Accounts at www.scotland.gov.uk.

Significant accounting policies

Those areas of Transport Scotland's financial statements where accounting judgements have significant impact are outlined below:

- **Valuation of the Road Network**
  The 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 UK Asset Valuation System (UK-AVS), run by a firm of external consultants (EC Harris LLP) and uses a series of standard costs to value the individual components of the network asset and indices to revalue these on an annual basis.

- **Recognition and the valuation of provisions**
  Due to the long term nature of Transport Scotland's road and rail improvement schemes certain assumptions and judgements are required to be made relating to the estimated cost of land acquisition and compensation claims that are based on a variety of data sources and experience.

- **Private Finance Initiatives (PFI) – the balance of risk**
  Transport Scotland has two PFI agreements (M77 & M74/M6) for the provision of the related road infrastructure and its ongoing maintenance. These contracts are for fixed terms, typically thirty years. The overall control of the related assets has been judged to lie with Transport Scotland, so these are accounted for on Transport Scotland's Statement of Financial Position (SFP) to reflect this, according to the relevant IFRS Accounting guidance (IFRIC 12).

Rail infrastructure in Scotland

Transport Scotland has responsibility for specifying and funding rail infrastructure in Scotland. First ScotRail has been operating rail services under the Franchise Agreement since August 2004 and has been exceeding contract performance benchmarks. In April 2008, Scottish Ministers activated a provision under the terms of the original agreement to extend the First Scotrail Franchise by 3 years. In extending the contract to 2014, Scottish Government is providing continuity for the ongoing delivery and improvement of rail services in Scotland.

In October 2008 the Office of the Rail Regulator (ORR) published its final determination for the control period 1 April 2009 to 31 March 2014. This sets out what Network Rail will need to deliver and the funding that it will receive for doing this.

Major rail projects, which are capital in nature, are funded by Transport Scotland but as the control of the economic benefits arising from the use of these assets does not ultimately lie with Transport Scotland, the assets in question are accounted for on Network Rail's balance sheet/SFP.

Edinburgh Trams

Transport Scotland has paid grant to the City of Edinburgh Council in respect of work done on the Edinburgh Trams project in accordance with the grant agreement. To the end of 2010-11, Transport Scotland has paid £388million of the agreed funding. Going forward, Transport Scotland will provide expertise to the City of Edinburgh Council (who will retain contractual responsibility for the project) to assist them to bring the project to a satisfactory conclusion.

Funding

Resources to fund Transport Scotland's day-to-day costs and capital investment programme are allocated in accordance with the Budget (Scotland) Act 2010 which authorised both the Scottish Government's and Transport Scotland's spending plans for the financial year 2010/11.

Private sector funding under PFI and Public Private Partnership arrangements is also considered for major infrastructure schemes. The choice between public and private funding is made on an assessment of value for money on a scheme-by-scheme basis.

Rail major projects may also be funded by borrowing through Network Rail. This is a recognised method for funding rail projects and it will play an increasing part in the rail programme for Transport Scotland during the contractual period ending in 2014.

Financial performance and use of resources

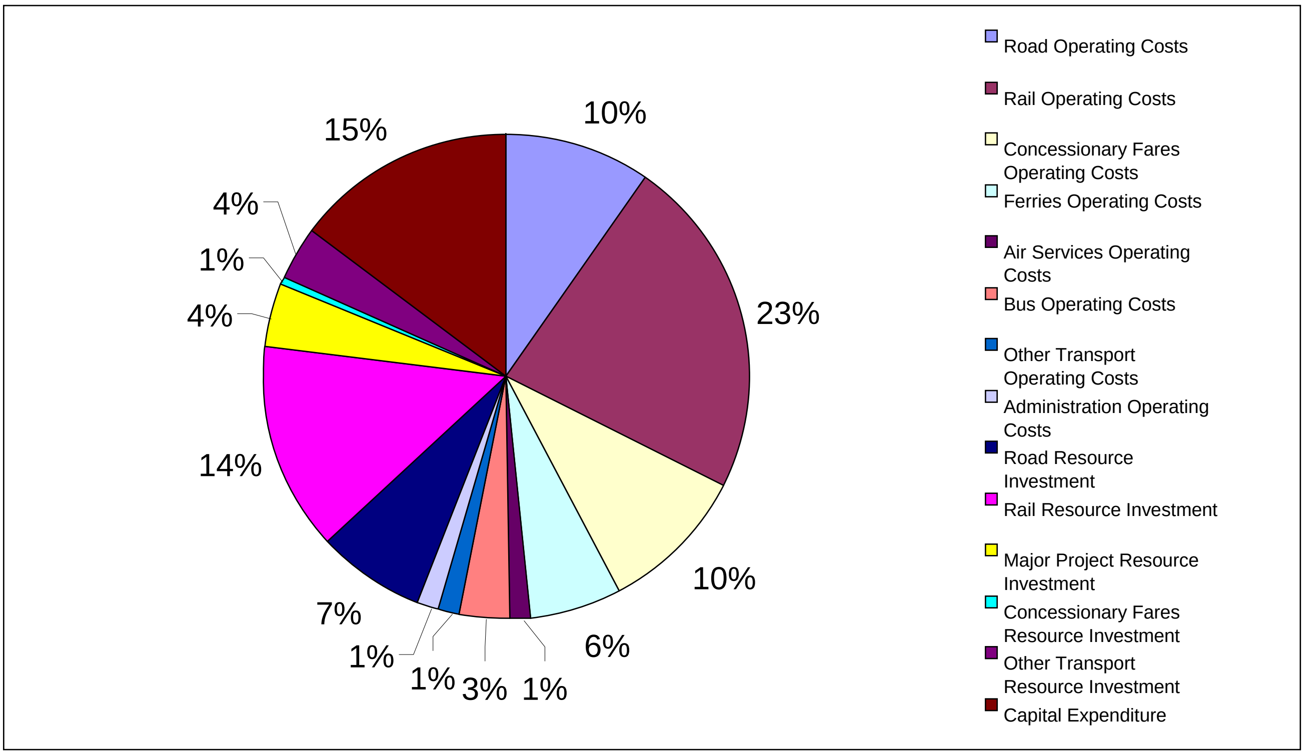
Transport Scotland was allocated resources by the Scottish Ministers for 2010-11 of **£1,889million.** Of this, £1,823million was funded from the Scottish Government Departmental Expenditure Limit (DEL); £27million represents funding for Annually Managed Expenditure (AME) charged in respect of new provisions created relating to land compensation and damage claims in respect of the road network with the remaining £38million representing funding for expenditure charged outwith DEL in respect of PFI/PPP projects. The final outturn for the year against the individual budget areas is shown below. These budgets formed part of the overall budget of the Scottish Government Finance and Sustainable Growth portfolio. The outturn against DEL represents a variance of less than 3%. The overall underspend of £62,247k represents less than 3% of the overall budget.

Transport Scotland 2010/11	Actual £000	Budget £000	Variance £000
Resource - Operating Costs	962,307	973,154	(10,847)
Resource – Investment	498,767	508,290	(9,523)
Non-Cash	44,232	91,500	(47,268)
Capital	258,185	250,404	7,781
DEL total	**1,763,491**	**1,823,348**	**(59,857)**
AME	26,570	27,000	(430)
Expenditure on PFI schemes (ODEL)	36,368	38,328	(1,960)
Total	**1,826,429**	**1,888,676**	**(62,247)**

Spending is categorised as either capital or resource with separate budgetary cover for each. Resource is further sub-divided into investment in infrastructure (which although it may be capital in nature cannot be accounted for as such within Transport Scotland's accounts) and resource for consumption (operating costs).

Transport Scotland has a significant infrastructure investment programme which allocates funding to our major rail and major road projects as well as ongoing maintenance costs in the existing road and rail infrastructure.

Actual expenditure in 2010-11, is analysed below by operational area within Transport Scotland.



Almost all of Transport Scotland's budget is spent, either directly or indirectly, with private sector companies. Less than 1% of the budget is utilised on the ongoing Agency running costs.

The total asset value of Transport Scotland is £16 billion, almost all of which relates to the trunk road network asset.

Future Spending Plans
The Scottish Budget Spending Review 2010 (SR2010) set annual spending plans from 1 April 2011 to 31 March 2012. The plans are intended to inform a one year budget for Scotland and will be followed by a longer term Spending Review over the 3 year period from 2012-13 to 2014-15. The budget for the year 2011-12 has now been set and current annual spending plans are:

	2011/12* £million
Resource – Operating Costs	928.3
Resource – Investment	471.3
Non-Cash	80.6
Capital	294.6
Total	**1774.8**
ODEL	55.2
Total	**1830.0**

*Source- SR2010

Financial Instruments
In relation to financial instruments, an indication of the financial risk management objectives and policies and exposure to price, credit, liquidity and cash flow risks is provided in note 18 to the accounts. This information is not considered material for Transport Scotland.

Relationship with suppliers
Transport Scotland is committed to prompt payment of bills for goods and services received, and aims to settle all undisputed invoices within contract terms and also in line with the Scottish Government 10 day payment policy. In 2010-11 Transport Scotland settled an average of 85% of invoices within this timescale.

The aggregate amount owed to trade creditors at the year end as a proportion of the aggregate amount invoiced by suppliers during the year, represented 1.8 days in proportion to the total number of days in 2010-11 and 2.1 days in proportion to the total number of days in 2009-10.

Employment of Disabled Persons
Transport Scotland is committed to equal opportunity in employment and advancement and recognises commitment and demonstrates a positive attitude to disabled staff. Advice and training is offered to staff and managers to enable understanding about issues related to disability and to assist staff to balance work and their disability. In addition, we are committed to a range of employment practices, including:

- developing staff through the performance appraisal system by considering individual needs;
- retaining staff who have become disabled, e.g. through supplying equipment or offering different work patterns;
- developing disability awareness throughout the organisation by reviewing progress and planning areas of improvement;
- changing attitudes by ensuring staff are sensitive to the issue of disability and our legal and other responsibilities.

Employee Involvement
Transport Scotland places great importance on ensuring employees feel valued and recognised whilst having the opportunity to contribute fully towards success in their area and across the organisation as a whole. This is undertaken in a variety of ways including subject specific working groups, manager forums, team meetings and employee engagement surveys which are carried out annually.

Employees and Social and Community Issues
Transport Scotland staff use the Scottish Government 'Skills for Success' framework which is a skills based approach to learning, development and career planning. All of which is designed to help staff manage their skills and career across the wider organisation.

In procuring major contracts, Transport Scotland is at the forefront of delivering community benefits beyond those of the normal contract requirements. An example of this is providing targeted training and employment opportunities for young people and the long-term unemployed where 15 young people participated in the Modern Apprenticeship scheme on the M74 Completion project and 2 site-based training places were provided on the A9 Crubenmore Dual Carriageway Extension contract.

Environmental Matters
Transport makes a key contribution to Scotland's well being: economically, environmentally and socially. An efficient transport system is essential for enhancing productivity and delivering faster, more sustainable growth in a low carbon economy. Ongoing investment in networks connects regions and individuals to economic opportunities, creating a more cohesive Scotland with increased social equity.

Transport Scotland invests almost all of its allocated resources in maintaining and improving Scotland's strategic transport networks, supporting over 25% of civil engineering contracts in Scotland. Investment across road and rail and in operation, maintenance and specific infrastructure construction supports around 11,000 jobs. Transport Scotland is also seeking to embed sustainability in every aspect of construction works and is committed to recycling materials and works with contractors to identify opportunities to minimise materials imported/exported from construction sites.

Concessionary Travel Scheme
Within the 2010-11 revised Concessionary Travel budget of £180million, the statutory budget limit for the Scotland Wide Free Bus Concessionary Travel Scheme for Older and Disabled People was set at £174.2million. As bus operator claims within the free scheme in 2010-11 totalled £174.7million bus operator payments for the final 2010-11 claim period were capped by £0.5million pro rata over all operators.

Transport Scotland and Transport Directorate Merger
As part of its Shaping Up Review, the Scottish Government reviewed the organisation of transport related areas. The findings of this review, published in April 2010, announced the merger of Transport Scotland with the Scottish Government Transport Directorate. This resulted in a new, single transport agency covering all of the Scottish Government's transport responsibilities. The merger took place on 1 August 2010 and Transport Scotland now includes two new directorates: Aviation, Maritime, Freight & Canals and Transport Policy. The responsibility for payment of grants to bus operators was transferred to a directorate of the former Transport Scotland Agency which was renamed as Trunk Roads and Bus Operations.

The merger resulted in budgets and expenditure being absorbed into the one new body and financial reporting was reviewed accordingly. Transport Scotland is required to apply merger accounting which requires the results of the two merged entities to be combined for the whole of the reporting year and the prior year comparatives similarly restated. Annual expenditure on areas formerly dealt with by the Transport Directorate in 2010-11 was £296million.

Board Members' Interests

Board members' interests are recorded in a "Register of Interests" maintained on the Scottish Government electronic HR system. A copy of this Register is available on request. The 2010-11 assurance letters on internal control, which all directors in post as at 31 March 2011 completed, also confirmed that no conflict of interest arose in the exercise of their duties.

Appointed Auditors

The accounts for 2010-11 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 £198,000 which related solely to the provision of the statutory audit service.

Freedom of Information

The Freedom of Information (Scotland) Act 2002 aims to make information held by public authorities more accessible. The Agency acts in the spirit of openness, to provide information (unless exempt) within 20 working days, to provide advice and assistance to the applicants, and to proactively publish information under its Publication Scheme.

Future Developments

In 2008 Transport Scotland undertook a Strategic Transport Projects Review to 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. It identified four priority projects: The Forth Replacement Crossing, the Edinburgh to Glasgow Rail Improvements Programme, Highland Main Line and Aberdeen to Inverness Rail Line improvement and 25 other smaller projects. In addition Transport Scotland will complete the M80 Stepps to Haggs and continue to progress with the Borders Railway Project. Transport Scotland will also tender for the contract for the provision of ferry services to the Northern Isles from July 2012 and procure replacement aircraft for the provision of air services to Barra. Scottish Ministers have also committed to the Aberdeen Western Peripheral Road and the M8 Improvement projects.

The Scottish Government is undertaking a 3 year spending review detailing its spending plans from 2012-13 to 2014-15. This will be in light of the reduced funding settlement from the UK Government and commitments made by Scottish Ministers to maintain funding for the National Health Service and freeze council tax. This is due to be completed in September 2011.

Risks and Uncertainties

The principal risks and uncertainties facing Transport Scotland relate to the major contracts that it has entered into in relation to the provision of rail, ferry, bus and air services, the maintenance of the road, rail and highland and island air networks and the procurement of major infrastructure such as the Forth Replacement Crossing. The inherent risks relate to performance by contractors which can also be affected by outside factors such as adverse weather. Transport Scotland has focussed its efforts in particular on improving winter resilience on the trunk road network. Transport Scotland manages the related financial risks on these contracts by providing financial support, including monthly reporting to budget holders, directors and the Scottish Government.

Significant events since the end of the financial year

During the period from April to July 2011 Transport Scotland, on behalf of Scottish Ministers, awarded a suite of contracts that together form the programme for the Forth Replacement Crossing. The Principal Contract was awarded to the Forth Crossing Bridge Constructors (FCBC) consortium, comprising Dragados, Hochtief, American Bridge International and Morrison Construction and construction is expected to start on site during the summer. The programme is expected to cost approximately £1.5billion and be delivered in 2016 and will replace the current Forth Road Bridge as the main crossing for cross-Forth traffic.

David Middleton
Chief Executive
14 September 2011

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:
http://www.ome.uk.com/Senior_Salaries_Review_Body.aspx

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commission's Recruitment Principles, which requires appointment 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 until they reach the normal retiring age. The retirement age for the Senior Civil Service rose from 60 to 65 from 1 October, 2006 in line with the implementation of the Employment Equality (Age) Regulations 2006. However, once an individual's pension becomes payable, from age 60, that employee can choose to leave work and draw his or her pension at any time, subject only to compliance with the basic notice of leave requirements.

The rules for termination are set out in chapter 11 of the Civil Service Management Code. 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.civilservicecommissioners.org

From August 2009 to 31 March 2011, Sharon Fairweather was seconded from Deloitte to fill the position of Director of Finance. Following an open competition, she was appointed to the post on a permanent basis from 1 April 2011.

During 2010, as part of the wider Scottish Government Shaping Up review, the Scottish Government Transport Directorate and Transport Scotland were brought together into a single transport agency covering all of the Scottish Government's transport responsibilities. Transport Scotland is now responsible for all aspects of Scottish Government transport policy and delivery covering road, rail, water and air. As a consequence, the Director of Aviation, Maritime, Freight and Canals and the Director of Transport Policy are now part of the Transport Scotland Board and are included within this report.

During the year from 1 April 2010 to 31 December 2010 Transport Scotland had two non-executive directors (Iain Docherty and Jacqueline Redmond) serving on the Board. At the end of December both had served for the maximum term allowable and therefore left the organisation. Through discussions with the Cabinet Secretary for Finance and Sustainable Growth it was decided not to retain the previous Board structure. However, new external members (Alex Smith and Dorothy Fenwick) were appointed to the Audit and Risk Committee to ensure the organisation continued to benefit from independent oversight and challenge.

Remuneration Group

For senior civil servants, Transport Scotland's remuneration committee is 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 board members 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 Strategic Board.

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

Salary

Salary and allowances covers both pensionable and non-pensionable amounts and includes: gross salaries; overtime; recruitment and retention allowances; private-office allowances or other allowances to the extent that they are subject to UK taxation. 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 Board or senior management team. Where an individual has been a member of the Board 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.

Benefits in kind
The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Bonuses
Bonuses are based on performance levels attained and are made as part of the appraisal process. They relate to performance in the previous year, therefore, bonuses paid in 2010-11 are based on 2009-10 performance and bonuses paid in 2009-10 are based on 2008-09 performance.

Fees
Non-executive directors were entitled to receive fees for regular attendance at Board and Audit Committee meetings. Non-executive members expenses incurred in attending these meetings are also reimbursed.

The fees which the non-executive directors of Transport Scotland were entitled to for 2010-11 are as follows:

	£'000
Jacqueline Redmond	4.1
Iain Docherty	4.1

The fees which the external members of the Audit and Risk Committee are entitled to for 2010-11 are as follows:

Alex Smith	£232 daily rate
Dorothy Fenwick	£232 daily rate
Eileen Marshall	£232 daily rate

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

Executive Director Salary Information
The salary and the value of any taxable benefits in kind of the Executive Directors were as follows:

	2010/11	2010/11	2010/11	2009/10	2009/10	2009/10
	Salary	**Benefits in Kind (To nearest £100)**	**Bonus Payments £000**	**Salary**	**Benefits in Kind (To nearest £100)**	**Bonus Payments £000**
	Bands of £5,000	**£**		**Bands of £5,000**	**£**	
Chief Executive						
David Middleton	100 - 105	Nil	Nil	100 - 105	Nil	Nil
Directors						
Jim Barton (3)	65 - 70	Nil	0 - 5	65 - 70	Nil	5 - 10
Frances Duffy	65 - 70	Nil	Nil	65 - 70	Nil	5 - 10
Ainslie McLaughlin	70 - 75	Nil	0 – 5	70 - 75	Nil	5 - 10
Bill Reeve (2)	65 - 70	Nil	0 – 5	100 - 105	Nil	0 - 5
Richard Scott	65 - 70	Nil	Nil	60 - 65	Nil	Nil
Alastair Wilson	65 - 70	Nil	0 – 5	65 - 70	Nil	5 - 10
Donald Carmichael	65 - 70	Nil	Nil	65 - 70	Nil	0 - 5

(1) Sharon Fairweather joined Transport Scotland as Finance Director on secondment from Deloitte on 1 August 2009. The cost paid to Deloitte excluding irrecoverable VAT for the period 1 April 2010 to 31 March 2011 was £150,000.
(2) Bill Reeve served as an Executive Member of the Board until November 2010. The figure quoted is for the period 1 April 2010 until 30 November 2010. The full year equivalent banding is £100k - £105k.
(3) Jim Barton left under Approved Early Retirement terms in March 2011. The capitalised cost of the package he received was £65k-£70k

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 2011. The accrued pension includes service previous to becoming Board members 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. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in CETV quoted in the table below represents the real increase in accrued pension after taking account of inflation, contributions paid by the employee (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 period.

The Chief Executive and all Directors, except Bill Reeve and Sharon Fairweather, are members of the Principal Civil Service Pension Scheme (PCSPS) which provides benefits on a final salary basis at the normal retirement age. Transport Scotland's contributions to the scheme in respect of the Board amounted to £123,741 for the year to 31 March 2011. Bill Reeve is a member of the Railways Pension Scheme and Transport Scotland's contributions to that scheme were £36,812 for the year to 31 March 2011. Transport Scotland did not make any separate contribution in respect of pension for Sharon Fairweather during the year. The non-executive directors do not participate in the Civil Service pension scheme.

Further details on the different schemes available to employees can be found in note 3 to the accounts.

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

	Lump Sum at age 60 as at 31 March 2011	Real Increase in Lump Sum at age 60	Accrued Pension at age 60 as at 31 March 2011	Real Increase in Pension at age 60	CETV as at 31 March 2011	CETV as at 31 March 2010	Real Increase in CETV in 2010/11
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
David Middleton	130 - 135	0 – 2.5	40 - 45	0 – 2.5	855	786	0
Jim Barton	85 - 90	0	25 - 30	0	621	579	0
Frances Duffy	65 - 70	0 -2.5	20 - 25	0 – 2.5	428	394	2
Alastair Wilson	35 - 40	0	20 - 25	0 – 2.5	323	293	2
Donald Carmichael	65 - 70	0 – 2.5	20 - 25	0 – 2.5	413	380	2
Ainslie McLaughlin	80 - 85	0 – 2.5	25 - 30	0 – 2.5	564	523	0
Bill Reeve	35 to 40	0 – 2.5	35 - 40	0 to 2.5	498	480	*n/a
Richard Scott	25 - 30	0 -2.5	5 - 10	0 – 2.5	198	181	12

Calculated on age 60 where pension entitlement due at that age or current age if over 60
*** Information from the Railways Pension Scheme was not provided in this format**
***[1]The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors**.
The above pension data was supplied to Transport Scotland by the Department of Work & Pensions (DWP) for all of the directors with the exception of Bill Reeve for whom information was supplied by the Railway Industry Pension Scheme.

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

David Middleton
Chief Executive
14 September 2011

STATEMENT OF AGENCY'S AND 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 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. His relevant responsibilities as the Accountable Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records and for safeguarding Transports Scotland's assets are set out in the Memorandum to Accountable Officers issued by the Scottish Government.

STATEMENT REGARDING DISCLOSURE OF INFORMATION TO THE AUDITORS

As Accountable Officer I have taken all the steps necessary to make myself aware of any relevant audit information and to establish that Audit Scotland have been made aware of that information in connection with their audit. Insofar as I am aware there is no relevant audit information of which Audit Scotland is unaware.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accountable Officer, 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 assets for which I am personally responsible, in accordance with the responsibilities assigned. This is in accordance with the Scottish Public Finance Manual (SPFM) issued by Scottish Ministers to provide guidance on the handling of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of probity.

Shaping Up Review
Following the Scottish Government "Shaping Up" review a decision was taken to merge the former Transport Directorate with Transport Scotland on 1 August 2010. Two new directorates were created within Transport Scotland and the staff undertaking those areas of work remained based in Victoria Quay in Edinburgh. The existing internal control arrangements were also incorporated into the overall controls operated by Transport Scotland, many of which were common in relation to the services provided to Transport Scotland by the Scottish Government such as IT, HR, EASEbuy, SEAS and banking. Transport Scotland also agreed with Ministers to revise the structure of its governance arrangements and discontinue having non executive members on its Board, but continue to have an Audit and Risk Committee with three external members (one of whom Chairs the committee). The Accountable Officer will continue to be supported by the directors and meet regularly with them. Scottish Ministers and in particular the Minister with responsibility for Transport will continue to provide overall direction to Transport Scotland and the Accountable Officer.

The purpose of the system of internal control
The system of internal control is designed to manage rather than eliminate the risk of failure to achieve Transport Scotland's policies, aims and objectives. I can therefore only provide reasonable and not absolute assurance of its effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise these risks, to evaluate the likelihood and impact of them being realised, and to manage them efficiently, economically and effectively. This system of internal control has been in place in Transport Scotland for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts. It is in accordance with the guidance from Scottish Ministers.

The risk and control framework
I have established a framework of responsibility for risk management, in accordance with the SPFM, with appropriate support, guidance and procedures from all parts of the Agency's business:

- In conjunction with the Directors I reviewed the strategic and operational risks to the Agency's business throughout the year, and this is a regular item at the monthly Board 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 operation and control objectives when they prepare and monitor directorate and business management plans.
- I hold regular meetings with Ministers where both strategic and operational risks are discussed.

A high level Risk Strategy is now in place setting out a consistent approach to the implementation of risk management within Transport Scotland at strategic, programme and project levels. The Transport Scotland 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.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of the internal auditors, the executive managers within the Agency, the Audit Committee and the external auditors in their management letter and other reports.

Assurance on the maintenance and review of internal control systems is provided by each of the Directors within Transport Scotland who submit an annual certificate of assurance covering their areas of responsibility to myself as Accountable Officer.

Risks to information are managed and controlled and the Agency is meeting the mandatory requirements set out in the Security Policy Framework developed by the Cabinet Office.

Transport Scotland's Internal Auditors (whose work is undertaken to Government Internal Audit Standards) submit regular reports to the Audit Committee which provide an independent opinion on the adequacy and effectiveness of the organisation's system of internal control together with any recommendations for improvement. The three categories of assurance used in these reports are substantial, reasonable and limited assurance.

I will ensure that any follow up work will be carried out in the coming year to deal with the points raised in the audits where a rating of less than substantial assurance has been awarded.

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 2010-11

	Audit Area & Scope	Outcome
1	Edinburgh Glasgow Improvement Programme	**Assurance Provided: Substantial** In general, controls were found to be good, and audit recommendations were intended to strengthen the existing controls. In particular Internal Audit was impressed by the level of detail contained in the Project Execution Plan.
2	Minor Road Improvement Schemes	**Assurance Provided: Substantial** In general, controls were found to be good, and audit recommendations were intended to strengthen the existing controls
3	Forth Estuary Transport Authority and Tay Road Bridge Joint Board Grants	**Assurance Provided: Reasonable** The process for paying and monitoring these grants was transferred to the Trunk Roads and Bus Operations Directorate and it was recognised that there were certain weaknesses within the system. There were also concerns over the lack of clarity for the funding mechanism being used and the lack of associated governance requirements. These issues have now been resolved.
4	Land Valuations	Draft Report issued and comments returned **Assurance Provided: Reasonable** In general, controls were found to be adequate where applied and the recommendations are intended to strengthen existing controls. The report commends the fact that the organisation identified the need for additional information and was proactively addressing this issue. However, certain issues were identified, in particular the lack of sufficiently detailed and accessible guidance, and the absence of some reconciliations.
5	Standing Financial Instructions	**Consultancy Work** Report provided useful recommendations on how Transport Scotland can develop Standing Financial Instructions and an action plan to take this work forward has been developed with a view to completing it in 2011-12.

In addition to the above Reports, Internal Audit conducted follow-up reviews on:

- Air Discount Scheme 2009/2010 (old Transport Directorate follow-up)
- Rail Delivery Business Planning & Budgetary Control - 2009/2010 audit
- Corporate Governance - 2008/2009 audit
- KPIs - 2009/2010 audit
- Bridge Maintenance & Data Migration - 2008/2009 audit
- Road Scheme Design - 2008/2009 audit

I have set objectives for the Directors within Transport Scotland to undertake a regular review process to ensure that improvement to 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.

David Middleton
Chief Executive
14 September 2011

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 (the Agency) for the year ended 31 March 2011 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 2010/11 Government Financial Reporting Manual (the 2010/11 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 123 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 Agency, Chief Executive and auditor

As explained more fully in the Statement of Agency's and Chief Executive's Responsibilities set out on page 23, the Chief Executive, as 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 receipts. 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 receipts.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts 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. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements 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 affairs of Transport Scotland as at 31 March 2011 and of its net operating cost 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 2010/11 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 receipts 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 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 Management Commentary included in the Annual 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 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 Statement on Internal Control does not comply with Scottish Government guidance.

I have nothing to report in respect of these matters.

David McConnell, CPFA
Assistant Director
Audit Scotland
Osborne House
1 Osborne Terrace
Edinburgh
EH12 5HG

Date: 15 September 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	note	£'000 Staff Costs	£'000 Other Cost	£'000 Income	2010-11 £'000 Total	Restated 2009-10 £'000 Total
Administration costs						
Staff costs	3	15,634			15,634	13,873
Other administration costs	4		5,504		5,504	5,703
Operating income	6			(77)	(77)	(77)
Total administration costs					21,061	19,499
Programme costs						
Staff costs	3	5,089			5,089	4,121
Programme costs	5		1,523,602		1,523,602	1,632,296
Income	6			(2,623)	(2,623)	(2,281)
Total programme costs					1,526,068	1,634,136
Totals		20,723	1,529,106	(2,700)	1,547,129	1,653,635
Net operating costs					**1,547,129**	**1,653,635**

Other Comprehensive Expenditure

	note	2010-11 £'000	2009-10 £'000
Net (gain)/loss on revaluation of Property, Plant and Equipment	7	(909,930)	(704,488)
Net (gain)/loss on revaluation of Intangibles		0	0
Net (gain)/loss on revaluation of available for sales financial assets		0	0
Total Comprehensive Expenditure for the year ended 31 March 2011		**637,199**	**949,147**

All income and expenditure is derived from continuing activities.

Statement of Financial Position as at 31 March 2011

	note	£'000	31 March 2011 £'000	£'000	Restated 31 March 2010 £'000	£'000	Restated 1 April 2009 £'000
Non-current assets							
Property, plant & equipment	7	16,502,905		15,377,492		14,496,810	
Intangible assets	8	14		13		0	
Financial assets	9	75,320		66,556		61,818	
Other receivables	10	971		3,259		3,768	
Total non-current assets			16,579,210		15,447,320		14,562,396
Current assets							
Trade and other receivables	10	96,221		61,505		63,319	
Cash & cash equivalents		0		0		0	
Financial assets	9	2,038		2,038		2,040	
Total current assets			98,259		63,543		65,359
Total assets			16,677,469		15,510,863		14,627,755
Current liabilities							
Provisions	12	(32,025)		(31,314)		(40,976)	
Trade payables	11	(38,804)		(9,014)		(8,599)	
Other payables	11	(142,237)		(184,719)		(116,313)	
Financial liabilities	11	(4,710)		(4,377)		(4,068)	
Total current liabilities			(217,776)		(229,424)		(169,956)
Total assets less current liabilities			16,459,693		15,281,439		14,457,799
Non-current liabilities							
Provisions	12	(43,822)		(37,900)		(30,545)	
Other payables	11	(13,325)		(9,189)		(11,266)	
Financial liabilties	11	(195,164)		(199,875)		(204,251)	
Total non-current liabilities			(252,311)		(246,964)		(246,062)
Assets less liabilities			16,207,382		15,034,475		14,211,737
Taxpayers' equity							
General fund	SCITE		8,263,562		8,000,508		7,817,203
Donated asset reserve	SCITE		813		890		967
Revaluation reserve	SCITE		7,943,007		7,033,077		6,393,567
Total taxpayers' equity			16,207,382		15,034,475		14,211,737

David Middleton
Chief Executive
14 September 2011

The notes on pages 39 to 72 form part of these accounts

Cash Flow Statement for the year ended 31 March 2011

	note	2010-11 £'000	Restated 2009-10 £'000
(A) Cash flows from operating activities			
Net operating cost	SoCNE	(1,547,129)	(1,653,635)
Adjustments for non-cash transactions	4/5	44,588	93,576
(Increase)/ Decrease in trade and other receivables	13	(32,428)	2,322
Increase/ (Decrease) trade payables	13	(8,557)	67,988
Use in provisions	13	6,634	(2,307)
Release of donated assets	SCITE	(77)	(77)
Less movement in payables for items not passing through the SoCNE		0	274
Adjustment for the interest element of the PFI contract	5	14,949	14,461
Net cash outflow from operating activities		(1,522,020)	(1,477,398)
(B) Cash flows from investing activities			
Purchase of property, plant and equipment	7	(216,021)	(282,018)
Purchase of intangible assets	8	(17)	0
Transfer of PPE to Assets Held For Sale		441	0
Capital element of land provision		(44,278)	(37,932)
Voted loans	9	(8,764)	(4,736)
Net cash inflow/(outflow) from investing activities		(268,639)	(324,686)
(C) Cash flows from financing activities			
Funding from the Scottish Government	SCITE	1,809,985	1,810,906
Capital element of payments in respect of finance leases and on balance sheet PFI contracts		(4,377)	5,639
Interest element of the PFI contracts	5	(14,949)	(14,461)
Net Financing		1,790,659	1,802,084
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 2011

	note	Restated General Fund £'000	Restated Revaluation Reserve £'000	Donated Asset Reserve £'000	Restated Total Reserves £'000
Balance at 01 April 2009		**7,817,203**	**6,393,567**	**967**	**14,211,737**
Changes in taxpayers' equity for 2009-10					
Realised element of the revaluation reserve		64,978	(64,978)	0	0
Release of reserves to the SoCNE		0	0	(77)	(77)
Non-cash charges - auditors remuneration	4	207	0	0	207
Non-current assets adjustments		(39,151)	704,488	0	665,337
Net operating cost for the year	SoCNE	(1,653,635)	0	0	(1,653,635)
Total recognised income and expense for 2009-10		(1,627,601)	639,510	(77)	(988,168)
Funding from Scottish Government		1,810,906	0	0	1,810,906
Balance at 31 March 2010		8,000,508	7,033,077	890	15,034,475
Changes in taxpayers' equity for 2010-11					
Net gain/(loss) on revaluation of property, plant and equipment	7	0	909,930	0	909,930
Release of reserves to the SoCNE		0	0	(77)	(77)
Non-cash charges - auditors remuneration	4	198	0	0	198
Net operating cost for the year	SoCNE	(1,547,129)	0	0	(1,547,129)
Total recognised income and expense for 2010-11		(1,546,931)	909,930	(77)	(637,078)
Funding from Scottish Government		1,809,985	0	0	1,809,985
Balance at 31 March 2011		8,263,562	7,943,007	813	16,207,382

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 (reproduced at page 60) these accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual, which follows general accepted accounting practice as defined by International Financial Reporting standards (IFRS) as adopted by the European Union and reflected in the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies applied by Transport Scotland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts are prepared using accounting policies, and, 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: Accounting Policies, Changes in Accounting Estimates and Errors. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified where appropriate for the revaluation of property, plant and equipment, intangible assets, and, where material, current asset investment to fair value as determined by the relevant accounting standard.

1.2 Trunkings / Detrunkings

Transport Scotland accounts reflect ownership of the trunk road network which it has responsibility to maintain. Transfers of the responsibility for maintaining sections of the road as part of the trunk road network from or to the local authority network are referred to as 'trunkings' or 'detrunkings' respectively. The trunking or detrunking of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures detrunked are effectively dealt with as disposals in accounting terms at nil consideration. The associated profit or loss is processed through the general fund.

1.3 Prior Year Adjustments

Material adjustments relating to prior periods and arising from changes in accounting principles or from the correction of material errors are accounted for as prior year adjustments. Opening balances are adjusted for the cumulative effect of the prior year adjustment and comparative figures for the preceding period are restated.

1.4 Business Combinations

These financial statements reflect the combination of the former Scottish Government Transport Directorate with the previous Transport Scotland Agency. The Government Financial Reporting Manual states that the International Financial Reporting Standard relating to business combinations (IFRS3) excludes from its scope business combinations involving entities or businesses under common control. Public sector bodies are deemed to be under common control. The transfer of functions from the responsibility of one part of the public sector to another should be accounted for using merger accounting. The carrying value of the assets and liabilities of the combining bodies or functions are not adjusted to fair value on consolidation. Details of the adjustments made are disclosed in note 2 to the accounts.

1.5 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 1.7)

Non-infrastructure assets include land and buildings, information & technology equipment, software licences and other assets under construction. Title to the freehold land and buildings shown in the accounts of Transport Scotland is held by the Scottish Ministers.

Capitalisation Policy

The trunk road network is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the Financial Reporting Manual. However it comprises four distinct elements that are accounted for differently: Land; the Road Pavement; Structures (such as bridges and culverts); and Communications (such as variable message signs).

Subsequent expenditure is capitalised where it adds to or replaces the existing elements of assets that were previously identified in the Road Asset Valuation system employed. Expenditure that does not replace or enhance service potential will be expensed as a charge to the Statement of Comprehensive Net Expenditure.

Pre contract advance work is capitalised once a road scheme has been approved to proceed, and subsequent expenditure after contract award is capitalised for all road construction projects. Where a scheme is subsequently cancelled the capital costs are written off to the Statement of Comprehensive Net Expenditure. Any retained land or buildings are transferred to land and buildings where it is not currently possible to market them for sale, or to Assets Held for Sale where they are being marketed for sale. These assets are held at market values.

All other categories of tangible fixed asset are capitalised if the expenditure is greater than:

Land & Buildings	£10,000
Information & Communication Technology (ICT)	£1,000
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 ring fenced project such as a major relocation exercise.

Major rail projects, which are capital in nature, are funded by Transport Scotland but as control of the economic benefit of the asset ultimately sits with Network Rail, the assets are not on the Statement of Financial Position of the Agency.

Valuation
Land and Buildings and Dwellings are held at current market values assessed by the VOA.

Other items of property, plant and equipment are held at depreciated historic cost. From 1 April 2007 these assets were no longer revalued using indices as the movement in these indices was considered to be negligible and the economic lives of the assets so short that the relative value of any potential adjustment was not likely to be significant.

Infrastructure Assets - the road network
The road network is valued at its depreciated replacement cost in terms of the guidance in the Financial Reporting Manual for specialist assets for which market valuations are not available. Land is valued by rates supplied by the Valuation Office Agency (VOA).

The road pavement element is valued using agreed rates determined to identify the gross replacement cost of applicable types of road 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.

Structures are valued using agreed rates determined to identify the replacement cost of applicable types of structure on the basis of new construction on a greenfield site where these are available but special structures, which tend to be one off by their nature, are valued using specific costs that are updated to current prices.
Communications are valued using agreed rates determined to identify the replacement cost of applicable types of communications.

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 revalued 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 quarterly by the Department for Business, Innovation and Skills
Communications	Traffic Scotland provides 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.

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

Land and Buildings
Land and property released from road schemes and now deemed surplus to requirements is transferred to, and accounted for, as Assets Held For Sale (see Note 1.7).

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

1.6 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
Assets under construction	No depreciation

The annual depreciation charge for the road surface is the value of the service potential replaced through the maintenance programme plus, or minus, any adjustment resulting from the annual condition variance.

Structures and communications assets are depreciated on a straight line basis over the expected useful life of the asset, normally 20 to 120 years.

Land is considered to have an indefinite life and is not depreciated.

Non-Infrastructure Assets
With the exception of surplus land and properties awaiting resale, 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

1.7 Assets Held For Sale

A property is derecognised and held for sale according to the requirements of IFRS5 when all of the following requirements are met:

- 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 which Transport Scotland expects 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.

1.8 Donated Assets

Donated PPE assets are capitalised at their valuation on receipt and this value is credited to the Donated Asset Reserve. Any subsequent revaluations are also accounted for through this reserve. Each year an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Statement of Comprehensive Net Expenditure.

1.9 Intangible Non-Current Assets

Intangible Non-Current assets are capitalised where expenditure of £1,000 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.

1.10 Financial Instruments

Transport Scotland measures and presents financial instruments in accordance with IAS37, IAS39, and IFRS7 as interpreted and adapted by the Government Financial Reporting Manual (FReM). IAS39 requires the classification of financial instruments into separate categories for which the accounting treatment is different. Transport Scotland has classified its financial instruments as follows:

Financial Assets:

- Cash and cash equivalents, trade receivables, short term loans, accrued income relating to EU funding, amounts receivable and shares and loans will be reported in the 'Loans and Receivables' category.
- Shares held in and loans advanced to public sector bodies will be reported in a separate category.

Financial Liabilities:

- Borrowings, trade payables, accruals, payables, bank overdrafts and financial guarantee contracts are classified as 'Other Liabilities'.

Financial instruments are initially measured at fair value with the exception of 'Shares held in and loans advanced to public sector bodies' which are held at historic cost. The fair value of the financial assets and liabilities is determined as follows:

- the fair value of cash and cash equivalents and current non-interest bearing monetary financial assets and financial liabilities approximate their carrying value, and
- the fair value of other non current monetary financial assets and financial liabilities is based on market values where a market exists, or has been determined by discounting expected cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

Financial instruments subsequent measurement depends on their classification:

- all financial instruments that are held at fair value with any changes going through the Statement of Comprehensive Net Expenditure
- loans and receivables and other liabilities are held at amortised cost and not revalued unless they are included in a fair value hedge accounting relationship. Any impairment losses are charged to the Statement of Comprehensive Net Expenditure.
- shares held in and loans advanced to public sector bodies are held at historic cost less impairment with any impairment losses going through the Statement of Comprehensive Net Expenditure.

1.11 Rail Infrastructure Expenditure

Rail infrastructure expenditure is differentiated between capital and resource. The capital expenditure relates to infrastructure expenditure that is capital in nature, but the asset created or enhanced is reflected by Network Rail rather than Transport Scotland. The capital expenditure reflects both direct activity in the year and the costs, in terms of capital and interest, of financing projects undertaken by Network Rail and recovered over a 30 year period.

1.12 Operating Income

Operating income relates directly to the operating activities of Transport Scotland. It 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, in accordance with the FReM. Operating income is stated net of VAT.

1.13 Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure, in line with the definition of administration costs by HM Treasury.

Administration costs reflect the costs of running the Agency and include staff costs as well as accommodation, communications and office supplies.

Programme costs reflect the costs of operating, maintaining, managing and improving the road and rail infrastructure and aviation and maritime in Scotland over which Transport Scotland has power, as well as expenditure incurred in delivering transport policies such as concessionary fares and grants and subsidies to contribute to the provision of bus, ferry and air services.

1.14 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.

1.15 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), more details of which can be found in note 3. The PCSPS is an unfunded multi-employer defined benefit scheme. Transport Scotland's contributions are recognised as a cost in the year. This complies with IAS26.

1.16 Private Finance Initiative (PFI) Transactions

PFI transactions are accounted for in accordance with the IFRS based FReM. PFI contracts that meet the definition of service concession arrangements are accounted for in accordance with IFRIC12.

Transport Scotland currently has 2 existing completed PFI schemes (see note 15 for more details). In both cases these assets are examples of service concessions under IFRIC12. The private sector operator is contractually obliged to provide the services related to the infrastructure on behalf of the Scottish Government.

The infrastructure is recognised as a non-current asset when it comes into use.

The unitary payment is divided into 3 elements, namely service charge, repayment of the capital element of the contract obligation and the interest expense on it (using the interest rate implicit in the contract).

1.17 Leases

At their inception, leases are classified as operating or finance leases, based on the extent to which the risks and rewards of ownership lie with the Agency. In making the classification, the Agency considers whether the land and buildings elements of arrangements which cover both elements need to be separately accounted for.

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 on a straight line basis over the term of the lease. Where the arrangement includes incentives, such as rent-free periods, the value is recognised on a straight-line basis 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 at a constant rate in relation to the balance outstanding.

1.18 Provisions

Transport Scotland provides for legal and constructive obligations that are of uncertain timing or amount in the Statement of Financial Position at 31 March 2011 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.

1.19 Contingent Liabilities

Contingent Liabilities are recognised in respect of:

- possible obligations arising from past events whose existence will be confirmed by the occurrence of uncertain future events outwith 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.

1.20 VAT

Most of the Transport Scotland VAT input tax on purchases is non-recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non current assets. To avoid the distortion of competition, VAT can be recovered on certain categories of expenditure under s41 of the VAT Act 1994. Output VAT is charged on any taxable outputs.

Transport Scotland is not separately registered for VAT but is part of the overall Scottish Government VAT registration. The quarterly VAT return is completed centrally by the Scottish Government.

Apart from minor amounts arising from timing differences any outstanding VAT balances are accounted for by the Scottish Government.

1.21 Segmental Reporting

IFRS8 Segmental Reporting requires operating segments to be identified on the basis of internal reports about components of Transport Scotland that are regularly reviewed by the chief operating decision maker in order to manage their financial performance.

1.22 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.

1.23 Trade Payables

Trade payables are valued at their carrying amount.

1.24 Short Term Employee Benefits

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

2. Prior Year Adjustments

Merger Accounting

On 1st August 2010 Transport Scotland merged with the former Scottish Government Transport Directorate. The Financial Reporting Manual requires that the results and cash flows of Transport Scotland and the former Transport Directorate are brought into the financial statements of the combined body from the beginning of the financial year, with any adjustments required to achieve uniformity of accounting policies. No such adjustments were identified as necessary.

Merger accounting also requires that corresponding figures are restated by including the results for Transport Scotland and the former Transport Directorate for the previous period.

Cost of Capital

Her Majesty's Treasury, under Clear Line of Sight - the Alignment Project has removed the cost of capital charges from budgets, estimates and resource accounts. From Financial Year 2010-11 onwards the cost of capital charges is no longer applicable. The prior year comparisons have been restated to reflect this change.

Roads Re-measurement

Adjustments to the valuation of the road network arise on completion of road schemes transferred from Assets Under Construction at cost, which are then valued at rates different from cost. Such differences are treated as revaluations. Other adjustments can arise through updates to the measurement of the dimension of the assets and these will be reflected through the Statement of Comprehensive Net Expenditure, General Fund or Revaluation Reserve as appropriate to circumstance.

The Road Asset Valuation System (RAVS) used to determine the value of the road network relies on a series of engineering measurements to be applied in a model that assigns agreed rates to these measurements according to the length and type of road identified. Much of the data used for these measurements had not been reviewed since it was first used to construct the initial valuation of the road network in 1998 so Transport Scotland decided to undertake a route and branch review of each section of road using physical inspection to verify the type and lengths of each section.

This led to several variations in the measurements applied in RAVS which were identified in 2010-11, leading to the overall reduction in the net book value of the network in the accounts of £652million, representing 4.2% of the net book value at 31 March 2009. This reduction mainly related to the data in respect of the types of roads being applied, in relation to the categorisation of measurements of individual sections of road.

This reduction in the valuation is considered to be sufficiently material to be reflected as a prior period adjustment to the opening General Fund and Revaluation Reserve. There is no impact on the Statement of Net Comprehensive Expenditure for 2009-10 or 2010-11. The adjustment is reflected as a reduction in the General Fund of £358.7m and a reduction in Revaluation Reserve of £293.5million.

The above inspection was carried out only in respect of the road type and a further review is to be undertaken in 2011-12 of the length of each section of the road network. It is not possible to determine the outcome of this further review and its potential impact on the valuation of the road network.

Details of the adjustments made to the corresponding figures in the Statement of Financial Position and Statement of Comprehensive Net Expenditure are shown in the following two tables.

TABLE 1

Statement of Financial Position as at 31 March 2010
Adjustment for Merger with former Scottish Government Transport Directorate and Roads Re-measurement

	Transport Scotland £'000	Transport Directorate £'000	Roads Re-measurement £'000	Restated at 31/3/10 £'000
Non-current assets				
Property, plant & equipment	16,029,642	34	(652,184)	15,377,492
Intangible assets	13	0	0	13
Financial assets	0	66,556	0	66,556
Other receivables	3,259	0	0	3,259
Total non-current assets	16,032,914	66,590	(652,184)	15,447,320
Current assets				
Trade and other receivables	54,673	6,832	0	61,505
Cash & cash equivalents	0	0	0	0
Financial assets	0	2,038	0	2,038
Total current assets	54,673	8,870	0	63,543
Total assets	16,087,587	75,460	(652,184)	15,510,863
Current liabilities				
Provisions	(31,314)	0	0	(31,314)
Trade payables	(419)	(8,595)	0	(9,014)
Other payables	(161,999)	(22,720)	0	(184,719)
Financial liabilities	(4,377)	0	0	(4,377)
Total current liabilities	(198,109)	(31,315)	0	(229,424)
Total assets less current liabilities	15,889,478	44,145	(652,184)	15,281,439
Non-current liabilities				
Provisions	(37,900)	0	0	(37,900)
Other payables	(9,189)	0	0	(9,189)
Financial liabilties	(199,875)	0	0	(199,875)
Total non-current liabilities	(246,964)	0	0	(246,964)
Assets less liabilities	15,642,514	44,145	(652,184)	15,034,475
Taxpayers' equity				
General fund	8,315,064	44,145	(358,701)	8,000,508
Donated asset reserve	890	0	0	890
Revaluation reserve	7,326,560	0	(293,483)	7,033,077
Total taxpayers' equity	15,642,514	44,145	(652,184)	15,034,475

Statement of Financial Position as at 31 March 2009
Adjustment for Merger with former Scottish Government Transport Directorate and Roads Re-measurement

	Transport Scotland £'000	Transport Directorate £'000	Roads Re-measurement £'000	Restated at 31/3/09 £'000
Non-current assets				
Property, plant & equipment	15,148,975	19	(652,184)	14,496,810
Intangible assets	0	0	0	0
Financial assets	0	61,818	0	61,818
Other receivables	3,768	0	0	3,768
Total non-current assets	15,152,743	61,837	(652,184)	14,562,396
Current assets				
Trade and other receivables	56,044	7,275	0	63,319
Cash & cash equivalents	0	0	0	0
Financial assets	0	2,040	0	2,040
Total current assets	56,044	9,315	0	65,359
Total assets	15,208,787	71,152	(652,184)	14,627,755
Current liabilities				
Provisions	(37,976)	(3,000)	0	(40,976)
Trade payables	(504)	(8,095)	0	(8,599)
Other payables	(71,825)	(44,488)	0	(116,313)
Financial liabilities	(4,068)	0	0	(4,068)
Total current liabilities	(114,373)	(55,583)	0	(169,956)
Total assets less current liabilities	15,094,414	15,569	(652,184)	14,457,799
Non-current liabilities				
Provisions	(30,545)	0	0	(30,545)
Other payables	(11,266)	0	0	(11,266)
Financial liabilties	(204,251)	0	0	(204,251)
Total non-current liabilities	(246,062)	0	0	(246,062)
Assets less liabilities	14,848,352	15,569	(652,184)	14,211,737
Taxpayers' equity				
General fund	8,160,335	15,569	(358,701)	7,817,203
Donated asset reserve	967	0	0	967
Revaluation reserve	6,687,050	0	(293,483)	6,393,567
Total taxpayers' equity	14,848,352	15,569	(652,184)	14,211,737

TABLE 2

Statement of Comprehensive Net Expenditure for the year ended 31 March 2010
Adjustment for Merger with former Scottish Government Transport Directorate and removal of cost of capital charge

	Transport Scotland £'000	Transport Directorate £'000	Remove Cost of Capital Charge	Restated at 31/3/10 £'000
Administration Costs				
Staff costs	10,483	3,390		13,873
Other administration costs	5,497	206		5,703
Operating income	(77)	0		(77)
Total administration costs	15,903	3,596	0	19,499
Programme costs				
Staff costs	4,121	0		4,121
Programme costs	1,888,632	282,386	(538,722)	1,632,296
Income	(185)	(2,096)		(2,281)
Total programme costs	1,892,568	280,290	(538,722)	1,634,136
Totals	1,908,471	283,886	(538,722)	1,653,635
Net operating costs	1,908,471	283,886	(538,722)	1,653,635

3. Staff Numbers and Costs

Staff costs comprise:

	2010-11			2009-10		
	Permanently Employed Staff £'000	Others £'000	Total £'000	Permanently Employed Staff £'000	Others £'000	Total £'000
Wages and salaries costs	10,400	1,234	11,634	9,668	1,419	11,087
Social security costs	819	0	819	755	0	755
Other pension costs	1,970	0	1,970	1,908	0	1,908
Early Retiral Costs	1,211	0	1,211	123	0	123
Staff costs in programme	5,089	0	5,089	4,121	0	4,121
Total staff costs	19,489	1,234	20,723	16,575	1,419	17,994

Permanent 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.

Transport Scotland granted 9 staff early retirement and 21 staff early severance in 2010-11 (2009-10, 0 and 3) under the flexible early retirement and flexible early severance terms of the Civil Service Compensation Scheme. No staff retired early on ill-health grounds.

The average annualised sick days for full time equivalent staff is 5.83 days.

Reporting of Civil Service and other compensation scheme - exit packages

	2010-11			2009-10		
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	3	3	0	0	0
£10,000 to £25,000	0	9	9	0	1	1
£25,000 to £50,000	0	7	7	0	1	1
£50,000 to £100,000	0	9	9	0	1	1
£100,000 to £150,000	0	1	1	0	0	0
£150,000 to £200,000	0	1	1	0	0	0
over £200,000	0	0	0	0	0	0
Total Number of exit packages	0	30	30	0	3	3
Total Resource cost (£'000)	£0	£1,211	£1,211	£0	£124	£124

Exit costs are provided for in full in 2010-11 but the staff costs incurred only includes the elements actually paid in year.

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. The scheme Actuary valued the scheme liabilities as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

From 30 July 2007, new civil servants may join one of two schemes, either Nuvos or Partnership. Nuvos is a career average defined benefit scheme and Partnership is a defined contribution arrangement (Partnership Pension Account).
For 2010-11, employers' contributions of £1,970k were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates were unchanged from 2009-10). 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 2009-10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

(a) Classic Scheme
Benefits accrue at the rate of 1/80th of pensionable pay for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings.

(b) Premium Scheme
Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the Classic scheme, there is no automatic lump sum, but members can commute some of their pension to provide a lump sum. Members pay contributions of 3.5% of pensionable earnings.

(c) Classic Plus Pension Scheme
This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

(d) Nuvos Pension Account

Like the Premium Scheme there is no automatic lump sum, but members can commute some of their pension to provide a lump sum. Members pay contributions of 3.5% of pensionable earnings.

(e) Partnership Pension Account

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers may also contribute a further 0.8% of pensionable salary to cover the cost of the future provision of lump sum.

Average numbers of persons employed:

	2010-11			2009-10		
	Permanent Staff	Others	Total	Permanent Staff	Others	Total
Trunk roads major projects	58	4	62	57	6	63
Trunk road maintenance	110	8	118	92	14	106
Rail	83	14	97	71	15	86
Strategy & investments	41	0	41	45	2	47
Finance and other	62	6	68	58	10	68
Aviation, maritime, freight & canals	37	2	39	34	5	39
Transport policy	27	7	34	30	6	36
Total average staff numbers	418	41	459	387	58	445

The above figures exclude consultants.

4. Other Administration Costs

	note	2010-11 £'000	2009-10 £'000
Rentals under operating leases		1,097	1,295
Accommodation		1,546	1,320
Office costs and supplies		973	1,558
Hospitality		53	65
Travel		971	323
Training		90	198
Consultancy		43	253
Non-cash items			
Depreciation	7/8	533	478
Prior year depreciation adjustment		0	6
Auditors remuneration and expenses - external	22	198	207
Total administration costs		5,504	5,703

5. Programme Costs

	note	2010-11 £'000	2009-10 £'000
Other programme expenditure			
Roads			
Capital maintenance		77,076	90,429
Current maintenance		130,552	99,307
Forth replacement crossing		18,889	30,639
Other		215	284
Interest charges		14,949	14,461
PFI service charges		21,419	19,967
Rail			
ScotRail franchise		290,121	271,268
Rail infrastructure in Scotland capital		257,688	238,300
Rail Infrastructure in Scotland resource		126,000	128,669
Scotland railw ays		0	2,156
Other		487	478
Concessionary travel			
Smartcard applications		9,279	9,249
Concessionary travel schemes		175,576	189,573
Other public transport			
Major public transport projects - rail		74,722	166,089
Transport information		1,163	1,022
Strategic projects review		2,647	1,290
Ferry services in Scotland		107,369	101,295
Air services in Scotland		33,067	36,017
Bus services in Scotland		62,932	64,413
Other transport directorate programmes		34,514	34,598
Central government grants to local authorities		41,080	39,907
Non-cash items			
Depreciation	7/8	43,857	92,885
Total other programme costs		1,523,602	1,632,296

* The Rail infrastructure in Scotland capital figure of £257,688k was paid directly to Network Rail

** The Rail infrastructure in Scotland resource figure of £126,000k was paid to Network Rail via DfT

*** Payments to Scotrail Franchise in 2010/11 totalled £290,201k as per Note 17. This included depreciation costs totalling £79k which are included within the Depreciation charges (under non-cash items) as required by the International Financial Reporting Standards (IFRS).

6. Operating Income

	note	2010-11 £'000	2009-10 £'000
Programme income			
Interest receivable - loans		(2,199)	(2,096)
Rental income - land & properties		(344)	(162)
Sale of land and property		(80)	(23)
		(2,623)	(2,281)
Operating income			
Release from donated asset reserve	SCITE	(77)	(77)
		(77)	(77)
Total operating income		(2,700)	(2,358)

Operating income principally arises from:

- interest receivable from loans to Caledonian Maritime Asssets Limited (CMAL);
- rental income from land and properties acquired for road schemes and now surplus to requirements; and
- sale of land and property which is surplus to the requirements of the road or rail scheme.

7. Property, Plant and Equipment

2010-11	Road Network	Land	Buildings	IT	Leasehold Improvements	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1st April 2010	17,317,126	1,450	1,198	4,170	4,167	580,971	17,909,082
Detrunkings	(29,334)	0	0	0	0	0	(29,334)
Capital additions	36,830	0	0	118	0	223,351	260,299
Disposals	0	0	0	0	0	0	0
Revaluation	1,124,050	116	169	0	0	0	1,124,335
Current valuation adjustments	(50,177)	0	0	0	0	0	(50,177)
Historic valuation adjustments	0	0	0	0	0	0	0
Transfers and reclassifications	0	835	1,860	(35)	(2,659)	0	1
Transfers to assets held for sale	0	(432)	0	0	0	(5)	(437)
Balance at 31st March 2011	18,398,495	1,969	3,227	4,253	1,508	804,317	19,213,769
Depreciation							
At 1st April 2010	2,527,459	0	5	2,586	1,540	0	2,531,590
Detrunkings	(29,334)	0	0	0	0	0	(29,334)
Charge for the year	43,353	0	182	590	249	0	44,374
Disposals	0	0	0	0	0	0	0
Revaluation	183,480	0	45	0	0	0	183,525
Current valuation adjustments	(19,293)	0	0	0	0	0	(19,293)
Historic valuation adjustments	0	0	0	0	0	0	0
Transfers and reclassifications	0	0	652	(24)	(626)	0	2
Balance at 31st March 2011	2,705,665	0	884	3,152	1,163	0	2,710,864
Net Book Value at 31st March 2011	15,692,830	1,969	2,343	1,101	345	804,317	16,502,905
Net Book Value at 31st March 2010	14,789,667	1,450	1,193	1,584	2,627	580,971	15,377,492
Asset Financing							
Owned	15,131,471	1,969	2,343	1,101	345	804,317	15,941,546
Finance Leased	0	0	0	0	0	0	0
On Balance Sheet PFI	561,359	0	0	0	0	0	561,359
Net Book Value at 31st March 2011	15,692,830	1,969	2,343	1,101	345	804,317	16,502,905

2009-10	Restated Road Network £'000	Land £'000	Buildings £'000	IT £'000	Leasehold Improvements £'000	Assets under Construction £'000	Restated Total £'000
Cost or Valuation							
At 1st April 2009	16,438,310	178	1,155	4,074	4,062	351,202	16,798,981
Detrunkings	(6,630)	0	0	0	0	0	(6,630)
Capital additions	30,991	1,272	0	119	0	276,617	308,999
Disposals	0	0	0	0	0	0	0
Revaluation	851,245	0	43	0	110	0	851,398
Current valuation adjustments	(68,861)	0	0	0	0	0	(68,861)
Historic valuation adjustments	25,223	0	0	(23)	(5)	0	25,195
Transfers and reclassifications	46,848	0	0	0	0	(46,848)	0
Balances at 31st March 2010	17,317,126	1,450	1,198	4,170	4,167	580,971	17,909,082
Depreciation							
At 1st April 2009	2,299,142	0	4	1,952	1,073	0	2,302,171
Detrunkings	(1,110)	0	0	0	0	0	(1,110)
Charge for the year	92,310	0	1	643	415	0	93,369
Disposals	0	0	0	0	0	0	0
Revaluation	146,874	0	0	0	36	0	146,910
Current valuation adjustments	67,162	0	0	7	0	0	67,169
Historic valuation adjustments	(76,919)	0	0	(16)	16	0	(76,919)
Transfers and reclassifications	0	0	0	0	0	0	0
Balances at 31st March 2010	2,527,459	0	5	2,586	1,540	0	2,531,590
Net Book Value at 31st March 2010	14,789,667	1,450	1,193	1,584	2,627	580,971	15,377,492
Net Book Value at 1st April 2009	14,139,168	178	1,151	2,122	2,989	351,202	14,496,810
Asset Financing							
Owned	14,431,910	1,450	1,193	1,584	2,627	580,971	15,019,735
Finance Leased	0	0	0	0	0	0	0
On Balance Sheet PFI	357,757	0	0	0	0	0	357,757
Net Book Value at 31st March 2010	14,789,667	1,450	1,193	1,584	2,627	580,971	15,377,492

Detrunkings reflect transfer of road assets to local authorities, with the corresponding entry flowing through the General Fund (SCITE), and the write-off of capitalised maintenance expenditure not reflected in valuation transactions.

EC Harris LLP (RICS Regulated) carries out an annual valuation of the trunk road network.

Revaluation is based on Baxter's indexation for all road network assets apart from 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 (SCITE).

8. Intangible Assets

2010-11	**Software Licences £'000**
At replacement cost or valuation	
At 1st April 2010	96
Capital additions	17
Disposals	0
Historic valuation adjustments	0
Transfers and reclassifications	(2)
Balance at 31st March 2011	111
Accumulated Amortisation	
At 1st April 2010	(83)
Charge for the year	(16)
Revaluations	0
Disposals	0
Historic valuation adjustments	0
Transfers and reclassifications	2
Balance at 31st March 2011	(97)
Net Book Value at 31st March 2011	14

2009-10	**Software Licences £'000**
At replacement cost or valuation	
At 1st April 2009	53
Capital additions	0
Disposals	0
Historic valuation adjustments	43
Transfers and reclassifications	0
Balance at 31st March 2010	96
Accumulated Amortisation	
At 1st April 2009	(53)
Charge for the year	(14)
Revaluations	0
Disposals	0
Historic valuation adjustments	(16)
Transfers and reclassifications	0
Balance at 31st March 2010	(83)
Net Book Value at 31st March 2010	13

Purchased computer software licences are capitalised as intangible non-current assets where expenditure of £1,000 or more is incurred. These are valued at historic cost and amortised on a straight line basis over the expected life of the asset.

9. Investments

2010-11	Interests in Nationalised Industries & Limited Companies	Voted Loans	Total
	£'000	£'000	£'000
Balance at 1 April 2010	20,550	46,006	66,556
Add element reported within current assets	0	2,038	2,038
Advances and acquisitions			
Cash advances	0	10,802	10,802
Repayments and disposals	0	(2,038)	(2,038)
Balance at 31 March 2011	20,550	56,808	77,358
Loans repayable within 12 months transferred to current assets	0	(2,038)	(2,038)
Balance at 31 March 2011	20,550	54,770	75,320

2009-10	Interests in Nationalised Industries & Limited Companies	Voted Loans	Total
	£'000	£'000	£'000
Balance at 1 April 2009	20,550	41,268	61,818
Add element reported within current assets	0	2,040	2,040
Advances and acquisitions			
Cash advances	0	6,798	6,798
Repayments and disposals	0	(2,062)	(2,062)
Balance at 31 March 2010	20,550	48,044	68,594
Loans repayable within 12 months transferred to current assets	0	(2,038)	(2,038)
Balance at 31 March 2010	20,550	46,006	66,556

Investments have been measured and presented in accordance with IAS32, IAS39 and IFRS7 as modified by the FReM (see note 1.10).

As at 31 March 2011, the Scottish Ministers, represented by Transport Scotland, are the sole shareholder in Caledonian Maritime Assets Limited, David MacBrayne Limited and the Highlands and Islands Airports Limited. The Scottish Ministers hold the following investments:

Caledonian Maritime Assets Limited	1,500,000 ordinary shares of £10 each
David MacBrayne Limited	5,500,002 ordinary shares of £1 each
Highlands and Islands Airports Limited	50,000 ordinary shares of £1 each

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

	Highlands and Islands Airports Ltd	Caledonian Maritime Assets Ltd	David MacBrayne Ltd
	£m	£m	£m
Net assets as at 31 March 2011	1.9	77.3	20.7
Turnover	34.9	15.8	179.9
Profit/(Loss) for the financial year	(2.3)	(5.0)	(1.1)

Caledonian Maritime Asset Limited results are in draft as their accounts are yet to be published.

Highlands and Islands Airports Limited (HIAL)

The 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 10 airports in the Highlands and Islands of Scotland. In December 2007, HIAL assumed responsibility for the operation of Dundee Airport and now operates it via a wholly owned subsidiary company, Dundee Airport.

Caledonian Maritime Assets Limited (CMAL)

Following a restructure of the Caledonian MacBrayne group in 2006, Caledonian MacBrayne Limited became known as Caledonian Maritime Assets Limited (CMAL) and CalMac Ferries Limited (CFL) was incorporated.

CFL took over operation of the Clyde & Hebrides Ferry Services as successor to Caledonian MacBrayne Limited. 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 Limited. In the course of the restructuring of the Caledonian MacBrayne group in 2006, Scottish Ministers’ shareholding in David MacBrayne Limited was increased by 5,500,000 shares to 5,500,002 ordinary shares of £1. David MacBrayne Limited is now the holding company for the ferry operating companies CalMac Ferries Limited, Cowal Ferries Limited and NorthLink Ferries Limited and for the dormant company Rathlin Ferries Limited.

Other Interests

Voted Loans

Transport Scotland provides loans to Caledonian Maritime Assets Limited to be used for the construction of new shipping and to Independent Harbour Trusts and Caledonian Maritime Assets Limited for harbour improvements.

10. Trade Receivables and Other Assets

10a Analysis by classification	as at 31/03/11	as at 31/03/10	as at 1/04/09
	£'000	£'000	£'000
Amounts falling due within one year:			
Trade and other receivables			
Trade and other receivables	2,451	934	1,463
Damage claims	327	0	2,372
Other assets	442	666	425
Prepayments and accrued income	93,001	59,905	59,059
	96,221	61,505	63,319
Amounts falling due after more than one year:			
Other receivables	971	3,259	3,768
	971	3,259	3,768

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

	as at 31/03/11	as at 31/03/10	as at 1/04/09
	£'000	£'000	£'000
At 1 April	404	404	0
Charge for the year	93	0	404
Unused amount released	390	0	0
Utilised during the year	0	0	0
At 31 March	106	404	404

10b Intra-government balances	as at 31/03/11	as at 31/03/10	as at 1/04/09
	£'000	£'000	£'000
Amounts falling due within one year:			
Intra-government balances			
Other central government bodies	102	100	20
Local authorities	44,394	34,672	26,806
Public corporations and trading funds	6,614	5,603	6,864
	51,110	40,375	33,690
Balances with bodies external to government	45,111	21,130	29,629
Total receivables	96,221	61,505	63,319
Amounts falling due after more than one year:			
Intra-government balances			
Other central government bodies	0	0	0
Local authorities	0	0	0
Public corporations and trading funds	0	0	0
	0	0	0
Balances with bodies external to government	971	3,259	3,768
Total receivables	971	3,259	3,768

11. Trade Payables and Other Liabilities

11a Analysis by classification	as at 31/03/11	as at 31/03/10	as at 1/04/09
	£'000	£'000	£'000
Amounts falling due within one year:			
Trade payables	38,804	9,014	8,599
Other payables	142,237	184,719	116,313
Financial liabilities - PFI	4,710	4,377	4,068
	185,751	198,110	128,980
Amounts falling due after more than one year:			
Other payables	13,325	9,189	11,266
Financial liabilities - PFI	195,164	199,875	204,251
	208,489	209,064	215,517

11b Intra-government balances	as at 31/03/11	as at 31/03/10	as at 1/04/09
	£'000	£'000	£'000
Amounts falling due within one year:			
Intra-government balances			
Other central government bodies	1,228	1,632	27,323
Local authorities	34,062	37,603	20,047
Public corporations and trading funds	11,977	8,628	1,575
	47,267	47,863	48,946
Balances with bodies external to government	138,484	150,247	80,034
Total payables	185,751	198,110	128,980
Amounts falling due after more than one year:			
Intra-government balances			
Other central government bodies		0	0
Local authorities	128,397	120,695	77,464
Public corporations and trading funds		0	0
	128,397	120,695	77,464
Balances with bodies external to government	80,093	88,369	138,053
Total payables	208,489	209,064	215,517

12. Provisions for Liabilities and Charges

12a Provisions for liabilities and charges	Land and Property Acquisition	Major Projects	Other	Total
2010-11	£'000	£'000	£'000	£'000
Balance as at 1 April 2010	40,370	18,731	10,112	69,213
Provided in year	15,572	0	2,101	17,673
Provisions not required written back	145	0	(2,988)	(2,843)
Provisions utilised in year	(4,641)	(1,883)	(1,672)	(8,196)
Balance as at 31 March 2011	51,446	16,848	7,553	75,847
2009-10				
Balance as at 1 April 2009	60,380	4,482	6,658	71,520
Provided in year	57,077	16,131	13,562	86,770
Provisions not required written back	(1,480)	(800)	0	(2,280)
Provisions utilised in year	(75,607)	(1,082)	(10,108)	(86,797)
Balance as at 31 March 2010	40,370	18,731	10,112	69,213
Balance as at 1 April 2009	60,380	4,482	6,658	71,520

12b Analysis of expected timing of discounted flows	Land and Property Acquisition	Major Projects	Other	Total
	£'000	£'000	£'000	£'000
In the remainder of the period to 2012	20,220	10,371	1,434	32,025
Between 2013 and 2016	31,226	6,477	6,119	43,822
Between 2017 and 2021		0	0	0
Thereafter	0	0	0	0
Balance as at 31 March 2011	51,446	16,848	7,553	75,847
In the remainder of the period to 2011	21,609	2,689	7,016	31,314
Between 2012 and 2015	9,380	9,226	1,772	20,378
Between 2016 and 2020	9,381	6,816	1,324	17,521
Thereafter	0	0	0	0
Balance as at 31 March 2010	40,370	18,731	10,112	69,213

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 for 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 Valuation Office Agency (VOA) are reviewed bi-annually.

Major Projects

Major projects provision relates to capital projects that we are engaged in but have not paid the full expenditure incurred in year.

Other

Transport Scotland was created as an executive agency of the Scottish Government in January 2006 resulting in the creation of migration liabilities relating to staff moving or travelling from Edinburgh to Glasgow. It is Transport Scotland's policy to recognise such liabilities at the point at which we announce and are, in practical terms, committed to, the creation of the agency.

Other provisions relate to Damage Claims and to the early retirement of Transport Scotland staff. Damage Claims relate principally to the estimated cost of repairing vehicular damage to the Trunk Road Network. If the cost of the repairs is below a pre-defined threshold, the operating company responsible for the maintenance of the trunk road has to pursue recovery of the cost with the third party. If the cost of the repairs is above the threshold, the operating company charges Transport Scotland and it is the responsibility of Transport Scotland to pursue the recovery of these costs from those responsible.

Transport Scotland is required to meet the additional agreed cost of benefits payable to those employees who retire 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 31/03/11 £'000	as at 31/03/10 £'000	2010-11 Net Movement £'000	Restated 2009-10 Net Movement £'000
Receivables					
Due within one year	10	96,221	61,505	(34,716)	1,814
Due after more than one year	10	971	3,259	2,288	509
Net decrease/(increase)		97,192	64,764	(32,428)	2,323
Payables					
Due within one year	11	185,751	198,110	(12,359)	69,130
Due after more than one year	11	208,489	209,064	(575)	(6,453)
		394,240	407,174	(12,934)	62,677
Less: Lease and PFI creditors included in above	11	199,874	204,251	(4,377)	(5,312)
Net (decrease)/increase		194,366	202,923	(8,557)	67,989
Provision	12	75,847	69,213	6,634	(2,307)
Net (decrease)/increase		75,847	69,213	6,634	(2,307)
Net movement (decrease)/increase		367,406	336,900	(34,351)	68,005

14. Capital Commitments

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

Capital Commitments	as at 31/03/11 £'000	as at 31/03/10 £'000
Property, plant and equipment	345,000	282,500
Total contracted capital commitments for which no provision has been made	345,000	282,500
Investments	1,050	9,600
Total authorised but not contracted capital commitments for which no provision has been made	1,050	9,600

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.

Obligations under operating leases comprise:	as at 31/03/11 £'000	as at 31/03/10 £'000
Land & buildings		
Due within 1 year	1,450	1,450
Due after 1 year but not more than 5 years	5,775	5,782
Commitments thereafter	6,603	8,048
	13,828	15,280

16. Commitments under PFI Contracts

16a On Balance Sheet (SoFP)

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:

i. M6 (M74) - the contract covers the design, construction and financing of 28.3km of new Scottish motorway along this route, as well as the operation and maintenance of 90km of new and existing Scottish motorway. Payments are made under a shadow toll regime. The toll period began in July 1997 and expires in July 2027.

ii. 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 new Scottish motorway and new 9km local link road between the new motorway and the A726 trunk road. Payments are made under a shadow toll regime. The toll period began in April 2005 and expires in April 2035.

Under IFRIC12 the substance of the PFI contract is that the Agency has a finance lease, with the asset being recognised as a non-current asset of the Agency. Payments under PFI contracts are comprised of two elements:

i. Imputed finance lease charges
ii. Services charges.

Imputed finance lease obligations under On Balance Sheet PFI contracts comprise:

	as at 31/03/11	as at 31/03/10
	£'000	£'000
Rentals due within 1 year	19,326	19,326
Rentals due within 2 to 5 years	77,304	77,304
Rentals due thereafter	290,145	309,471
	386,775	406,101
Less: Interest element (finance cost)	(186,901)	(201,850)
Total capital cost	199,874	204,251

Amounts charged to the Statement of Comprehensive Net Expenditure in respect of service elements of On Balance Sheet PFI transactions

	as at 31/03/11	as at 31/03/10
	£'000	£'000
Service charge due within 1 year	23,304	22,691
Service charge due within 2 to 5 years	129,602	106,016
Service charge due thereafter	377,433	424,322
Total service charge	530,339	553,029

16b Off Balance Sheet (SoFP)

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 First Scotrail under the Franchise Agreement.

Network Rail - The current control period for Network Rail runs from April 2009 to March 2014.
First Scotrail - During 2008/09 Scottish Ministers extended the First Scotrail Franchise by 3 years to 2014.

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

	2010-11 £'000	2009-10 £'000
Network Rail	383,688	366,969
First Scotrail	290,201	271,421
Total	673,889	638,390

The amounts due under these contracts in the following year, analysed between those periods where the commitment expires are:

	Network Rail £'000	First Scotrail £'000	Total £'000
Expiry within 0-12 months	407,000	306,000	713,000
Expiry within 1 to 2 years	297,000	490,000	787,000
Expiry within 2 to 5 years	282,000	549,000	831,000
Total	986,000	1,345,000	2,331,000

18. Financial Instruments

18a Financial Instruments by Category

Assets per statement of financial position	note	Loans and Receivables £'000	Assets at Fair Value through Profit and Loss £'000	Available for Sale £'000	Total £'000
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	10	3,749	0	442	4,191
Balance as at 31 March 2011		3,749	0	442	4,191

Liabilities per statement of financial position	note	Assets at Fair Value through Profit and Loss £'000	Other Financial Liabilities £'000	Total £'000
PFI liabilities	11	0	199,874	199,874
Trade and other payables excluding statutory liabilities (VAT and income tax and social security)		0	193,411	193,411
Balance as at 31 March 2011		0	393,285	393,285

18b Financial Risk Factors

Exposure to Risk

Transport Scotland's activities expose it to a variety of financial risks:

i. Credit risk - the possibility that other parties might fail to pay amounts due.
ii. Liquidity risk - the possibility that Transport Scotland might not have funds available to meet its commitments to make payments.
iii. Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

Because of 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.

Risk management

A high level risk strategy has been put in place which provides a consistent approach to the implementation of risk management within Transport Scotland at a strategic, programme and project level. This is now considered at each meeting of the Audit and Risk Committee.

i. Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Transport Scotland. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period and no losses are expected from non-performance by any counterparties in relation to deposits.

ii Liquidity Risk

The Scottish Parliament makes provision for the use of resources by Transport Scotland for revenue and capital purposes in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. Transport Scotland is not, therefore, exposed to significant liquidity risks.

The table below analyses the 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	(392,321)	(184,303)	(120)	(12,732)	(56,763)	(138,403)
Derivative liabilities	0	0	0	0	0	0
Total financial liabilities	(392,321)	(184,303)	(120)	(12,732)	(56,763)	(138,403)

iii Market Risk

Transport Scotland has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing Transport Scotland in undertaking its activities.

1. Cash Flow and Fair Value Interest Rate Risk:
   Transport Scotland has no significant interest bearing assets or liabilities and, as such, income and expenditure cash flows are substantially independent of changes in market interest rates.
2. Foreign Currency Risk:
   Transport Scotland is not directly exposed to foreign exchange rate risks.
3. Price Risk:
   Transport Scotland is not exposed to equity security price risk.

18c Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

19. Contingent Liabilities

19a Contingent Liabilities disclosed under IAS37

Transport Scotland has a guarantee in place against funding received from European Union re TENS-T funding for GARL Project where there is an obligation for a period of 5 years, to require repayment of 50% of the total funding (€850,000 / £750,635) should it be considered that the monies were not used for the purposes agreed under the original application. This liability therefore runs out in July 2015 and would be based on the exchange rate at the time any repayment is made.

At present Transport Scotland has a possible obligation that relates to potential unoccupied lane charges on schemes that are still in construction. Some contracts contain a clause which charges contractors for the amount of time they occupy lanes during road works. (This is done to encourage completion of the works on time). If the contractor does not use all of the time they were allowed in the contract for lane occupations then they are repaid the amount not used. The schemes are the M74 completion and A96 Fochabers where it is estimated that at present there is a potential obligation of approximately £1.45million. This will be re-assessed at scheme completion in 2012 at which stage a provision will be created for all unused lane occupations.

19b Possible Contingent Liabilities not required under IAS37 but included for Parliamentary and accountability purposes

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.

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 agreement (ScotRail Franchise Agreement) with indemnity dated 2004 to First ScotRail;
- Indemnity clause in roads contracts to compensate Network Rail for any damage or loss of access;
- Operating agreement with indemnity dated 2005 to tie Limited for the promotion of Edinburgh Airport Rail Link (EARL) project;
- EARL Blight liability agreement which exists until 2012 as per the EARL Act;
- Liability agreement for any issues caused by the GARL ground investigation work for the next 12 years; and
- GARL copyright infringement legal action case initially awarded in favour of Transport Scotland. Decision appealed with hearing in July 2011.

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 First ScotRail pension fund in line with that provided to other train operators by DfT; and
- Letter of underwriting to Edinburgh Airport Limited (subsidiary of BAA) dated 2006 for the Edinburgh Airport Rail Link Project being promoted by tie Limited.

iii. Other contingent liabilities held by Transport Scotland:

- Monklands Canal - maintenance of pipes under trunk roads.

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) and Highlands & Islands Airports Limited (HIAL) are wholly owned subsidiaries of Transport Scotland with whom it had various material transactions during the year, principally in relation to loans advanced to and repaid from CMAL and grants paid to HIAL. David MacBrayne Limited is also the parent company of Calmac Ferries Limited, Cowal Ferries Limited and Northlink Ferries Limited, with whom Transport Scotland also had material transactions, principally in relation to the payment of subsidies for the operation of ferry services. Transport Scotland also had significant transactions with Local Authorities and British Waterways during the year.

All interests declared by members of the Transport Scotland Board 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

2010-11 Total continuing segments	Resource £'000	Net Investment £'000	Income £'000	Non Cash £'000	AME £'000	Total £'000
Roads	129,403	78,340	(501)	80,189	4,742	292,173
Rail	416,687	332,695	0	0	0	749,382
Concessionary travel	239,897	9,199	0	411	0	249,507
Other public transport	29,192	12,970	0	0	0	42,162
Ferry services in Scotland	100,475	5,974	(2,199)	0	1,500	105,750
Air services in Scotland	25,684	7,000	0	0	0	32,684
Other transport directorate programmes	22,883	23,462	0	0	0	46,345
Grants to local authorities	0	29,127	0	0	0	29,127
	964,221	498,767	(2,700)	80,600	6,242	1,547,130

2009-10 Total continuing segments	Resource £'000	Net Investment £'000	Income £'000	Non Cash £'000	AME £'000	Total £'000
Roads	153,235	101,669	(185)	87,772	5,604	348,095
Rail	400,633	238,300	0	0	0	638,933
Concessionary travel	190,244	10,163	0	0	0	200,407
Other public transport	32,123	159,943	0	0	0	192,066
Ferry services in Scotland	96,012	2,684	(2,096)	2,599	0	99,199
Air services in Scotland	26,137	5,956	0	3,924	0	36,017
Other transport directorate programmes	64,413	9,313	0	(366)	0	73,360
Grants to local authorities	5,199	39,907	0	0	20,452	65,558
	967,996	567,935	(2,281)	93,929	26,056	1,653,635

21b Business Segments – Capital Expenditure

2010-11 Total continuing segments	Trunk Road Maintenance £'000	Capital Projects £'000	Other Assets £'000	Voted Loans £'000	Total Capital Expenditure £'000
Roads	36,830	223,351	0	0	260,181
Rail	0	0	54	0	54
Other public transport	0	0	64	0	64
Ferry services in Scotland	0	0	0	8,762	8,762
	36,830	223,351	118	8,762	269,061

2009-10 Total continuing segments	Trunk Road Maintenance £'000	Capital Projects £'000	Other Assets £'000	Voted Loans £'000	Total Capital Expenditure £'000
Roads	50,958	258,019	0	0	308,977
Ferry services in Scotland	0	0	0	4,736	4,736
	50,958	258,019	0	4,736	313,713

22. Notional Charges

The following notional charges have been included in the accounts:

	note	2010-11	2009-10
Auditors remuneration	4	198	207
		198	207

The cost of capital charge is no longer required in accordance with Her Majesty's Treasury, under Clear Line of Sight - the Alignment Project. The impact of this is shown in Note 2

23. Losses and Special Payments

	number of cases	2010-11 £'000	2009-10 £'000
Total cash losses	31,396	2,355	0
Details of cases over £250,000	0	0	0
Including - claims abandoned	31,396	2,355	0
- active claims	0	0	0

Where a road accident results in damage to the Trunk Road Network and the cost of repair is greater than £10,000 this cost is charged to Transport Scotland. Wherever possible these costs are recovered from the party responsible through their insurance company (except where the responsible party has been fatally injured) and are therefore held in a debtor account until recovery. In 2010-11 Transport Scotland undertook a review of the cases held in the debtor account. Those cases that are no longer being pursued because they are not assessed as likely to be recoverable amounted to £2,355k in respect of 31,396 cases and these have now been written off.

24. GARL Closedown Costs

Branchline works for Glasgow Airport Rail-Link (GARL) were cancelled in September 2009. However obligations under the GARL Act for certain mainline works were not cancelled. Where obligations under the GARL Act could not be cancelled, costs were incurred as a result. These costs included 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. There were no costs incurred in 2010-11 (2009-10, £12.5million).

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.

Alyson Stafford

Signed by the authority of the Scottish Ministers

Dated 17 January 2006

Further copies of this document are available, on request, in audio and large print formats and in community languages, please contact:

اس دستاویز کی مزید کاپیاں آڈیو کیسیٹ پر اور بڑے حروف کی چھپائی میں اور کمیونٹی کی
زبانوں میں طلب کیے جانے پر دستیاب ہیں، برائے مہربانی اس پتہ پر رابطہ کریں:

এই ডকুমেন্ট-এর (দলিল) অতিরিক্ত কপি, অডিও এবং বড়ো ছাপার অক্ষর আকারে এবং
সম্প্রদায়গুলোর ভাষায় অনুরোধের মাধ্যমে পাওয়া যাবে, অনুগ্রহ করে যোগাযোগ করুন:

Gheibhear lethbhreacan a bharrachd ann an cruth ris an èistear, ann an clò mòr agus ann an cànain coimhearsnachd. Cuir fios gu:

इस दस्तावेज़/कागज़ात की और प्रतियाँ, माँगे जाने पर, ऑडियो टैप पर और बड़े अक्षरों में तथा कम्यूनिटी भाषाओं में मिल सकती हैं, कृपया संपर्क करें:

ਇਸ ਦਸਤਾਵੇਜ਼/ਕਾਗ਼ਜ਼ਾਤ ਦੀਆਂ ਹੋਰ ਕਾਪੀਆਂ, ਮੰਗੇ ਜਾਣ ’ਤੇ, ਔਡਿਓ ਟੇਪ ਉੱਪਰ ਅਤੇ ਵੱਡੇ ਅੱਖਰਾਂ ਵਿਚ ਅਤੇ ਕੰਮਿਉਨਿਟੀ ਭਾਸ਼ਾਵਾਂ ਦੇ ਵਿਚ ਮਿਲ ਸਕਦੀਆਂ ਹਨ, ਕ੍ਰਿਪਾ ਕਰਕੇ ਸੰਪਰਕ ਕਰੋ:

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