TRANSPORT SCOTLAND

ANNUAL REPORT AND ACCOUNTS for the year ended 31 March 2013

TRANSPORT SCOTLAND

ANNUAL REPORT AND ACCOUNTS 2012-13

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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

I am pleased to introduce the Transport Scotland Annual Report and Accounts for 2012-13.

Our focus throughout the year has remained firmly on fulfilling our role in delivering national transport projects, policies and programmes on behalf of Scottish Ministers. Our updated Corporate Plan was published in June 2012 and provided a clear direction and focus for the three year period to 2015. This is built around the Scottish Government's Purpose of increasing sustainable economic growth, and the Report this year highlights the major contribution we continue to make in delivering our key priorities and commitments.

The report will strike a chord with the range of stakeholders we work with throughout Scotland. There has been excellent progress with high profile projects such as the Queensferry Crossing, a new rail link to the Borders, and major improvements taken forward for trunk road routes, while we have continued to support transport services for communities throughout Scotland including our vital links to the islands by air and sea. The Minister's announcement in June 2012 of our plans for rail including £5 billion investment in infrastructure and franchised services by the end of the decade was a significant milestone, drawing from wide consultation and engagement across Scotland.

The publication of the final Ferries Plan in December 2012, the establishment of Scottish Canals for July 2012, and the expansion of our international air links to Dubai and Istanbul were notable highlights. In July 2012 Ministers unveiled the programme for the £3 billion duelling of the A9 between Perth and Inverness, and we relish the challenge and engagement involved in taking forward these initiatives.

A key working principle is developing innovative approaches and technology across our activities. The maintenance of the trunk road network remains a vital role, and the year saw the establishment of our new Traffic Control Centre at South Queensferry and Contact and Education Centre for the Queensferry Crossing. We also see innovative approaches to environmental issues across all of our programmes and plans, as we develop a strategic approach to emissions abatement and take positive steps in Carbon Management, active travel and support and safety across all of the transport networks continues to be a priority.

The common thread across our activities is a commitment, as an organisation, to deliver Ministers' policy objectives for transport, openly and transparently, and using valuable public resources wisely as set out in the Accounts. As an Agency within Scottish Government we have an established place and identity within the public sector landscape in Scotland. The achievements in this year continue a valued record of progress since our establishment in 2006 and expanded roles from 2010.

This is a reflection of a clear direction and purpose, but more importantly the contribution of our staff and advisers. I pay tribute to all colleagues involved for their dedicated and committed approach to the organisation, and for the significant achievements set out in this report.

David Middleton
Chief Executive
Transport Scotland

WHO WE ARE AND WHAT WE DO

Role

Transport Scotland was created in 2006 as an Executive Agency of the Scottish Government, accountable to Parliament and the public through Scottish Ministers.
The Agency role covers all of the Scottish Government's national transport policy and project 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

The Scottish Government's purpose is to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth, and this provides the focus for our work. Our delivery priorities - improved connections across Scotland; better journey times; better reliability; greener transport alternatives, reduced emissions; increased safety; more innovation – are all set in that context. We are refreshing our commitment to them as part of our on-going business planning process. This provides 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 drawn from our Corporate Plan and Annual Business Plan covering the past year. Delivery against our targets for 2012-13 is summarised on pages 18-20.

Governance

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

Current Directors:-

- David Middleton, Chief Executive
- Roy Brannen, Trunk Road and Bus Operations
- Donald Carmichael, Transport Policy
- Aiden Grisewood, Rail
- Sharon Fairweather, Finance and Analytical Services
- Ainslie McLaughlin, Major Transport Infrastructure Projects
- John Nicholls, Aviation, Maritime, Freight and Canals

DELIVERY AGAINST OUR PRIORITIES

Annual Review

The Agency publishes a separate Annual Review document, and the 2013 version is available on the Agency website http://transportscotland.gov.uk. The Review document provides a user friendly and accessible guide to our activities in 2012-13, although it is not formally part of the Annual Report.

Improved connections across Scotland and internationally

Transport Scotland continued to manage its delivery priorities and commitments in the context of the National Transport Strategy, monitoring and reviewing its on-going implementation. We sought new opportunities to engage with European transport projects, and further strengthened our ties to existing European initiatives. We continued to deliver strong support to Parliament, its procedures, and its committees. We explored and recommended new ways in which the transport function could be integrated and developed further in the future. We identified and implemented policy interdependencies across Transport Scotland and the wider Scottish Government, with the aim of forging stronger connections to help improve delivery of our business.

As part of the **Queensferry Crossing the Contact and Education Centre/Traffic Scotland Control Centre** construction has been completed. The Contact and Education Centre was opened on 21 January 2013. The Contact and Education Centre will act as a central point for public information and enquiries relating to the Queensferry Crossing construction process, in line with the requirements of the project's Code of Construction Practice (CoCP). It also includes an exhibition area providing information on the project and for conducting educational activities around the construction.

The Traffic Scotland Control Centre has from April 2013 become the new main operational base for the Traffic Scotland Service which uses intelligent transport systems to process and distribute real time information about the current state of the strategic motorway and trunk road network as well as providing other supplementary information on other modes of travel. The Traffic Scotland Control Centre will also act as a coordinating hub during transport related emergencies, disruption and periods of severe weather.

The Queensferry Crossing has been making good progress with the launch of the Fife Intelligent Transport System (ITS) on 4 December 2012. This has a dedicated bus lane and also variable speed limits which will be used during periods of congestion to smooth traffic flow, cut jams and make journey times more reliable.

The nominations for naming the new Forth bridge opened in November 2012 and closed at the end of January 2013. Over 7,600 unique suggestions were received and the independent advisory panel agreed a shortlist for the public to vote on. The shortlist and voting process was announced in late Spring 2013 with the winning name of "Queensferry Crossing" announced on 26 June 2013.

We have continued to work with airlines and airport operators and with other Scottish Government agencies on the development of direct international **air routes** to Scotland to foster inward investment, business and inbound tourism traffic.

The **National Roads Maintenance Review** explored how Transport Scotland could work more closely with Local Authorities and what could be learned from international road maintenance practices. The review, delivered in partnership with all those responsible for road maintenance in Scotland, was concluded in July 2012.
The implementation of the 30 initiatives the review identified has begun across all of Scotland's 33 roads authorities. Once complete, evaluation will be carried out to ensure future initiatives are targeted at areas which deliver greatest benefits. Governance arrangements are also in place, led by the Minister for Transport and Veterans and Councillor Stephen Hagen, COSLA spokesperson for Regeneration and Sustainable Development.

In October 2012 we welcomed the unanimous Supreme Court ruling that allowed the Aberdeen Western Peripheral Route (**AWPR**) to finally move forward to the procurement and construction phases of the project. Ground investigation and advance preparatory work started on the ground almost immediately. In January 2013 an Industry day was attended by over 60 UK and European construction organisations interested in bidding for the combined AWPR/Balmedie-Tipperty Non Profit Distributing (NPD) contract. When complete the combined projects will provide a significant boost to the economy of the North East, creating over 14,000 jobs as well as environmental and road safety benefits.

In December 2011 Scottish Ministers announced that they intended to dual the **A9** between Perth and Inverness by 2025. Since that time Transport Scotland has developed a strategy to achieve this challenging programme.

Transport Scotland is currently undertaking an assessment of the A9 corridor and consulting a wide range of stakeholders along the route. To help in this evaluation, contracts were awarded for the Strategic Environmental Assessment and Preliminary Engineering Support Services Commission in September 2012. These contracts allow the road corridor to be defined and assessed from the strategic environmental aspect and define the key principles on issues such as junctions, lay-bys, rest areas and what environmental constraints will affect the dualling. We are currently on course to have the first section between Kincraig and Dalraddy ready for construction to start in 2015/16. A further section between Luncarty and Birnam will be ready in 2017.

In June 2012 the Scottish Ministers submitted their **High Level Output Specification** (HLOS) for the period 2014 to 2019 (Control Period 5) to the Office of Rail Regulation (ORR) and set out a £5 billion package of investment in Scotland's rail infrastructure and services. This investment secures the economic and social benefits of the ScotRail and Caledonian Sleeper franchised services and supports the delivery of a major programme of network enhancements including the Edinburgh to Glasgow Improvement Programme (EGIP), Borders Railway, Highland Main Line Phase 2, Aberdeen to Inverness Rail Improvements Phase 1, and a rolling programme of electrification. An additional £140 million will be made available across separate industry funds to improve the capacity and capability of the network, including a £30 million station fund and £10 million to accelerate the closure of level crossings, making our railways even safer and more efficient.

Better journey times, better reliability, quality and accessibility
The final Ferries Plan was published in December 2012 which sets out the strategic way forward for all of Scotland's ferry services over the next decade. The first of the new hybrid vessels, the MV Hallaig, was launched by the Deputy First Minister at Ferguson Shipbuilders, Port Glasgow in December 2012. This vessel will enter service on the Sconser-Raasay route in summer 2014.

Services commenced on 1 April 2013 under two new contracts that will ensure Scotland's trunk road network continues to be efficiently managed. Under Transport Scotland's **4th Generation (4G)** contracts BEAR Scotland and Scotland TranServ have taken on responsibility for provision of maintenance services for the north west and south west units respectively.

These contracts, which run for five years with scope for extending for a further five years, will further improve the delivery of trunk road maintenance operations in Scotland, including enhanced winter maintenance and improved journey information.
Scotland's trunk roads are fundamental to the economic well-being of the nation. They connect cities and towns; commuters and workplaces; business and customers.

Hence we must strive to provide a well maintained roads network with reduced congestion and reliable journey times. These contracts are central to that vision by providing a high quality and value for money trunk road maintenance service. They also contribute to the economy in their own right by directly supporting around 500 operational and professional jobs and through the wider supply chain, with local firms benefiting on a regular basis. Procurement is also now underway for the east contracts which will commence service on 1 April 2014.

On 4 July 2012 the Minister for Transport announced details of the **EGIP** scheme and the first phase to be taken forward for delivery. Based on 4 trains per hour, with longer trains and extended platforms at Queen Street Station, Phase 1 electrifies the core Edinburgh Glasgow via Falkirk line, the Cumbernauld lines in time for the Commonwealth Games and delivers the new Edinburgh Gateway Station with connection to Fife line services.

Other elements of the current EGIP Programme i.e. electrification of Dunblane /Alloa services, Glasgow connectivity with Edinburgh Gateway station and the proposal for 6 trains per hour on the route via Falkirk, could be delivered in later phases. However, a decision to progress would be dependent on High Speed Rail and wider capacity and affordability issues.

Network Rail is currently delivering Haymarket Station Capacity and Electrification Advance route clearance works with a combined value of £55 million. The Haymarket Station works are on schedule for completion by December 2013.

We have recently reached agreement with Network Rail on the **Cumbernauld Electrification** works, with a value of £80 million. The advance works have commenced with a delivery date in advance of the Commonwealth Games for the introduction of the electrified service to Cumbernauld.

In November 2012, the Deputy First Minister announced the planning for **High Speed Rail** between Edinburgh and Glasgow, to be completed by 2024. We will plan for a new line allowing journey times of less than 30 minutes between the cities, and a link to the West Coast Main Line. Work on the creation of a business case is on-going and will report in early 2014. We will also work with Department for Transport (DfT) on the further planning of the HS2 network, including route options for high speed connections between Scotland and England.

Work on the **Borders Railway** is now fully underway following the formal transfer of the delivery role to Network Rail in November 2012. Mining remediation works are now well underway in the north section of the route, to stabilise the ground ahead of the main construction phase beginning. Similar earth works will become evident right along the route by May this year, with work on the large structures also starting during the summer months. The Borders Railway will be the longest new domestic railway to be constructed in Britain for over 100 years, with 30 miles of new railway line.

The 23 span **Lothianbridge Viaduct** is the largest existing structure on the route (constructed in 1847), located in the Midlothian town of Newtongrange, one of the four station locations in the Midlothian area, with a further three in the Scottish Borders. Trains will run every half hour at peak times and journey times between Tweedbank and Edinburgh will take less than one hour.

The railway will deliver major economic and social development opportunities, offering a fast and efficient service connecting directly with Edinburgh and the wider Scottish rail network that will be a real alternative to the local road network.

ScotRail will enhance off peak Saturday provision by extending its **Glasgow to Irvine** via Paisley GS services on to Ayr from May 2013. It is also progressing proposals to extend its Glasgow to Irvine via Paisley GS services onto Ayr on weekdays from May 2014.

The overall impact of the December 2012 timetable is a significant improvement in services between Glasgow, Ayrshire and Inverclyde including improvements in journey times, better ferry connections, more off peak services and increased calls at Paisley Gilmour Street. All routes benefit from reduced journey times, with some services being up to 10 minutes quicker than previously. As well as benefiting existing rail passengers, the new timetable is forecast to generate more than 0.5 million new rail journeys per year.

Two million pounds of advance works have been undertaken to trunk road, local road and rail infrastructure to reduce the impact of the re-surfacing of the **Kessock Bridge** on the travelling public. These include signalisation of the Longman Roundabout, upgrading and re-opening of Conon Bridge Railway Station, additional car parking at Beauly and Dingwall Railway Stations, additional buses and trains at peak times, as well as a southbound HGV/bus only lane on the A9. The measures will leave a legacy of improved journey choices with reduced travelling times.

It was realised when planning these works that some delays were inevitable but we should aim to reduce their impact. This has resulted in close co-operation across Transport Scotland disciplines, Traffic Scotland, stakeholders and the Operating

Company. As a result, delays experienced to date have not proven to be as disruptive as they could have been. This project has shown the value of in-depth pre-planning and thorough communications and as a follow up we are providing trunk road users with real time information and options when planning their journeys to ensure traffic disruption is minimised.

Low carbon technology and infrastructure, reduced emissions

On **Climate Change Adaptation**, we have developed objectives and policies for transportation in the Scottish Adaptation Programme. Similarly, we have collaborated with the Society of Chief Officers of Transportation in Scotland, Network Rail and ScotRail amongst others to begin the development of a transportation noise action plan for the Scottish Government.

We have partnered and collaborated with key agencies and public bodies in Scotland through focus groups; one of which is leading on evidence and advice on technical solutions to Air Quality Management. It will hold a Low Emission Zones event during the summer and an annual conference later in the year at which we will describe our work to date. We have also engaged with local schools and the Glasgow Science Centre to deliver practical ‘world of work’ experiences to young people, in tandem with staff becoming Partner in Business mentors via the Career Academies UK charity.

Our delivery of low carbon, active and sustainable transport aspirations involves a range of activity around widening travel choices; reducing the need to travel; and decarbonising the road transport sector. During the year, our **E-cosse** partnership initiative - which brings together Transport Scotland with car manufacturers, power companies, local authorities and WWF Scotland - to promote the uptake of electric vehicles (EVs) was launched and its strategic board met twice. An EV Roadmap for Scotland is being prepared for publication by end of 2013.

Proposals were announced by the Minister for Transport on 6 February 2013 outlining funding for free installation of home charging points throughout Scotland; public charging outlets at least every 50 miles on trunk roads; and an integrated network joining up electric vehicles (EV) with public transport. The £2.6 million investment (including £750,000 from Transport Scotland), will also support installation of charging points at leisure facilities and local authority public car parks, as well as funding for charge points at workplaces. It will connect EV drivers on the Scottish islands through charging points at ferry terminals. There will also be a network of charging points in place in time to be used by officials and visitors to the Commonwealth Games in Glasgow. The Scottish Government’s new **ChargePlace Scotland** web pages will carry the locations of all the charging points, details of financial help to get an EV on the road and all the benefits of joining the EV revolution.

Electric Vehicles (EVs) are a central part of the Scottish Government's commitment to the decarbonisation of road transport by 2050. A Scotland wide network of “Pay as you go” publicly available electric vehicle charging infrastructure is being installed at 50 mile intervals across the primary roads network. In addition facilities in and around the seven Cities of Scotland is also being provided. Expenditure has totalled £8.5 million since 2010-11 and is being maintained at a rate of £2.5 million per annum. Each location is available via a network branded as "Charge Place" Scotland at http://www.greenerscotland.org/travel/electric-vehicles

Some 400 charging posts or 600 points will be present, approximately 250 of which were publicly available by early summer 2013, in homes, workplaces and in publicly accessible locations. The next phase of the network (again with funding from DfT/OLEV) is also about to be launched with the primary road network continuing and across medium sized centres of population in conjunction with CoSLA.

The third round of the **Scottish Green Bus Fund** built on the success of the previous two rounds. The Fund aims to reduce the cost of low carbon vehicles by encouraging economies of scale, making the vehicles more commercial. Successful bids to round three totalling £2 million were announced in March 2013. The funding will assist four bus operators to purchase twenty-five low carbon buses which will come into operation as part of Scotland's bus network by end March 2014. Including the new buses from round three, the Fund will have assisted operators in purchasing 95 new low carbon vehicles since it was introduced in 2010. The investment will also stimulate demand for green technology in Scotland.

We will launch a **Bus Investment Fund** in 2013-14 aimed at supporting partnership solutions involving local transport authorities, bus operators and others to improve services and increase patronage.

Changes to the **Bus Service Operators Grant** came into effect from April 2012, replacing fuel factors specific to each operator with a standard factor per kilometre for the whole of Scotland. The new arrangements use the same method of calculation for all operators in Scotland, incorporating incentives to use fuel more efficiently and for running low carbon vehicles, both of which favour urban areas where air pollution due to fuel use is more of a problem, and for biodiesel use. The use of mileage as a basis for payment supports the bus network and helps to keep fares lower than they might otherwise have been.

The specific rail element of Transport Scotland's carbon management system, the **rail infrastructure projects tool**, is to be used by Rail Safety and Standards Board (RSSB) as the blue print for a carbon management system to suit the needs of the wider UK rail industry. The project is scheduled to start in Autumn 2013, running for two years and has secured funding of £194, 000 to develop among others, whole life carbon and cost elements. Transport Scotland will be joined on the project steering group by representatives from Department for Transport, Network Rail, Transport for London, High Speed Rail 2, Train Operating Companies, Rolling Stock Companies and supply chain representatives. The tool will continue to be used by Transport Scotland to enable them to comply with the requirements of the Climate Change (Scotland) Act 2009. Collaboration with the Rail Safety Standard Board will enable new developments in carbon management across the UK rail industry based on the rail elements of our CMS.

During 2012-13 we published our first **Sustainability Report,** which provided a snapshot of our operational carbon emissions during 2011**,** which were reduced by 7% during 2011 following our Carbon Management Plan actions. Our Carbon Management Plan has also been refreshed - under the auspice of the Carbon Trust's Carbon Management Programme – with new data, baseline and targets.

Increased safety, more innovation

As the sole shareholder in **HIAL** (Highland and Islands Airports Limited) Transport Scotland supports the company's maintenance and improvement of safety in the operation of its 10 airports in the Highlands and Islands of Scotland and also Dundee Airport.

M9 Chartershall Bridge

Transport Scotland completed the £2.2 million replacement of this essential bridge across the M9 that links several local communities in the Stirling area, on programme and to a tight budget. Following detailed consultation with stakeholders and local residents the decision was taken to replace the existing bridge with a new structure. The new bridge opened to traffic on 9 November 2012.

Transport Scotland is committed to strengthen or replace life expired and sub-standard structures, which cannot safely carry modern commercial traffic, on the **A82**. Over the last 7 years we have invested over £12 million of an estimated £28 million programme. Since 2005 new bridges have been built at **Allt Chonoglais** – Bridge of Orchy; Lairig Eilde, Glencoe; Achnambeithach, Glencoe; Loch Ba, Rannoch Moor; and a major strengthening at Stuckindroin near Ardlui.

A9 Kessock Bridge Resurfacing and Barrier Contract

Following a period of extensive consultation and engagement, Transport Scotland awarded the £13.2 million contract for A9 Kessock Bridge Resurfacing and Barrier Replacement. These essential repair works involve replacing the original 31 year old surfacing and repairing defects to the steel deck. The works include state-of –the –art surfacing materials to provide a higher specification more durable and long lasting surfacing. The Phase 1 started on 11 February 2013 for 17 weeks to the northbound carriageway for 17 weeks and Phase 2 is programmed to start in spring 2014 for 20 weeks. The contract is in 2 phases to avoid any works on the A9 during the peak tourist summer months of July and August.

Speed limits on Scottish trunk roads have been carefully reviewed to see if changes can help improve driver experience and increase safety**.** Transport Scotland has published the findings of the Speed Limit Review on its website, October 2012 and this is available at:
http://www.transportscotland.gov.uk/road/safety/Speed-limit-review

Continually improving performance and organisation

A new **Scottish Road Works Commissioner** was appointed in January 2013 following the retirement of her predecessor. We will continue to support the Commissioner and her office in working to reduce the impact and duration of road works.

In 2008, Transport Scotland undertook a **Strategic Transport Projects Review (STPR)** 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 jointly in that wealth. The priority projects i.e. the Queensferry Crossing, Highland Main Line, Edinburgh to Glasgow Improvements Programme and Aberdeen to Inverness Rail Line are progressing well. In addition, Transport Scotland is continuing to work with partners and stakeholders to take forward the development and design of the other projects, such as the A96 Inveramsay Bridge Improvement Works, the A737 Dalry Bypass and the A77 Maybole Bypass.

Transport Scotland has facilitated the introduction of **Decriminalised Parking Enforcement (DPE)** in Fife and East Renfrewshire Council areas. Under DPE, parking enforcement becomes the responsibility of the local authority, rather than the police. The benefit of DPE is that any additional revenue is kept locally and is used to improve off-street parking, traffic management and public transport. Transport Scotland continues to work closely with Argyll and Bute, East Dunbartonshire and Inverclyde Councils to develop similar plans for their respective areas.

During 2012-13 Transport Scotland worked with Applied Card Technologies Limited (ACT) to complete implementation of its next generation 'ITSO HOPS', a specialist ticketing transaction service. ITSO HOPS is the 'back office' data processing system for the concessionary travel scheme and smart ticketing. The service delivers enhanced performance and fraud prevention measures, and the final **Gateway Review** of the project (in November 2012) gave it a “green” status.

The new **HOPS** have also been used to develop Hotlisting, whereby inappropriately used concessionary travel passes can be identified and blocked. This is now in full use across the Scottish bus network, with very positive results, and represents yet another important element of Transport Scotland’s package of anti-fraud measures. We also introduced a customer Hotline in July 2012 to enable passengers to report potential abuse of the concession scheme.

On 1 October 2012 the Deputy First Minister launched our **Smart Ticketing Delivery Strategy.** This is an ambitious programme to build on and develop the ticketing and back office infrastructure already in place across Scotland, with the long term vision “That all journeys on Scotland’s bus, rail, ferry, subway and tram networks can be accessed using some form of smart ticketing or payment”. The first phase of delivery involves working with willing partners – typically Local Authorities, Regional Transport Partnerships and transport operators – to establish pilot projects, and so far over 20 such projects are underway.

Tenders for the £415 million **M8 M73 M74 Motorway NPD** contract got underway in June 2012 with four major consortia invited to bid for the first round. The two consortia selected to go forward to the final tender stage was announced in February 2013. Construction is expected to commence in late 2013 with completion by 2017.
When it opens, the new section of road will shave up to 18 minutes off journeys at peak times for vehicles using this busy section of the M8 each day. It is also expected to directly support hundreds of jobs, as well as many more in the supply chain.

The Minister for Transport and Veterans announced in December 2012 a **fares cap** had been negotiated with ScotRail which means peak fares will be capped in January 2014 and 2015 to RPI. Current off peak fares will be frozen provided RPI remains below 3.5% per annum for the remainder of the franchise. The Minister also intends that the next ScotRail franchise will bear down further on the cost of fares for passengers, including ensuring fares will not rise above inflation and it being a condition of the next franchise that off-peak fares will change annually by 1% below inflation (RPI) from 2016.

ScotRail is currently installing new infrastructure at stations and upgrading equipment to enable more rail ticket products to be available on Smartcards. Passengers will be able to purchase season ticket products this year which will utilise these enhancements.

Transport Scotland continued to work with **Strathclyde Partnership for Transport** (SPT) on the Fastlink project. During 2011-12 the Scottish Government committed to providing funding of up to £40 million for the project. Fastlink will provide fast access to jobs, services and communities along a key development corridor, including healthcare services at the new South Glasgow Hospitals, and improve transport links for the Commonwealth Games. It will also contribute to the Scottish Government's aim of supporting long term economic growth by acting as a catalyst for regeneration and better land use. The Fastlink core scheme will incorporate the three main transport hubs in Glasgow city centre (Glasgow Central Station, Glasgow Queen Street Station and Buchanan Bus Station) in addition to the route from the SECC to the new South Glasgow Hospital Campus in Govan.

We also continued to work with SPT on its Glasgow Subway Modernisation programme. During 2011-12 the Scottish Government announced that it will provide up to £246 million funding contribution for the scheme, estimated to cost £287.5 million in total. The substantial upgrade will deliver: new bespoke trains; refurbished stations; an upgrade of signals; integrated smartcard ticketing; and improved accessibility for passengers. This will provide an economic boost to Scotland's biggest city, link to other transport infrastructure improvements and contribute to the city's regeneration.

We set up a **Bus Stakeholder Group** in 2012 as a consultative body to take forward bus policy development and implementation, with representatives from across the sector including regulators, operators, transport authorities, community transport and bus users. The Group's fourth meeting was chaired by the Minister for Housing & Transport, Keith Brown MSP, on 28 February 2012. Meetings are held quarterly.

We are supporting the establishment of **Bus Users Scotland**, a branch of Bus Users UK, to strengthen the representation of user interests in bus policy and to provide additional on-street monitoring of bus services and arrangements for handling complaints about bus services to replace those operated by Passenger Voice Scotland, which is being disbanded from April 2013.

Following a successful trial last year all 59 c170 diesel trains will now be fitted with **WiFi** enabling equipment by the end of 2013. These trains operate on the main inter-city routes and will allow passengers to access WiFi on train between the seven main cities of Glasgow, Edinburgh, Aberdeen, Dundee, Perth, Stirling and Inverness.

The completion of phase one of the Highland Main Line Improvements project saw journey time improvements of up to 18 minutes between Inverness and the Central Belt from 9 December 2012.

Transport Scotland has been working with the Regional Transport Partnerships (RTPs) during 2012 and 2013 as part of a joint working group looking at how to improve the operation and make best use of RTPs and we will continue to work with the RTPs during 2013 to take forward the agreed findings from the Group once it has concluded its work.

In early 2013 we commissioned the first major customer feedback exercise on the **concessionary travel scheme**, with around 6,000 concession cardholders interviewed. The results of this exercise will be published later in 2013.

The capture and transmission of key information on each individual concessionary travel journey enables us to apply enhanced validation and analytical techniques to reimbursement claims before payments are made to operators for concessionary journeys. Significant financial savings continue to be made as a result of this scrutiny, with outputs being used to inform the robust application of our fraud strategy. We continue to report suspicions of fraud directly to the Crown Office. In addition to the introduction of Hot listing which blocks the recording of journeys on inappropriately used concessionary travel passes, the Unit has developed and is refining further anti-fraud measures in relation to the use of Companion cards.

A two year agreement was reached in January 2013 with the Confederation of Passenger Transport which will safeguard the National Concessionary Travel Scheme until 2015. Based on independent economic analysis, it was agreed to reduce the rate of reimbursement to bus operators from 67% to 60% in 2013-14 and to 58.1 % in 2014-15. Transitional support has been provided to operators to adjust to the new rates with an additional £10 million provided in March 2013. The agreement includes budget caps of £187 million in 2013-14 and £192 million in 2014-15. The National Bus Travel Concession Scheme for Older and Disabled Persons (Scotland) Amendment Order 2013 came into force on 1 April 2013 to implement the changes.

In February 2013, agreement was reached with City of Edinburgh Council that they would fund and put in place concessionary travel on Edinburgh trams for their residents as part of their local concessionary travel arrangements. The trams will not, therefore be included in the national scheme.

We have commissioned a research project which will take place over 2013 and 2014 to gather the views of older and disabled people about the national concessionary travel scheme. Findings will be used to inform and improve the administration of the scheme, and identify reasons for travel and perceived benefits of the scheme.

As a result of the implications of the UK Government’s changes to the Welfare benefit system, Transport Scotland has introduced The Welfare Reform (Consequential Amendments) (Scotland) Regulations 2013 to allow those in receipt of specific aspects of the mobility component of Personal Independence Payment (PIP) to passport to the Blue Badge Scheme. This arrangement is already in place for those disabled persons who receive the Higher Rate of the Mobility Component of Disability Living Allowance. By using the PIP award notification letter as proof, a person who falls within the criteria identified by the regulations can apply for a Blue Badge without the need to undergo an assessment by the local authority.

Transport Scotland is also assisting Dennis Robertson, MSP for Aberdeenshire West, on the consultation to introduce the Disabled Persons’ Parking Badges (Scotland) Bill which will strengthen the current law to allow for better enforcement of the Blue Badge Scheme.

Other significant milestones during the year include:

Contract Awards

- The £17 million A75 Dunragit Bypass contract was awarded in March 2013 with work expected to be completed in 2014.
- The £10 million A77 Symington to Bogend Toll contract was awarded in February 2013, with work expected to be completed in 2014.
- The £9 million A75 Hardgrove contract was awarded in February 2013, with work expected to be completed in 2014.
- The £9.2 million A82 Pulpit Rock contract was awarded in February 2013 and is expected to be completed in 2014.

Procurement

- Tenders for the £415 million M8 M73 M74 Motorway NPD contract got underway in June 2012 with 4 major consortia invited to bid for the first round. The 2 consortia selected to go forward to the final tender stage was announced in February 2013. Construction is expected to commence in late 2013 with completion by 2017.

    - The OJEU notice inviting expressions of interest to tender for the A82 Crianlarich Bypass was issued in February 2013.

CORPORATE PLAN DELIVERY 2012-2015

Our Corporate Plan for the years 2012-15 committed transport Scotland to delivering a number of key achievements. Progress over the last two financial years has been as follows:-

No.	Corporate Plan Delivery Commitments 2012-15	2011/12	2012/13
Improved connections across Scotland and internationally			
1	Continue and monitor construction of the Queensferry Crossing as programmed.		Achieved
2	Work with colleagues in Scottish Government and with Planning Authorities to deliver our Development Planning responsibilities		Achieved
3	Develop a future transport infrastructure programme in line with recommendations of the Strategic Transport Projects Review		Ongoing
4	Work alongside the City of Edinburgh Council to deliver the Edinburgh Trams project		Achieved
5	Continue to progress the Aberdeen Western Peripheral Route (AWPR) and the A90 Balmedie to Tipperty projects and design work to improve Haudagain roundabout		Achieved
6	Continue construction of the Borders Railway		Achieved
7	Drive forward objectives for cross-border High Speed Rail		Achieved
8	Continue to 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 by 2025, and the A96 by 2030.		Achieved
9	Continue to develop and improve railway stations	Achieved	Achieved
10	Contribute to the development of the modernisation programme for the Glasgow Subway		Achieved
11	Work with aviation and maritime sectors to maximise connections and contribution to the Scottish economy		Achieved
12	Progress the M8 Baillieston to Newhouse, M8 Associated Networks Improvements and M74 Raith Interchange	Achieved	Achieved
13	Continue to deliver ferry services to the Northern Isles and Clyde and Hebrides including roll out of RET in line with published plans		Achieved
14	Work with ports industry and stakeholders to maximise opportunities arising from manufacturing, deployment and operations and maintenance of offshore renewable devices.		Achieved
15	Take forward the progress with the A737 Dalry bypass project and develop the design for Maybole bypass.		Achieved
16	Take forward the procurement and construction of the A75 Dunragit Bypass scheme		Achieved

Better journey times, better reliability, quality and accessibility			
17	Continue to maintain operate and improve the trunk road network to a high standard, to maximise value for money, to provide a high quality service to the travelling public keeping disruption to a minimum		Achieved
18	Procure and deliver contracts to manage and maintain the trunk road network in the west (2012) and East (2014) of Scotland		Achieved
19	Continue to progress improvements to the A82 including Crianlarich bypass and Pulpit Rock, and the design work to upgrade the A82 Loch Lomond. Continue to progress improvement on the A96 Inveramsay Bridge		Achieved
20	Work with rail industry to undertake reviews of timetables to reduce journey times and improve train service frequencies	Achieved	Achieved
21	Work with Network Rail to deliver the Edinburgh-Glasgow Improvements Programme	Achieved	Achieved
22	Extend and enhance the systems underpinning Traffic Scotland and Traveline Scotland to improve the delivery of travel information and trunk road traffic control.	Achieved	Achieved
23	Work with transport operators, Regional transport partnerships and local authorities to deliver Smart ticketing across Scotland	Achieved	Achieved
Low carbon technology & infrastructure, reduced emissions			
24	Provide more sustainable public transport alternatives to the private car and continue to manage the Concessionary Travel Schemes efficiently and effectively	Ongoing	Ongoing
25	Contribute to the development of Glasgow Fastlink core bus scheme in advance of the Commonwealth Games		Achieved
26	Work with rail industry to develop electrification programme	Achieved	Achieved
27	Improve rail journey times between our main cities	Achieved	Achieved
28	Work with freight industry to ensure that the movement of freight through the entire supply chain is efficient and sustainable, on an integrated and flexible transport infrastructure	Achieved	Achieved
29	Demonstrate environmental sustainability through the delivery of environmental protection, community benefit and climate change mitigation/adaptation across our operations, projects and maintenance activities.	Ongoing	Ongoing
Increased safety, more innovation			
30	Work jointly with partners to achieve Scotland's casualty reduction milestones for 2015, and to take forward the action plan set out in Scotland's Road Safety Framework to 2020		Achieved
31	Continue to develop and introduce innovative ways of improving the transport networks, for example overtaking lanes and flyover junctions	Achieved	Achieved
32	Provide a range of safety enhancements on the A9 and on the A75 and A77 routes serving the key ferry terminals	Achieved	Achieved
33	Work with bus operators to deliver quality and innovation		Achieved

Continuously improving performance and organisation			
34	Work closely with partners including all Scottish Local Authorities and Regional Transport Partnerships to deliver integrated transport solutions which support the SG Purpose and local and national outcomes	Achieved	Achieved
35	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 issues and safety policy	Achieved	Achieved
36	Work with key stakeholders on the National Roads Maintenance Review focussing on delivering efficiencies in managing the Scottish road asset	Achieved	Achieved
37	Manage delivery of the National Transport Strategy	Achieved	Achieved
38	Manage and monitor the delivery of transport services through appropriate contractual mechanism	Achieved	Achieved
39	Specify and deliver ScotRail franchise agreement for passenger services from 2014 onwards		Achieved
40	Work with Scottish Canals so that it can maximise its cross cutting contribution to the SG Purpose and national outcomes.		Achieved
41	Work with Office of Rail Regulation and industry to develop proposals on delivering a sustainable, integrated railway in Scotland.		Achieved
42	Improve resilience across the transport networks	Achieved	Achieved
43	Improve Business processes	Achieved	Achieved
44	Ensure that equalities and cultural issues underpin all of Transport Scotland's activities	Achieved	Achieved
45	Ensure effective implementation of the reforms to the Blue badge scheme, including associated legislation and support materials including a new on-line application form, revise leaflets and Code of Practice for local authorities.		Achieved
46	Continue to support Mobility and Access Committee Scotland (MACS) and Passengers' View Scotland in promoting increased accessibility and providing advice to Ministers from the passenger perspective.		Achieved
47	Develop and deliver a programme of transport statistics collection, analysis and publication, and for Transport Social and Economic Research.	Achieved	Achieved
48	Deliver an evidence base to inform the development of effective Scottish transport policy including a Transport Social and Economic Research Programme.	Achieved	Achieved
49	Deliver efficient operation in line with Efficient Government and the SG Workforce 2015 programme and People Strategy.	Achieved	Achieved
50	Facilitate robust investment planning and decision making processes		Achieved

TRANSPORT SCOTLAND: SUSTAINABILITY REPORT

Transport Scotland is required to meet the various climate change public bodies duties in the climate change legislation (Climate Change (Scotland) Act 2009). This covers operational activity for example through energy use in offices and official travel. A voluntary approach to reporting this information is encouraged under the Scottish Government published guidance, *"Public Sector Sustainability Reporting: Guidance on the Preparation of Annual Sustainability Reports Financial Year 2011-12".* From this financial year, Transport Scotland have decided to include this information as part of the Annual Report and Accounts.

The Sustainability Report 2012-13 sets out progress in meeting Transport Scotland's (unpublished) Carbon Management Plan (CMP) 2011-13. The report itself covers the financial year 2012-13.

Transports Scotland's overall and absolute target for the reduction of emissions is 16% by 2015-16. This is challenging but realistic. The overall target for 2015-16 can be analysed as follows:-

- Business Travel emissions – a reduction of 19.4% from the baseline
- Commute Travel emissions - a reduction of 7.8% from the baseline
- Office Energy emissions – a reduction of 6.1% from the baseline
- Office Waste emissions – a reduction of 25% from the baseline

Detail of current progress is provided below in the three main areas of energy, travel and waste.

Corporate Operational Carbon Emissions (2012/13)

Element		Metric	Baseline in 2010/11	Actual in 2011/12[1]	Actual in 2012/13[1]	% change compared to previous year	Indicator	Finance[2]
Total Emissions	**-**	kg/ CO2e	**1,803,591**	**1,026,772**	**1,060,455**	**+3%**		**£475,074**
Energy (Scope 1&2 GHG emissions)	**Electricity (BH)**	kg/ CO2e	**315,768**	**301,577**	**313,774**	**+4%**		**£186,467**
	Gas (BH)	kg/ CO2e	**221,376**	**180,905**	**220,539**	**+22%**		
Travel (Scope 3 GHG emissions)	**Business Travel**	kg/ CO2e	**186,547**	**165,145**	**152,052**	**-8%**		**£267,156**
	Commute Travel	kg/ CO2e	**359,100**	**377,154**	**372,009**	**-1%**		**-**
Waste	**Waste**	kg/ CO2e	**1,097**	**2,316**	**2,405**	**+4%**		**£21,450**

[1] kg/CO2e figures are based on the DEFRA 2012 GHG conversion factors.

[2] Financial information is inclusive of VAT except for business travel which is zero-rated. Our energy finance figure represents the total cost of 'utilities' consumed by Transport Scotland (TS) at Buchanan House. Our waste finance figure represents the total service charge for the floor area occupied by Transport Scotland at Buchanan House, which includes waste management, pest control and window cleaning. The financial figures are based on information supplied by DTZ annual calendar basis through their service charge budget document (2012).

Our corporate emission equates to business travel, commuter travel, office energy consumption and office waste as defined in our Carbon Management Plan. The table above combined with the text below offers a snapshot of our corporate emissions performance for the financial year 2012-13, with fuller details to be provided in our forthcoming Sustainability Report, which will be published in late July 2013.

In 2012-13 there has been a 3% increase in Transport Scotland operational emissions, as a result of increased utility use within Buchanan House due to an extended cold winter period. Nevertheless, energy emissions for this building are still below the baseline.

Energy

The utilities information above is specific for Buchanan House (BH) only. Whilst a thermal comfort policy was implemented in 2011-12, a combination of long winter weather from late winter to spring months (November 2012 – March 2013) and an increase in the grid emission factor may account for the sharp increase in both gas and electricity consumption. Nevertheless, energy emissions are still below the baseline.

Travel

Emissions from business travel were reduced by 8% compared to the previous financial year. Significant emission reductions were achieved for air travel (down 39%), hire car (down 13%), taxi (down 21%), underground (down 61%) with increases in public transport namely rail (up 14%) and bus (up 59%). Commute travel has also decreased by 1%, as a result of a reduction in staff numbers.

Waste

Improved data collection has resulted in an overall 4% increase in reported carbon emissions. The underlying carbon emissions have remained stable.

GOVERNANCE STATEMENT

I am pleased to introduce the Governance Statement for 2012-13, which explains Transport Scotland's approach to corporate governance. Good governance is vital to effective financial and risk management.

The Scottish Public Finance Manual (SPFM), issued by Scottish Ministers to provide guidance on the handling of public funds, summarises the purpose of the Governance Statement as being to provide a clear understanding of the organisations internal control structure and its management of resources. The Statement should provide a sense of how successfully the organisation has coped with challenge and risk.

This Governance Statement will describe how the Agency and it's supporting governance structures work, how they have performed, and provides an assessment of how the Agency has been managed, including the effectiveness of the systems of internal control, risk management and accountability.

Accounting Officer's scope of responsibilities

Transport Scotland's role is to oversee 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. It also supports Ministers in prioritising future transport policy and investments and promoting sustainable transport and road safety.

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

Transport Scotland Audit and Risk Committee

The Audit and Risk Committee comprises three external members to bring independent judgement and challenge to the governance of the Agency. The Committee meets four times a year, although the Chair of the Audit and Risk Committee may convene additional meetings as deemed necessary. Audit and Risk Committee meetings will normally be attended by myself as Accountable Officer for the Agency, the Director of Finance and Analytical Services, the Head of Internal Audit (IA) (or representative), and a representative of external audit (Audit Scotland). In addition, the Audit and Risk Committee may ask any other Transport Scotland officials to attend to assist it with its discussions.

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

Principles of Corporate Governance in Transport Scotland

Corporate governance is the system by which organisations are directed and controlled and is concerned with the structures and processes for decision-making and accountability. Transport Scotland, in line with all public bodies, must have at their head, a group which is responsible for:

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

Within Transport Scotland, that group is the Senior Management Team who adhere closely to robust principles of Corporate Governance, namely:

Performance Review

All members of the Senior Management Team are subject to an annual objective setting exercise and year end performance appraisal, which are both formally recorded. Transport Scotland's delivery priorities are firmly focused on and closely linked to the Governments National Outcomes. Each year the Agency sets its objectives within the Corporate Business Plan and performance is monitored throughout the year and measured against targets at year end. Key achievements and progress are reported. In addition, every Directorate within the Agency sets key performance indicators for the service it provides and progress against these is noted at Senior Management level. Transport Scotland is also set an annual target to achieve efficiency savings across all areas and progress is reported to the core Scottish Government on a quarterly basis.

Accountability

The Transport Scotland Senior Management Team ensures that the principles of best practice contained with the Scottish Public Finance Manual are closely adhered to in all areas and also ensures that appropriate arrangements are in place to ensure that the public funds they are responsible for are properly safeguarded and used economically, efficiently and effectively.

Delegated Authority

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

Financial Management

The Management Team reviews financial performance across the Agency on a monthly basis as well as overseeing the timely production, on an annual basis, of an Annual Report and Accounts, confirming that it has complied with relevant standards of Corporate Governance. Transport Scotland's budgets are determined in the context of Spending Reviews, and continuous monitoring and accurate forecasting of out turn are essential in order to highlight significant deviations from budgets and to identify any potential corrective action. The management team has a key role in strategic financial decision making and reviewing in year spending priorities and has a duty to work corporately to secure sustainable outcomes within the authorised budget for the Agency.

Programme and Project Management

Transport Scotland adopts a comprehensive approach to programme and project management. All projects are overseen by a Project Board, chaired by the Project Sponsor. This includes the Queensferry Crossing, the Borders Railway, the M8/M73/M74 Improvements Programme, the Aberdeen Western Peripheral Route, Balmedie Tipperty and the Edinburgh to Glasgow Improvements Programme. The Project Boards incorporate a range of expertise including procurement, legal, technical and financial at a senior level. Their role is to oversee the delivery of the projects, including associated risk management, to ensure completion on time and budget. This includes the development and approval of associated business cases in line with the requirements of the Scottish Financial Reporting Manual.

Gateway reviews and other appropriate external reviews are undertaken at relevant stages to ensure that projects are capable of delivering their stated objectives.

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

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

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. Consequently, reasonable and not absolute assurance of its effectiveness can be provided. The system of internal control is based on an ongoing process designed to identify and prioritise risks, to evaluate 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 2013 and up to the date of approval of the Annual Report and Accounts. It is in accordance with the guidance from Scottish Ministers.

Review of effectiveness

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

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

Transport Scotland's internal auditors (whose work is undertaken to Government Internal Audit Standards) submit regular reports to the Audit and Risk 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.
Follow up work is carried out to confirm the effective implementation of recommendations agreed as a result of the audits.

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

Internal Audit Reports 2012-13

	Audit Area & Scope	**Outcome**
1	Anti-Fraud Measures	**Assurance Provided: Substantial** In general, controls were good. In particular, Internal Audit was impressed by the comprehensive reconciliation processes in place for direct running costs and also of the counter fraud culture encountered during the course of the review. Further evidence and assurance of this was taken from the recent Procurement Capability Assessment, which confirmed that Transport Scotland had retained its "superior" procurement status and that its overall score had increased from 84% to 91%.
2	Corporate Governance	**Assurance Provided: Substantial** Controls were also found to be good. In particular, Internal Audit was impressed with the business planning processes and the associated framework for reporting on progress. There were also robust governance frameworks in place in respect of delegated financial and purchasing authorities and also for risk management arrangements.
3.	Queensferry Crossing Construction Payments	**Assurance Provided: Substantial** In general, controls were found to be good, and there were no recommendations resulting from this review.

4	Post Project Evaluation	**Assurance Provided: Substantial** Controls were found to be good, and recommendations are intended to strengthen existing controls. Internal Audit was impressed by the quality of work within the development of the internal evaluation frameworks over the past year which incorporate Strategic Transport Appraisal Guidance (STAG) requirements and in particular, the draft Scottish Trunk Road Infrastructure Project Evaluation (STRIPE) guidance which is at an advanced stage of development.
5	Roads Maintenance	**Assurance Provided: Substantial** Controls were found to be good, and recommendations are intended to strengthen existing controls. Internal Audit was impressed with the work of the Project Team and their response to the impact of the unsuccessful legal challenge to the award of the tranche 1 contracts, and how this in turn impacted on the timeline for the procurement of the contracts, which at the time of fieldwork, were on track to be delivered on schedule.

In addition to the above reports, Internal Audit completed follow-up reviews on the following audits:

- Accounts Payable – 2011-12
- Scotrail Franchise Arrangements – 2011-12 audit
- Sponsorship Arrangements across Transport Scotland – 2011-12 audit (to be completed)

These follow-up reviews highlighted that all extant recommendations identified in the initial reviews had been implemented as agreed.

Best Value

The duty of Best Value applies to all public bodies in Scotland, and is a formal duty on Accountable Officers. Achieving Best Value is about ensuring sound governance, good management, public reporting on performance and a focus on improvement. Transport Scotland's aim is to drive improved value for money, ensure tight management of funds and sound asset management. Subsequent efficiencies will assist with the support of the investment programme.

Best Value provides a common framework for continuous improvement in public services in Scotland, and is a key foundation of the Scottish Government's Public Service Reform agenda. The Scottish Ministers expect all Accountable Officers to comply with the duty of Best Value placed upon them.

During the year 2012-13, Transport Scotland conducted follow up reviews and implemented further improvements in financial management procedures and in the processes for governance and accountability. Best Value Reviews in the previous financial year had highlighted that, whilst the Agency was operating efficiently in both of these areas, there was potential for enhancements which would further strengthen the processes.

In addition, a Best Value service review on sustainability was completed. This highlighted that overall Transport Scotland has arrangements in place to demonstrate a robust and forward looking approach to sustainability, with a key recommendation being that continued improvements such as utilising performance indicators and promoting the incorporation of sustainability into all projects and dealings with partners and stakeholders should be driven forward and continuously reviewed.

In 2013-14, it is the intention to conduct two further Best Value reviews in the areas of Risk Management and Asset Management.

Risk Management

Risk management forms a central element of the Agency's internal control framework. Risks are managed at the level most able to deal with them, with the most serious risks being escalated to the Senior Management Team. Each directorate has a designated risk co-ordinator who is responsible for facilitating an effective and regular review of risks to the delivery of objectives.

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

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

A high level Risk Strategy is in place, which sets 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.

Managing information and information security
Transport Scotland is committed to ensuring its information is managed and valued, with appropriate protection and use of our information assets.

The handling of data and information carries significant risks to Government departments, and Transport Scotland takes information security very seriously, in compliance with the ISIS (Information Security Information Systems) Security Frameworks and Data Handling policies.

Transport Scotland follows the Scottish Government key principles for good information management that all staff must follow. In basic terms the principles are that:

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

All staff and users of information technology within Transport Scotland must comply with the IT Code of Conduct and be familiar with its contents.

Counter Fraud / Review of risk of financial loss.
Transport Scotland takes a zero tolerance approach to fraud. All cases of actual or suspected fraud are investigated vigorously and promptly and disciplinary action is taken where appropriate. Transport Scotland have fraud, bribery and whistleblowing procedures in place to make clear how cases will be dealt with and how staff can report suspicions or concerns.

Transport Scotland also has a designated Fraud Officer and a Fraud Response Plan in place to ensure that timely and effective action is taken in the event of a fraud. Trained and experienced staff are available to advise, guide and assist in efforts to counter fraud. We also have a dedicated fraud hotline and are using more integrated fraud alert systems.

Details of cases of actual or attempted fraud that come to light during the financial year are reported within a Fraud Log for that year and are reported to the Transport Scotland Audit and Risk Committee.

The Agency actively participates in the fraud alerts system run by the National Fraud Authority, which seeks to share intelligence about specific fraud risks encountered across Government.

Within Transport Scotland there is a separate Concessionary Fares Fraud Team operating under the same policy as the rest of Transport Scotland. This is required due to the unique operating environment of the Concessionary Fares Scheme.
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The Agency participates in the National Fraud Initiative (NFI) in Scotland, which is a counter fraud exercise led by Audit Scotland assisted by the Audit Commission in

England. This is a data matching process to help public sector bodies to prevent and detect fraud and error in their financial systems, using computerised techniques to compare information about individuals held by different public bodies on different financial systems.

Business Continuity

Transport Scotland has a functional Business Continuity Plan, which has been reviewed during the year. The objectives are

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

David Middleton
Chief Executive
7 August 2013

STATEMENT OF CHIEF EXECUTIVE'S RESPONSIBILITIES

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

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

In preparing the accounts, the Agency is required to:

- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state where applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Transport Scotland will continue in operation.

The Principal Accountable Officer for the Scottish Administration has designated the Chief Executive of Transport Scotland as the Accountable Officer for the Agency. The Accountable Officer's relevant responsibilities, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Agency'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.

David Middleton
Chief Executive
7 August 2013

MANAGEMENT COMMENTARY

Financial Statements

The financial statements cover the period from 1 April 2012 to 31 March 2013. 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 13 August 2013.

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 (WS Atkins) 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 Public Partnerships (PPP) – the balance of control**
  Transport Scotland has three Private Public Partnerships (PPP) agreements in the form of Private Finance Initiative (PFI) contracts (M77 - Connect, M74/M6 – Autolink and the M80 Highway Management). These arrangements meet the definition of Service Concession Arrangements in accordance with the disclosure requirements of **SIC 29 Service Concession Arrangements**. The private sector operators are contractually obliged to provide the services related to the infrastructure to the public on behalf of the public sector. Transport Scotland retains overall control of the related assets and these assets are accounted for on Transport Scotland's Statement of Financial Position (SFP). The PFI contracts are for fixed terms of thirty years and annual payments are made to the respective Service Concession Contractors in the form of a unitary charge payment stream

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. Scottish Ministers activated a provision under the terms of the original agreement to extend the First Scotrail Franchise to 31 March 2015. In extending the contract, 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/Statement of Financial Position.

Edinburgh Trams
Transport Scotland has paid a grant to the City of Edinburgh Council as agreed in respect of work done on the Edinburgh Trams project in accordance with the grant agreement. To the end of 2012-13, Transport Scotland has paid £465 million of the agreed funding. Transport Scotland continue to provide expertise to the City of Edinburgh Council (who 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 were allocated in accordance with the Scottish Government Spending Plans and Draft Budget 2012-13 which authorised both the Scottish Government's and Transport Scotland's spending plans for the financial year 2012-13.

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 governed by suitability for alternative forms of finance (including Value for money -VFM) as well as availability. The business cases will usually demonstrate the VFM of a scheme in its own right as opposed to the VFM of different potential funding routes. The policy decision by Ministers set out in the Draft Budget 2013-14 is to maximise investment by utilising all available forms of finance (whilst working within their 5% affordability envelope for revenue financed schemes) in light of significant capital constraints. However, alongside that, an assessment will be made as to what is suitable for other forms of investment. So, for example, we know that smaller road capital schemes are not suitable for NPD but we do not normally specifically state that in the business cases.

Rail major projects may also be funded by borrowing through Network Rail, through the Regulatory Asset Base (RAB). 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. The ORR will make the final decision on whether rail investment can be added to the RAB or not, and it has rules it applies around that

Financial performance and use of resources

Transport Scotland was allocated resources by the Scottish Ministers, within the Spending Review 2011, of £2,060 million for 2012-13 (2011-12: £2,090 million). Of this, £1,916 million was funded from the Scottish Government Departmental Expenditure Limit (DEL)(2011-12: £1,916 million) ; £73 million represents Annually Managed Expenditure (AME) in respect of provisions released relating to land compensation and damage claims in respect of the road network (2011-12 £7 million); with the remaining £71 million (2011-12 £330 million) 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 Infrastructure and Capital Investment portfolio. The outturn against DEL represents a break even position. The overall underspend of £14.18 million (2011-12: £35.68 million) represents approximately 0.7% (2011-12: 2%) of the overall budget.

Transport Scotland 2012-13	**Actual £000's**	**Budget £000's**	**Variance £000's**
Resource - Operating Costs	982,803	951,480	31,323
Resource – Investment	478,895	473,891	5,004
Non-Cash	150,470	172,000	(21,530)
Capital	305,472	318,900	(13,428)
DEL total	**1,917,640**	**1,916,271**	**1,369**
AME	71,667	73,370	(1,703)
Expenditure on PFI schemes (ODEL)	56,966	70,811	(13,845)
Total	**2,046,273**	**2,060,452**	**(14,179)**

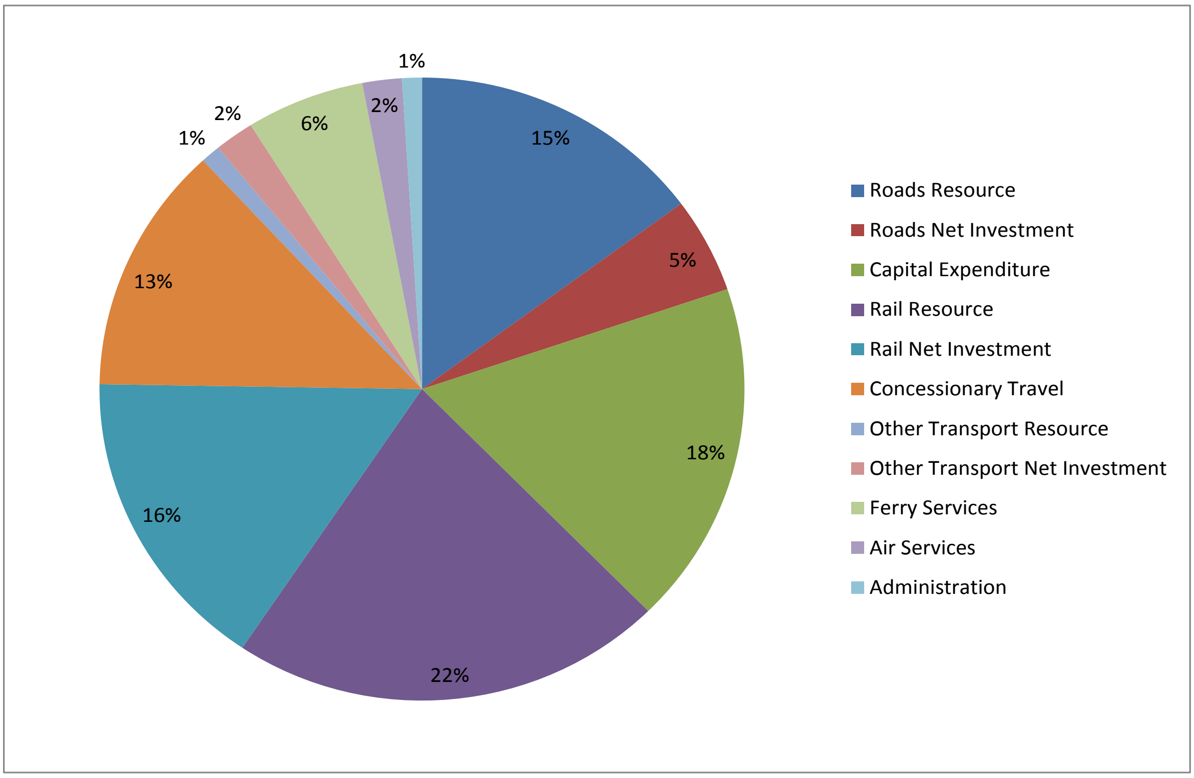
Spending is categorised as either capital or resource with separate budgetary cover for each. Resource is further sub-divided into investment in infrastructure (which although it may be capital in nature cannot be accounted for as such within Transport Scotland's accounts) and resource for consumption (operating costs). Transport Scotland has a significant infrastructure investment programme which allocates funding to our major rail and road projects as well as ongoing maintenance costs in the existing road and rail infrastructure.

The figures represent Transport Scotland's out-turn against the Scottish Governments Budget for 2012-13. The Statement of Comprehensive Net Expenditure (SoCNE) on page 54, identifies net operating costs of £1,669 million. Capital expenditure is not recognised as in year expenditure within the SoCNE, but the table below provides a reconciliation of out turn to SoCNE..

Reconciliation of 2012-13 Out-turn with Statement of Comprehensive Net Expenditure

	£000
Net Operating Costs per SoCNE	1,669,133
Add: Additions to Intangible Assets (Note 7)	Nil
Add: Additions to PPE (Note 6)	369,843
Add: Additions to Investments (Note 9)	10,600
Less : Disposals of Intangible Assets (Note 7)	Nil
Less: Disposals of PPE (Note 6)	(220)
Less: Disposals of Investments (Note 9)	(3,018)
Less : Disposals on Assets held for Sale (Note 8)	(65)
Out turn per Management Commentary	2,046,273

A further analysis of actual expenditure in 2012-13, is analysed below by operational area within Transport Scotland.



The majority of Transport Scotland's budget is spent, either directly or indirectly, with private sector companies. Only 1% of the budget is utilised on the ongoing Agency running costs.

The total asset value of Transport Scotland is £18 billion, the majority of which relates to the trunk road network asset. Additions to the value of the asset in year reflect the completion of the Fife Intelligent Transport System and M9 Junction 1a schemes and the transfer in from Local Authorities in respect of the structures for the approach roads to the Forth Road Bridge.

Public Relations

Transport Scotland has a communications team which includes in-house and contracted staff. Expenditure in this area, including relevant staff costs, costs relating to external communication, marketing, PR campaigns, media relations, marketing research, branding, design, promotional events and corporate communications, and sponsorship totalled £554,000 for the year 2012-13 (2011-12: £665,000).

Overseas Travel

The total expenditure incurred in the year 2012-13 on overseas travel by staff in Transport Scotland, which covered travel to and from the United Kingdom, the cost of hotels, travel and subsistence and any other related expenditure was £29,000 (2011-12 £27,000)

Hospitality and Entertainment

The total expenditure on hospitality and entertainment incurred by Transport Scotland in the year 2012-13 was £42,000 (2011-12 £40,000). This included gifts, meals, receptions or invitations to public, sporting, cultural or other events or other similar benefits.

External

External consultancy services are used within Transport Scotland in some areas such as IT; specialised financial services; construction or infrastructure related services; research and evaluation and policy development services. The total expenditure incurred for the year 2012-13 was £3.835 million (2011-12 £1.629 million)

Payments with a value in excess of £25,000

Transport Scotland publishes a monthly report of payments with a value over £25,000. The reports are published on the Transport Scotland's website:
http://www.transportscotland.gov.uk/about-us/expenditure/reports
and cover the financial years 2012-13 and 2011-12.

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 2012-13 Transport Scotland settled an average of 88% 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 3.5 days in proportion to the total number of days in 2012-13 and 1.8 days in proportion to the total number of days in 2011-12.

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.

Future Spending Plans

The *Scottish Budget Spending Review 2012-13 to 2014-15* (SR 2011), provides detail of how our spending plans over the next three years will help deliver sustainable economic growth. Transport spending lies within the Government's Infrastructure, Investment and Cities portfolio. After the announcement of the Spending Review, the Westminster government set out movements in UK spending that generated Barnett consequentials for Scotland. As a result, Transport Scotland received additional capital allocations totalling around £85 million across the three spending review years, principally for roads projects such as A75 Dunragit Bypass, A77 Symington to Bogend Toll and A737 Dalry Bypass, but also including £13 million for Sustainable and Active travel. The additional budget for the year 2013-14 was £33.2 million. These additions are included in the table below for the coming financial year.

	2013/14* £000's
Resource – Operating Costs	*1,003,239*
Resource – Investment	*449,111*
Non-Cash	*89,000*
Capital	*412,314*
Total	***1,953,664***
ODEL	*76,800*
Total	***2,030,464***

****Source- SR2011***

Employment of Disabled Persons

Transport Scotland follows Civil Service good practice guidance on the employment of disabled people and is a Job Centre Plus Disability Symbol user. As such, Transport Scotland ensures that there is no discrimination on the grounds of disability and that access to employment and career advancement is based solely on merit, competence and suitability for the work.

The number of staff who had declared a disability employed by Transport Scotland as at 31 March 2013 was 19.

Staff Relations and Equal Opportunities
Transport Scotland is an equal opportunities employer. Policies are in place to guard against discrimination and to ensure that there is no unfair or illegal discriminatory treatment or any barriers to employment or advancement in Transport Scotland.

Transport Scotland gives a high priority to the development of all its staff. Training, development and learning in Transport Scotland is quality assured through its commitment to the Investor in People (IiP) Scheme as part of the Scottish Government. The latest review of the Scottish Government IiP status will conclude in the second half of 2013. Transport Scotland is committed to a programme of continuous improvement in relation to the Scottish Government implementation of the IiP standard.
The Department for Work and Pensions is responsible for developing, formulating and promulgating equal opportunities guidance for the Civil Service as a whole, but operational responsibility rests with individual departments. Transport Scotland has access to the Scottish Government Equal Opportunities Officer who is responsible for developing and promulgating equal opportunities and diversity policies.

Transport Scotland recognises that the success of any organisation depends largely on the effective performance and full attendance of all its employees. People are a valued resource, as well as an expensive one. Therefore, as an employer Transport Scotland's Attendance Management procedures are designed to maintain a happy, well-motivated and healthy workforce. The procedures are aimed to:

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

In 2012-13 an average of 6.6 working days (2011-12: 5.6) were lost due to sickness absence per staff year for Transport Scotland.

Transport Scotland Equal Opportunities policy is that all staff should be treated equally irrespective of their sex, marital/civil partnership status, age, race, ethnic origin, sexual orientation, disability or religion or belief, work pattern, employment status, gender identity (transgender), caring responsibility or trade union membership. Employment and promotion are solely on merit. Staff who work full time and those who work an alternative pattern are assessed on exactly the same basis.

Transport Scotland follows the Scottish Government Diversity Delivery Plan, published in 2008, which supports the wider Civil Service Diversity Strategy in its drive to mainstream equality and diversity in every aspect of its business. This is further supported by our Fairness at Work Policy. This includes changing behaviours and culture to create a fully inclusive Civil Service, confident in its diversity; promoting strong leadership and clear accountability for delivering diversity; attracting, keeping and developing talent from all areas of society; and becoming representative of the society we serve, at all levels.

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.

We have embarked on a programme of education engagement, where staff use their skills and experience of work to help young people in the surrounding area prepare for employment.

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 the benefits to the community being delivered through the Queensferry Crossing project.

The main contract will provide an average of 112 employment opportunities each year over the six year duration of the contract. This is broken down into 45 vocational training positions, 21 professional body training places and 46 positions for the long term unemployed. The contract also provides scope to maximise the number of Modern Apprenticeship opportunities and there is a contractual requirement that all job opportunities have to be advertised in local job centres. Key performance indicators have also been agreed with the Principal Contractor to ensure work experience placements for further education students, support for PhD students and educational visits to the works are undertaken.

Additionally, the FRC is the first contract in Scotland to include a requirement for subcontract tenders to be advertised on the Public Contracts Scotland website to ensure Scottish firms have a fair opportunity to register an interest in available work. This has led to a growing majority of supply and sub-contract orders associated with the biggest Scottish transport infrastructure project in a generation being won by Scottish firms.

Transport Scotland is also in the forefront of delivering community benefits for the Highlands and Islands (and Dundee) in the aviation sector. Through our sponsorship and support for Highlands and Islands Airports (HIAL), airport infrastructure is provided which supports essential air services and HIAL directly employs 578 staff in those communities. We also contract three lifeline air services serving Barra, Campbeltown and Tiree which cannot be provided commercially and in addition administer the Air Discount Scheme which provides discounted air fares for the residents of some of Scotland’s most remote communities making fares more affordable. Through these interventions TS is helping to ensure the economic and social integrity of communities across the Highlands and Islands.

In 2012-13, Transport Scotland, on behalf of Scottish Ministers, awarded the contract for the provision of ferry services to the Northern Isles to Serco Limited. The contract replaces the service previously provided by Northlink Limited, with a total subsidy of £234 million. Bidders for the contract were specifically asked to actively identify opportunities for supported businesses in the area and Serco have committed to this principle. Their procurement manager will have a direct line to the wider Serco Group procurement team and this will provide opportunities for supported businesses to benefit from a much larger range of opportunities and become involved in Serco’s supplier forum.

Environmental Matters

Transport makes a key contribution to Scotland’s wellbeing: 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, (96% of its £2 billion budget), supporting over 25% of civil engineering contracts in Scotland. Investment across all transport modes, in operation, maintenance and specific infrastructure construction supports over 12,000 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. Transport Scotland plans and performance in terms of sustainability throughout the year are detailed in the report on pages 22-23.

Sustainable Growth

Transport has a crucial role to play in contributing to the Scottish Government's Purpose of sustainable economic growth, by supporting the targets set out in the Climate Change (Scotland) Act and the aims of the Low Carbon Scotland suite of policy documents and the Report on Proposals and Policies (March 2011), and the second report published in draft in January 2013.

Investment is set within a hierarchy which also promotes sustainable growth by seeking to maintain and safely operate the assets we already have, then to make best use of those networks, and finally to target infrastructure improvements. Last year, there was over 83 million passenger journeys on Scotrail Services, a growth of over one third since the start of the Franchise in 2004. This was supported by a number of improvements to the network and services including electrification of the Paisley Canal line – delivered to record timescales and below cost estimates – the opening of Conon Bridge station and enhanced services on routes between Glasgow and Ayrshire.

In addition, we have continued to support the development of cycling and walking infrastructure, alongside promotion of active travel, working with partners (including Sustrans, Cycling Scotland and local authorities) to deliver the Cycling Action Plan for Scotland and enable progress towards its ambitious vision of 10% modal share for cycling by 2020.

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

Our ‘Smarter Choices Smarter Places’ sustainable transport demonstration programme promotes greener, healthier, and smarter policy aims.

Concessionary Travel Scheme
Within the 2012-13 Concessionary Travel budget of £192 million, the statutory budget limit for the Scotland Wide Free Bus Concessionary Travel Scheme for Older and Disabled People, as negotiated with the Confederation of Passenger Transport, was set at £187 million. As bus operator claims within the free scheme in 2012-13 totalled approximately £200 million, bus operator payments for the final 2012-13 claim period were capped by approximately £13 million pro rata over all operators.

Directors and Non Executive / External Members Interests
Directors and Non-Executive / External 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 2012-13 assurance letters on internal control, which all Directors in post as at 31 March 2013 completed, also confirmed that no conflict of interest arose in the exercise of their duties.

Appointed Auditors
The accounts for 2012-13 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 £180,000 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. The priority projects i.e. the Queensferry Crossing, Highland Mainline, Edinburgh to Glasgow Improvements Programme and Aberdeen to Inverness Rail Line are progressing well. In addition, Transport Scotland are continuing to work with partners and stakeholders to take forward the development and design of other projects, such as the A96 Inveramsay Bridge Improvement Works, the A737 Dalry Bypass and the A77 Maybole Bypass.

Efficiency Agenda
The Scottish Government set annual targets of 3% Efficiency Savings which have to be achieved by Transport Scotland going forward.

Total efficiency savings achieved by Transport Scotland for each year are as follows:

	2012-13 £m	2011-12 £m
Efficiency Savings Target	60	51
Efficiency Savings Achieved	71	59
% of Transport Scotland DEL Budget	3%	3%

The challenge is to use resources in a more efficient and effective way so that more can be delivered for the same or less cost. Transport Scotland had a target of £60 million for the year 2012-13 and it has again exceeded its target, this time by £11 million. The following are the key efficiency savings achieved:-

- streamlining and rationalisation of back office functions and management procedures in Highland and Islands Airport and British Waterways Scotland (trading as Scottish Canals);
- supporting Network Rail decentralisation and their Alliance with First ScotRail as a means of reducing costs and improving services for rail passengers;
- lower pricing negotiated with Network Rail on rail infrastructure projects to deliver the same output for lower costs;
- more economic pricing of road operating companies' contracts;
- use of improved technologies, sustainable reconstruction techniques and e-procurement for roads maintenance, which has also led to less waste being sent to landfill sites;
- re-tendering of ferry services that has produced significant financial savings from operating efficiencies realised;
- optimum maintenance treatments resulting in lower whole life, material, labour and traffic management costs following new guidance to Operating Companies on developing structural repair and network strengthening programmes; and
- the Scotland wide free concessionary bus travel scheme for older and disabled people was delivered at a reduced cost in a revised agreement with bus contractors.

Shared Services / Cluster Project working

This is a key element of Transport Scotland's efficiency agenda and we are committed to achieving quality public services that are valued by their customers and that realise efficiencies by employing best business practice and improved collaborative working.

Transport Scotland currently shares the following services and systems of the Scottish Government: Information and Communications, Human Resources, Estates services, Payments, Financial Reporting and Payroll. In addition Transport Scotland also shares services with other authorities, such as the Road Asset Valuation System.
It is the Agency's policy to use collaborative contracts, such as those awarded by Scottish Procurement wherever practicable. Cash savings of £559,967 were delivered in 2012-13 (2011-12 £539,104) were delivered through expenditure of just over £1.9 million (2011-12 £2 million) on Scottish Procurement-led collaborative contracts and frameworks, thereby contributing to the Scottish Government's efficiency savings targets.

Transport Scotland supports the drive for improved procurement capability by assisting and supporting other central government organisations through participation in the Clusters Project. This approach involves a lead organisation providing mutual support and mentoring to assist the other organisations to raise their procurement capability. Transport Scotland is participating in the Scottish Procurement and Commercial Directorate's Cluster Project which is aimed, in particular, at improving the procurement capability of those Scottish Government organisations which have little or no expertise in this specific field.

In addition, we procure our contracts in such a way that gives Scottish firms, particularly Small and Medium Enterprises (SMEs), a fair chance to compete, including the advertising of sub-contract opportunities on the Public Contracts Scotland website.

Queensferry Crossing

Transport Scotland made an advance payment of £100 million to the Queensferry Crossing contractor in respect of mobilisation and design work required in the early stages of the contract. This is covered by advance payment bonds and the value will reduce when Transport Scotland has paid 50% of the contract price to the contractor in respect of the value of work completed pursuant to the contract. This is expected to happen in April 2014.

Progress on delivering the Queensferry Crossing is crucial in maintaining capacity and capability of the national and regional road network. This strategic crossing is a vital economic link for Fife, Edinburgh and the Lothians, is the largest civil engineering project in a generation in Scotland and aims to secure over 3000 jobs and economic revenue of £1.3 billion**,** through the creation of direct jobs and sub-contracting opportunities for local firms, estimated to be worth £6 billion to Scotland's economy, with £242 million having been spent in 2012-13 alone.

Up until 31 December 2012, 334 Scottish firms have benefitted from subcontract and supply orders valued at about £130 million. The two early contracts to the north (Fife Intelligent Transport System) and to the south of the existing Forth Road Bridge (M9 Junction 1a) have been completed and opened to traffic. These provide southbound bus hard shoulder running capability and control traffic flows and reduce traffic congestion at peak traffic flow times through the use of variable mandatory speed limits and advance warning signs.

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 the Highlands and Islands air networks and the procurement of major infrastructure such as the Queensferry Crossing. The inherent risks relate to performance by contractors which can also be affected by outside factors such as adverse weather. 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.

Personal data related incidents
There were no personal data related incidents in the year within Transport Scotland.

Significant events since the end of the financial year
There have been no significant events since the end of the financial year.

David Middleton
Chief Executive
7 August 2013

REMUNERATION REPORT

Remuneration Policy

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

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

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

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

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:
http://civilservicecommission.independent.gov.uk/

Transport Scotland covers all of the Scottish Government's transport responsibilities for all aspects of transport policy and delivery covering road, rail, bus, maritime, canal and air services and infrastructure. All Transport Scotland executive Directors are included within this report.

Following the decision in 2010 not to retain the previous Board structure Transport Scotland now has no non executive Directors. However the Audit and Risk Committee has 3 external members. Alex Smith and Dorothy Fenwick were appointed at the end of 2010 and Alan Thompson was appointed towards the end of 2011. This is to ensure the organisation continues to benefit from independent oversight and challenge.

Remuneration Group

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

- annual pay proposals for chief executives and board members and make recommendations to Ministers;
- annual guidelines for flat rate increases for chief executives and 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 Scottish Government Strategic Board.

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

Directors Remuneration Report

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 tax. It does not include employers' pension contributions or amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties or employers' national insurance.

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

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

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 2012-13 are based on 2011-12 performance and bonuses paid in 2011-12 are based on 2010-11 performance. No bonuses were paid to Directors in 2012-13.

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

The fees which the external members of the Audit and Risk Committee were entitled to for 2012-13 are as follows:

Alex Smith	£232 daily rate
Dorothy Fenwick	£232 daily rate
Alan Thompson	£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 for the year 2012-13 along with comparative figures are shown in the table overleaf.

It should however, also be noted that, in accordance with the FReM, reporting bodies are now required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisations workforce. This information is shown at the bottom of the table.

The banded remuneration of the highest paid director in Transport Scotland, in the financial year 2012-13 was £100k-£105k (2011-12 £100-105k). This was 3.2 times (2011-12 3.0 times) the median remuneration of the workforce, which was £32,249 (2011-12 £34,230). Total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The remuneration of the highest paid director within Transport Scotland has not changed from the previous year. The ratio has however increased and this is a result of an decrease in the median remuneration of the workforce in year as a consequence of staff turnover in year.

	2012-13	2012-13	2012-13	2011-12	2011-12	2011-12
	Salary	**Benefits in Kind (To nearest £100**	**Bonus Payment £000**	**Salary**	**Benefits in Kind (To nearest £100)**	**Bonus Payment £000**
	Bands of £5,000	**£**				
Chief Executive						
David Middleton	100-105	Nil	Nil	100-105	Nil	Nil
Directors						
Roy Brannen	65-70	Nil	Nil	65-70	Nil	Nil
Ainslie McLaughlin	70-75	Nil	Nil	70-75	Nil	Nil
Aidan Grisewood	65-70	Nil	Nil	5-10	Nil	Nil
Sharon Fairweather	80-85	Nil	Nil	80-85	Nil	Nil
Alastair Wilson (1)	25-30	Nil	Nil	65 70	Nil	Nil
John Nicholls (2)	35-40	Nil	Nil	0-0	Nil	Nil
Donald Carmichael	65-70	Nil	Nil	65-70	Nil	Nil

	YEAR 2012-13	**YEAR 2011-12**
Highest Paid Director's Total Remuneration	100 - 105	100 - 105
Median Total (£)	32,249	34,230
Ratio	3.2	3.0

No employees received remuneration in excess of £150k in Transport Scotland in financial year 2012-13 (2011-12 nil)

Alastair Wilson left Transport Scotland on 7 September 2012. The figure quoted covers the period from 1 April until 7 September 2012. The full year equivalent banding is £65k-£70k.

John Nicholls took up post on 10 September 2012. The figure quoted is from 10 September 2012 until 31 March 2013. The full year equivalent banding is £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 2013. 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. CETVs 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 increase that is funded by the employer. It does not include the increase in accrued pension due to inflation, or contributions paid by employees (including the value if any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Transport Scotland's contributions to the scheme in respect of the Senior Management Team amounted to £119,092 for the year to 31 March 2013. The external members of the Audit and Risk Committee do not participate in the Civil Service pension scheme.

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

The pension entitlements of the executive directors of Transport Scotland are shown in the following table:

	Lump Sum at age 60 as at 31 March 2013	**Real Increase in Lump Sum at age 60**	**Accrued Pension at age 60 as at 31 March 2013**	**Real Increase in Pension at age 60**	**CETV as at 31 March 2013**	**CETV as at 31 March 2012**	**Real Increase in CETV in 2012-13**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
David Middleton	140 - 145	0 - 2.5	45 - 50	0 - 2.5	971	915	2
Roy Brannen	55 - 60	0 - 2.5	15 - 20	0 - 2.5	292	271	4
Alastair Wilson	40 - 45	0 - 2.5	25 - 30	0 - 2.5	427	387	23
Donald Carmichael	70 - 75	0 - 2.5	20 - 25	0 - 2.5	478	448	4
Ainslie McLaughlin	90 - 95	0 - 2.5	30 - 35	0 - 2.5	638	601	2
Aidan Grisewood	20 - 25	2.5 - 5.0	15 - 20	2.5 - 5.0	187	147	29
Sharon Fairweather	0	0	0 - 5	0 - 2.5	43	20	16
John Nicholls	65 - 70	0 - 2.5	20 - 25	0 - 2.5	383	375	2

Calculated on age 60 where pension entitlement due at that age or current age if over 60

The above pension data was supplied to Transport Scotland by the Department of Work & Pensions (DWP) for all of the directors.

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

David Middleton
Chief Executive
7 August 2013

INDEPENDENT AUDITORS' REPORT

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

I have audited the financial statements of Transport Scotland for the year ended 31 March 2013 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 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

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

Respective responsibilities of Accountable Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2013 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

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

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration 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 "Who We Are and What We Do" and "Corporate Plan Delivery 2012-2015" sections of the Annual Report and the Management Commentary and Sustainability Report sections of 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 Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

13 August 2013
Brian Howarth ACMA CGMA
Assistant Director
Audit Scotland
8 Nelson Mandela Place
Glasgow, G2 1BT

TRANSPORT SCOTLAND ANNUAL ACCOUNTS 2012-13

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

		£'000	£'000	£'000	2012-13 £'000	2011-12 £'000
	note	Staff Costs	Other Cost	Income	Total	Total
Administration costs						
Staff costs	2	11,902			11,902	13,461
Other administration costs	3		4,934		4,934	4,807
Total administration costs					16,836	18,268
Programme costs						
Staff costs	2	5,640			5,640	4,282
Other programme costs	4		1,649,407		1,649,407	1,537,435
Income	5			(2,750)	(2,750)	(2,662)
Total programme costs					1,652,297	1,539,055
Total		17,542	1,654,341	(2,750)	1,669,133	1,557,323
Net operating costs for the year ended 31 March 2013					**1,669,133**	**1,557,323**

Other Comprehensive Net Expenditure

	note	2012-13 £'000	2011-12 £'000
Net (gain)/loss on revaluation of property, plant and equipment	6	(433,126)	(306,129)
Net (gain)/loss on revaluation of intangibles		0	0
Net (gain)/loss on revaluation of available for sale financial assets		0	0
Total comprehensive net expenditure for the year ended 31 March 2013		**1,236,007**	**1,251,194**

All income and expenditure is derived from continuing activities.

Statement of Financial Position as at 31 March 2013

	note	£'000	31 March 2013 £'000	£'000	31 March 2012 £'000	£'000	31 March 2011 £'000
Non-current assets							
Property, plant & equipment	6	18,002,170		17,420,710		16,502,905	
Intangible assets	7	235		358		14	
Financial assets	9	86,944		79,362		75,320	
Other receivables	10	100,000		50,971		971	
Total non-current assets			18,189,349		17,551,401		16,579,210
Current assets							
Assets held for sale	8	174		312		442	
Financial assets	9	3,018		3,018		2,038	
Trade and other receivables	10	57,936		27,097		95,779	
Cash & cash equivalents		0		0		0	
Total current assets			61,128		30,427		98,259
Total assets			18,250,477		17,581,828		16,677,469
Current liabilities							
Provisions	12	(55,041)		(28,584)		(32,025)	
Trade payables	11	(24,689)		(30)		(38,804)	
Other payables	11	(167,572)		(127,095)		(142,237)	
Financial liabilities	11	(9,066)		(8,674)		(4,710)	
Total current liabilities			(256,368)		(164,383)		(217,776)
Total assets less current liabilities			17,994,109		17,417,445		16,459,693
Non-current liabilities							
Provisions	12	(70,938)		(31,714)		(43,822)	
Other payables	11	(2,917)		(3,215)		(13,325)	
Financial liabilties	11	(451,935)		(460,625)		(195,164)	
Total non-current liabilities			(525,790)		(495,554)		(252,311)
Assets less liabilities			17,468,319		16,921,891		16,207,382
Taxpayers' equity							
General fund	SoCTE		8,773,367		8,672,755		8,264,375
Donated asset reserve	SoCTE		0		0		0
Revaluation reserve	SoCTE		8,694,952		8,249,136		7,943,007
Total taxpayers' equity			17,468,319		16,921,891		16,207,382

David Middleton
Chief Executive
7 August 2013

The notes on pages 58 to 89 form part of these accounts

Cash Flow Statement for the year ended 31 March 2013

	note	2012-13 £'000	2011-12 £'000
(A) Cash flows from operating activities			
Net operating cost	SoCNE	(1,669,133)	(1,557,323)
Adjustments for non-cash transactions	3/4	151,568	63,507
Decrease / (Increase) in trade and other receivables	13	(79,730)	18,812
Adjustment for the revaluation element of Assets Held For Sale		85	0
Increase / (Decrease) trade and other payables	13	64,838	(64,026)
Increase / (Decrease) in provisions	13	65,681	(15,549)
Adjustment for the interest element of the PFI contract	4	31,948	27,250
Net cash outflow from operating activities		(1,434,743)	(1,527,329)
(B) Cash flows from investing activities			
Purchase of property, plant and equipment	6	(369,843)	(492,510)
Purchase of intangible assets	7	0	(350)
Transfer of assets held for sale to property, plant and equipment	6/8	(158)	0
Disposal of property, plant and equipment	6	220	49
Impairment of property, plant and equipment		505	0
Voted loans	9	(7,582)	(5,022)
Net cash outflow from investing activities		(376,858)	(497,833)
(C) Cash flows from financing activities			
Funding from the Scottish Government	SoCTE	1,851,847	1,782,987
Capital element of payments in respect of finance leases and on balance sheet PFI contracts	13	(8,298)	269,425
Interest element of the PFI contracts	4	(31,948)	(27,250)
Net Financing		1,811,601	2,025,162
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 2013

	note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2011		**8,264,375**	**7,943,007**	**16,207,382**
Changes in taxpayers' equity for 2011-12				
Net gain on revaluation of property, plant and equipment	6	0	306,129	306,129
Non-current assets adjustments		45,852	0	45,852
Roads transfer from local authority		136,676	0	136,676
Realised element of the revaluation reserve		0	0	0
Non-cash charges - auditors remuneration	3	188	0	188
Net operating cost for the year	SoCNE	(1,557,323)	0	(1,557,323)
Total recognised income and expense for 2011-12		(1,374,607)	306,129	(1,068,478)
Funding from Scottish Government		1,782,987	0	1,782,987
Balance at 31 March 2012		8,672,755	8,249,136	16,921,891
Changes in taxpayers' equity for 2012-13				
Net gain on revaluation of property, plant and equipment	6	0	433,126	433,126
Non-current assets adjustments	6	0	(132,378)	(132,378)
Roads transfer from local authority	6	62,786	0	62,786
Realised element of the revaluation reserve		(145,068)	145,068	0
Non-cash charges - auditors remuneration	3	180	0	180
Net operating cost for the year	SoCNE	(1,669,133)	0	(1,669,133)
Total recognised income and expense for 2012-13		(1,751,235)	445,816	(1,305,419)
Funding from Scottish Government		1,851,847	0	1,851,847
Balance at 31 March 2013		8,773,367	8,694,952	17,468,319

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 90) these accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual, which follows Generally 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

In accordance with 2012-13 Financial Reporting Manual (FReM) Para 2.1.4 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.

A number of new accounting standards have been issued or amendments made to existing standards, but have not yet been applied in these financial statements The standards that are considered relevant and the anticipated impact on the consolidated accounts are as follows:

- IAS 1 - Presentation of financial statements (Other Comprehensive Income). Mandatory for accounting periods commencing on or after 1 July 2012. The adoption of this standard may result in presentational changes to the accounts.
- IAS19 - Post-employment benefits (pensions). Mandatory for accounting periods commencing on or after 1 January 2013. The adoption of this standard may result in presentational and disclosure changes to the accounts.
- IFRS 9 - Financial Instruments. Mandatory for accounting periods commencing on or after 1 January 2015. The adoption of this standard could change the classification and measurement of financial assets. The impact on the accounts has not been determined, and the full IFRS has not yet been issued.
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IAS 27 - Separate Financial Statements
- IAS 28 - Investments in Associated and Joint Ventures

Mandatory for accounting periods commencing on or after 1 January 2013. The adoption of these standards affects the consolidation and reporting of subsidiaries, associated and joint ventures. The impact on the consolidated accounts has not been determined

- IFRS 13 - Fair Value Measurement. Mandatory for accounting periods commencing on or after 1 January 2013. The adoption of this standard could change the measurement techniques used when determining fair value. The impact on the consolidated accounts has not been determined.

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 policies or from the correction of fundamental 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. The effects of any such adjustments on prior year comparatives are also separately disclosed in the notes to the accounts.

1.4 Property, Plant and Equipment (PPE)

All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale (see 1.6)

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

Capitalisation Policy

The trunk road network is recognised as a single infrastructure asset in accordance with FReM Para 6.2.10. 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 the service potential 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.

In accordance with International Accounting Standard 16 expenditure that comprises the cost of the Non-Current Asset 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 building assets are transferred to the land and buildings category where it is not currently possible to market them for sale or to Assets Held for Sale where they are being marketed for sale. Assets Held for Sale are stated 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 is held at current market values assessed by the Valuation Office Agency (VOA). A revaluation exercise was carried out at 31 March 2013 on buildings and dwellings as part of the Scottish Government 5 year rolling programme.

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
In accordance with FReM 2012-13 Para 6.2.11 the road network is held at its depreciated replacement cost based on service potential and classed as a specialist assets for which market valuations are not available. Land is valued by rates supplied by the 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 provide new gross and calculated depreciated values each year.
Land	Land indices produced by VOA

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

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

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

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

1.5 Depreciation

Infrastructure assets - the road network

Roads and associated street furniture are surveyed over a five year rolling period to assess their estimated remaining useful lives and the resultant assessment is used to determine their valuation, with any changes reflected as a condition variance. The variance is valued according to the rates applied to the respective sections of road.

The useful economic lives of elements of the road valuation are assessed according to the following design lives:

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

1.6 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.

1.7 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.

1.8 Financial Instruments

Transport Scotland measures and presents financial instruments in accordance with IAS32, 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.

1.9 Other Infrastructure Expenditure

Other 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 either CMAL, HIAL, Network Rail or other external body 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.

1.10 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.

1.11 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, rail, aviation and maritime infrastructure in Scotland for which Transport Scotland has responsibility, 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.

1.12 Grants Payable

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

1.13 Pensions

Past and present employees are mainly covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), more details of which can be found in note 2. The PCSPS is an unfunded multi-employer defined benefit scheme. Transport Scotland's contributions are recognised as a cost in the year. This complies with IAS26.

1.14 Private Finance Initiative (PFI) Transactions

PFI transactions are accounted for in accordance with the FReM Para 6.2.48. PFI contracts that meet the definition of service concession arrangements are accounted for in accordance with SIC29 Service Concession Arrangements. Transport Scotland currently has 3 existing completed PFI schemes (see note 16 for more details). In each case these assets are examples of service concessions under SIC29. 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).

1.15 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.

1.16 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 2013 on the basis of the best estimate available. Provisions are charged to the Statement of Comprehensive Net Expenditure unless they will be capitalised as part of additions to non-current assets.

Major Projects

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

1.17 Contingent Liabilities

Contingent Liabilities are recognised in respect of:

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

1.18 VAT

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. 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.

1.19 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 accountable officer who is deemed to be the chief operating decision maker in order to manage their financial performance.

1.20 Trade Receivables

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

1.21 Trade Payables

Trade payables are valued at their carrying amount.

1.22 Employee Benefits

A short term liability and expense is recognised for leave entitlement, bonuses and other short-term benefits when 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. Staff Numbers and Costs

Staff costs comprise:

	2012-13			2011-12		
	Permanently Employed Staff £'000	Others £'000	Total £'000	Permanently Employed Staff £'000	Others £'000	Total £'000
Administration:						
Wages and salaries costs	8,518	605	9,123	9,491	553	10,044
Social security costs	705	0	705	788	0	788
Other pension costs	1,621	0	1,621	1,843	0	1,843
Early Retiral Costs	453	0	453	786	0	786
	11,297	**605**	**11,902**	**12,908**	**553**	**13,461**
Programme:-						
Wages and salaries costs	4,295	88	4,383	3,274	61	3,335
Social security costs	377	0	377	283	0	283
Other pension costs	880	0	880	664	0	664
	5,552	**88**	**5,640**	**4,221**	**61**	**4,282**
Total staff costs	16,849	693	17,542	17,129	614	17,743

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.

Within Transport Scotland 7 staff accepted voluntary exit under the Civil Service Compensation Scheme rules in 2012-13 compared to 18 in 2011-12. No staff retired early on ill-health grounds.

Reporting of Civil Service and other compensation scheme - exit packages

	2012-13			2011-12		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
less than £10,000	0	0	0	0	1	1
£10,000 to £25,000	0	0	0	0	7	7
£25,000 to £50,000	0	6	6	0	6	6
£50,000 to £100,000	0	1	1	0	3	3
£100,000 to £150,000	0	0	0	0	1	1
£150,000 to £200,000	0	0	0	0	0	0
over £200,000	0	0	0	0	0	0
Total Number of exit packages	0	7	7	0	18	18
Total Resource cost (£'000)	£0	£273	£273	£0	£695	£695

Early Retiral costs include 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. As a result this scheme is accounted for as a defined contribution scheme. 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 2012-13, employers' contributions of £1,621k 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 2010-11). 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 2012-13 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:

	2012-13			2011-12		
	Permanent Staff	Others	Total	Permanent Staff	Others	Total
Trunk roads major projects	71	1	72	84	1	85
Trunk road maintenance	117	5	122	110	5	115
Rail	61	1	62	64	2	66
Finance and other	56	4	60	73	3	76
Aviation, maritime, freight & canals	26	0	26	25	0	25
Transport policy	38	1	39	45	0	45
Total average staff numbers	369	12	381	401	11	412

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

3. Other Administration Costs

	note	2012-13 £'000	2011-12 £'000
Rentals under operating leases		1,220	1,207
Accommodation		1,560	1,189
Office costs and supplies		1,009	1,198
Hospitality		42	40
Travel		436	484
Training		88	77
Consultancy		24	8
Non-cash items			
Depreciation	6/7	326	378
Loss on disposal of Non Current Assets		49	38
Prior year depreciation adjustment		0	0
Auditors remuneration and expenses - external	22	180	188
Total administration costs		4,934	4,807

4. Programme Costs

		note	2012-13 £'000	2011-12 £'000
	Other programme expenditure			
	Roads			
	Capital maintenance		82,223	54,627
	Current maintenance		102,421	100,126
	Forth Replacement Crossing		0	0
	Other		865	348
	PFI Interest charges		31,948	27,250
	PFI service charges		25,018	26,375
	Rail			
***	ScotRail franchise		452,520	305,318
*	Rail infrastructure in Scotland capital		293,021	281,786
**	Rail Infrastructure in Scotland resource			120,100
	Other		2,859	952
	Concessionary travel			
	Smartcard applications		2,028	2,956
	Concessionary travel schemes		190,045	183,439
	Other public transport			
	Major public transport projects - rail		34,205	68,763
	Transport information		510	1,635
	Strategic projects review		903	983
	Ferry services in Scotland		115,519	119,109
	Air services in Scotland		30,929	33,807
	Bus services in Scotland		64,987	60,728
	Other transport directorate programmes		43,278	43,485
	Scottish Futures Fund Projects		2,138	
	Central government grants to local authorities		22,929	42,706
	Non-cash items			
	Depreciation	6/7	151,061	62,942
	Total other programme costs		1,649,407	1,537,435

* The Rail infrastructure in Scotland capital figure of £293,021k was paid directly to Network Rail

** There has been a re-classification of expenditure and all infrastructure expenditure is now classed as Capital

*** Payments to Scotrail Franchise in 2012-13 totalled £452,531k as per note 17.

This included depreciation costs totalling £13k which are included within the Depreciation charges (under non-cash items) as required by the International Financial Reporting Standards (IFRS).

5. Operating Income

	2012-13 £'000	2011-12 £'000
Programme income		
Interest receivable - loans	(2,726)	(2,418)
Rental income - land & properties	(6)	(234)
Sale of land and property	0	0
Ports income	(18)	(10)
Total operating income	(2,750)	(2,662)

Operating income principally arises from:

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

6. Property, Plant and Equipment

2012-13	Road Network	Land	Buildings	Transport	IT	Leasehold Improvements	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2012	20,208,866	4,948	5,047	0	4,602	1,508	263,390	20,488,361
Detrunkings	0	0	0	0	0	0	0	0
Capital additions	12,102	0	0	31	0	0	357,710	369,843
Disposals	0	(220)	0	0	0	0	0	(220)
Revaluation	339,493	(274)	1,300	0	0	0	0	340,519
Current valuation adjustments	82,030	0	0	0	0	0	0	82,030
Historic valuation adjustments	(182,063)	1,207	(1,712)	0	0	0	0	(182,568)
Transfers and reclassifications	124,799	0	5,579	0	0	0	(67,593)	62,785
Transfers from assets held for sale	0	158	0	0	0	0	0	158
Balance at 31 March 2013	20,585,227	5,819	10,214	31	4,602	1,508	553,507	21,160,908
Depreciation								
At 1 April 2012	3,061,623	0	1,108	0	3,652	1,268	0	3,067,651
Detrunkings	0	0	0	0	0	0	0	0
Charge for the year	150,470	0	199	5	564	26	0	151,264
Disposals	0	0	0	0	0	0	0	0
Revaluation	5,688	0	(10)	0	0	0	0	5,678
Current valuation adjustments	(19,022)	0	0	0	0	0	0	(19,022)
Historic valuation adjustments	(49,685)	0	0	0	0	0	0	(49,685)
Transfers and reclassifications	2,852	0	0	0	0	0	0	2,852
Balance at 31 March 2013	3,151,926	0	1,297	5	4,216	1,294	0	3,158,738
Net Book Value at 31 March 2013	17,433,301	5,819	8,917	26	386	214	553,507	18,002,170
Net Book Value at 31 March 2012	17,147,243	4,948	3,939	0	950	240	263,390	17,420,710
Asset Financing								
Owned	15,988,602	5,819	8,262	26	386	214	553,507	16,556,816
Finance Leased	0	0	0	0	0	0	0	0
On Balance Sheet PFI	1,444,699	0	0	0	0	0	0	1,444,699
Donated	0	0	655	0	0	0	0	655
Net Book Value at 31 March 2013	17,433,301	5,819	8,917	26	386	214	553,507	18,002,170

6. Property, Plant and Equipment

2011-12	Road Network	Land	Buildings	Transport	IT	Leasehold Improvements	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2011	18,398,495	1,969	3,227	0	4,253	1,508	804,317	19,213,769
Detrunkings	0	0	0	0	0	0	0	0
Capital additions	294,684	0	0	0	360	0	197,466	492,510
Disposals	0	(44)	0	0	(11)	0	0	(55)
Revaluation	967,373	130	120	0	0	0	0	967,623
Current valuation adjustments	(373,287)	0	0	0	0	0	0	(373,287)
Historic valuation adjustments	51,125	0	0	0	0	0	0	51,125
Transfers and reclassifications	870,476	2,893	1,700	0	0	0	(738,393)	136,676
Transfers to assets held for sale	0	0	0	0	0	0	0	0
Balances at 31 March 2012	20,208,866	4,948	5,047	0	4,602	1,508	263,390	20,488,361
Depreciation								
At 1 April 2011	2,705,665	0	884	0	3,152	1,163	0	2,710,864
Detrunkings	0	0	0	0	0	0	0	0
Charge for the year	62,518	0	185	0	506	105	0	63,314
Disposals	0	0	0	0	(6)	0	0	(6)
Revaluation	182,101	0	39	0	0	0	0	182,140
Current valuation adjustments	106,066	0	0	0	0	0	0	106,066
Historic valuation adjustments	5,273	0	0	0	0	0	0	5,273
Transfers and reclassifications	0	0	0	0	0	0	0	0
Balances at 31 March 2012	3,061,623	0	1,108	0	3,652	1,268	0	3,067,651
Net Book Value at 31 March 2012	17,147,243	4,948	3,939	0	950	240	263,390	17,420,710
Net Book Value at 1 April 2011	15,692,830	1,969	2,343	0	1,101	345	804,317	16,502,905
Asset Financing								
Owned	15,710,658	4,948	3,126	0	950	240	263,390	15,983,312
Finance Leased	0	0	0	0	0	0	0	0
On Balance Sheet PFI	1,436,585	0	0	0	0	0	0	1,436,585
Donated	0	0	813	0	0	0	0	813
Net Book Value at 31 March 2012	17,147,243	4,948	3,939	0	950	240	263,390	17,420,710

Detrunkings reflect transfer of road assets to local authorities, with the corresponding entry flowing through the General Fund (SoCTE).

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

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

7. Intangible Assets

2012-13	**Software Licences £'000**
At replacement cost or valuation	
At 1 April 2012	461
Capital additions	0
Disposals	0
Historic valuation adjustments	0
Transfers and reclassifications	0
Balance at 31 March 2013	461
Accumulated Amortisation	
At 1 April 2012	103
Charge for the year	123
Revaluations	0
Disposals	0
Historic valuation adjustments	0
Transfers and reclassifications	0
Balance at 31 March 2013	226
Net Book Value at 31 March 2013	235

2011-12	**Software Licences £'000**
At replacement cost or valuation	
At 1 April 2011	111
Capital additions	350
Disposals	0
Historic valuation adjustments	0
Transfers and reclassifications	0
Balance at 31 March 2012	461
Accumulated Amortisation	
At 1 April 2011	97
Charge for the year	6
Revaluations	0
Disposals	0
Historic valuation adjustments	0
Transfers and reclassifications	0
Balance at 31 March 2012	103
Net Book Value at 31 March 2012	358

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.

8. Assets Held For Sale

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

2012-13	**Land**
	£'000
Balance at 1 April 2012	312
Transfers to Non-Current Assets	(158)
Transfers from Non-Current Assets	0
Disposals	(65)
Change arising on revaluation	85
Balance at 31 March 2013	174

2011-12	**Land**
	£'000
Balance at 1 April 2011	442
Transfers to Non-Current Assets	0
Transfers from Non-Current Assets	0
Disposals	(5)
Change arising on revaluation	(125)
Balance at 31 March 2012	312

9. Financial Assets

2012-13	Interests in Nationalised Industries & Limited Companies £'000	Voted Loans £'000	Total £'000
Balance at 1 April 2012	20,550	58,812	79,362
Add element reported within current assets	0	3,018	3,018
Advances and acquisitions			
Cash advances	0	10,600	10,600
Repayments and disposals	0	(3,018)	(3,018)
Balance at 31 March 2013	20,550	69,412	89,962
Loans repayable within 12 months transferred to current assets	0	(3,018)	(3,018)
Balance at 31 March 2013	20,550	66,394	86,944

2011-12	Interests in Nationalised Industries & Limited Companies £'000	Voted Loans £'000	Total £'000
Balance at 1 April 2011	20,550	54,770	75,320
Add element reported within current assets	0	2,038	2,038
Advances and acquisitions			
Cash advances	0	7,550	7,550
Repayments and disposals	0	(2,528)	(2,528)
Balance at 31 March 2012	20,550	61,830	82,380
Loans repayable within 12 months transferred to current assets	0	(3,018)	(3,018)
Balance at 31 March 2012	20,550	58,812	79,362

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

As at 31 March 2013, 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 £m	Caledonian Maritime Assets Ltd £m	David MacBrayne Ltd £m
Net assets as at 31 March 2013	(11.4)	68.8	26.6
Turnover	18.0	22.2	157.8
Profit/(Loss) for the financial year	(0.4)	(4.1)	2.2

All results are draft as final accounts have yet to be published. The deficit in Caledonian Maritime Assets Limited relates to agreed additional expenditure from accumulated reserves.

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 11 airports; 10 in the Highlands and Islands of Scotland and Dundee Airport, which it assumed responsibility for in December 2007 and now operates via a wholly owned subsidiary company, Dundee Airport Limited.

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, Argyll Ferries Limited and NorthLink Ferries Limited and for the dormant companies Cowal Ferries Limited and 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, for harbour improvements and to Independent Harbour Trusts.

10. Trade Receivables and Other Assets

10a Analysis by classification	as at 31/03/13 £'000	as at 31/03/12 £'000	as at 31/03/11 £'000
Amounts falling due within one year:			
Trade and other receivables			
Trade and other receivables	15,130	307	2,451
Damage claims	4,839	2,770	327
Prepayments and accrued income	37,967	24,020	93,001
	57,936	27,097	95,779
Amounts falling due after more than one year:			
Other receivables	100,000	50,971	971
	100,000	50,971	971

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

	as at 31/03/13 £'000	as at 31/03/12 £'000	as at 31/03/11 £'000
At 1 April	13	107	404
Charge for the year	0	0	93
Unused amount released	0	(93)	(390)
Utilised during the year	(10)	(1)	0
At 31 March	3	13	107

10b Intra-government balances	as at 31/03/13 £'000	as at 31/03/12 £'000	as at 31/03/11 £'000
Amounts falling due within one year:			
Intra-government balances			
Other central government bodies	0	107	102
Local authorities	393	580	44,394
Public corporations and trading funds	2,779	7,691	6,614
	3,172	8,378	51,110
Balances with bodies external to government	54,764	18,719	44,669
Total receivables	57,936	27,097	95,779
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	100,000	50,971	971
Total receivables	100,000	50,971	971

11. Trade Payables and Other Liabilities

11a Analysis by classification	as at 31/03/13	as at 31/03/12	as at 31/03/11
	£'000	£'000	£'000
Amounts falling due within one year:			
Trade payables	24,689	30	38,804
Other payables	167,572	127,095	142,237
Financial liabilities - PFI	9,066	8,674	4,710
	201,327	135,799	185,751
Amounts falling due after more than one year:			
Other payables	2,917	3,215	13,325
Financial liabilities - PFI	451,935	460,625	195,164
	454,852	463,840	208,489

11b Intra-government balances	as at 31/03/13	as at 31/03/12	as at 31/03/11
	£'000	£'000	£'000
Amounts falling due within one year:			
Intra-government balances			
Other central government bodies	112	2,818	1,228
Local authorities	25,346	42,024	34,062
Public corporations and trading funds	3,446	461	11,977
	28,904	45,303	47,267
Balances with bodies external to government	172,423	90,496	138,484
Total payables	201,327	135,799	185,751
Amounts falling due after more than one year:			
Intra-government balances			
Other central government bodies	0	0	0
Local authorities	113,215	115,905	128,397
Public corporations and trading funds	0	0	0
	113,215	115,905	128,397
Balances with bodies external to government	341,637	347,935	80,092
Total payables	454,852	463,840	208,489

12. Provisions for Liabilities and Charges

12a Provisions for liabilities and charges	Land and Property Acquisition	Major Projects	Other	Total
2012-13	£'000	£'000	£'000	£'000
Balance as at 1 April 2012	44,944	13,016	2,338	60,298
Provided in year	74,131	0	41	74,172
Provisions not required written back	0	0	(122)	(122)
Provisions utilised in year	(10,304)	(1,309)	(1,043)	(12,656)
Discount Amortised	3,872	417	(2)	4,287
Balance as at 31 March 2013	112,643	12,124	1,212	125,979
2011-12				
Balance as at 1 April 2011	51,446	16,848	7,553	75,847
Provided in year	1,975	0	95	2,070
Provisions not required written back	0	(1,500)	(1,008)	(2,508)
Provisions utilised in year	(8,477)	(2,332)	(4,302)	(15,111)
Balance as at 31 March 2012	44,944	13,016	2,338	60,298
Balance as at 1 April 2011	51,446	16,848	7,553	75,847

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 2014	47,678	6,899	464	55,041
Between 2015 and 2018	64,965	5,025	686	70,676
Between 2019 and 2023	0	200	62	262
Thereafter	0	0	0	0
Balance as at 31 March 2013	112,643	12,124	1,212	125,979
In the remainder of the period to 2013	19,396	8,292	896	28,584
Between 2014 and 2017	19,533	4,125	1,051	24,709
Between 2018 and 2022	6,015	599	391	7,005
Thereafter	0	0	0	0
Balance as at 31 March 2012	44,944	13,016	2,338	60,298

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

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

Other
Transport Scotland 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 31/03/13 £'000	as at 31/03/12 £'000	2012-13 Net Movement £'000	2011-12 Net Movement £'000
Receivables					
Due within one year	8/10	58,110	27,409	(30,701)	68,812
Due after more than one year	10	100,000	50,971	(49,029)	(50,000)
Net decrease/(increase)		158,110	78,380	(79,730)	18,812
Payables					
Due within one year	11	201,327	135,799	65,528	(49,952)
Due after more than one year	11	454,852	463,840	(8,988)	255,351
		656,179	599,639	56,540	205,399
Less: Lease and PFI creditors included in above	11	461,001	469,299	(8,298)	269,425
Net (decrease)/increase		195,178	130,340	64,838	(64,026)
Provisions	12	125,979	60,298	65,681	(15,549)
Net (decrease)/increase		125,979	60,298	65,681	(15,549)
Net movement (decrease)/increase		479,267	269,018	50,789	(60,763)

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 31/03/13 £'000	as at 31/03/12 £'000
Property, plant and equipment	1,061,283	1,283,260
Total contracted capital commitments for which no provision has been made	1,061,283	1,283,260
Investments	3,993	13,800
Total authorised but not contracted capital commitments for which no provision has been made	3,993	13,800

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 31/03/13 £'000	as at 31/03/12 £'000
Land & buildings		
Due within 1 year	1,444	1,444
Due after 1 year but not more than 5 years	5,621	5,775
Commitments thereafter	3,869	5,159
	10,934	12,378

16. Commitments under PFI Contracts

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

a) M6 (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.

b) M77 - the contract is a Public Private Partnership (PPP) entered into with East Renfrewshire and South Lanarkshire Councils. The project covers the design, construction, financing and operation of 15km of 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.

c) M80 - the contract covers the design, build and financing of approximately 18 km of dual two/three lane motorway, together with, but not limited to, associated slip roads, side roads, junctions, structures, culverts and associated works. The contract also incorporates the operation and maintenance of the new motorways, associated structures, and related elements for a period of 30 years after completion of the New Works. Unitary charge payments commenced in September 2011 and will cease in September 2041.

Under SIC29, the substance of these PFI contracts 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; imputed finance lease charges and services charges.

Imputed finance lease obligations under PFI contracts comprise:

	as at 31/03/13	**as at 31/03/12**
	£'000	**£'000**
Rentals due within 1 year	40,407	39,618
Rentals due within 2 to 5 years	161,627	158,472
Rentals due thereafter	741,619	762,898
	943,653	960,988
Less: Interest element (finance cost)	(482,652)	(491,689)
Total capital cost	461,001	469,299

Imputed service charge obligations under PFI contracts comprise:

	as at 31/03/13	**as at 31/03/12**
	£'000	**£'000**
Service charge due within 1 year	27,743	35,875
Service charge due within 2 to 5 years	200,768	199,739
Service charge due thereafter	487,948	695,854
Total service charge	716,459	931,468

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 - the First Scotrail franchise has been extended to 31 March 2015.

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

	2012-13 £'000	2011-12 £'000
Network Rail	293,021	401,886
First Scotrail	452,531	305,329
Total	745,552	707,215

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	289,000	486,100	775,100
Expiry within 1 to 2 years	0	498,000	498,000
Expiry within 2 to 5 years	0	0	0
Total	289,000	984,100	1,273,100

18. Financial Instruments

18a Financial Instruments by Category

Assets per statement of financial position	note	Assets at Fair Value through Profit and Loss £'000	Loans and Receivables £'000	Total £'000
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.		0	111,223	111,223
Balance as at 31 March 2013		0	111,223	111,223

Liabilities per statement of financial position	note	Assets at Fair Value through Profit and Loss £'000	Other Financial Liabilities £'000	Total £'000
PFI liabilities	16	0	461,001	461,001
Trade and other payables excluding statutory liabilities (VAT and income tax and social security)		0	191,415	191,415
Balance as at 31 March 2013		0	652,416	652,416

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.

Due to the largely non-trading nature of its activities and the way in which government departments are financed, Transport Scotland is not exposed to the degree of financial risk faced by business entities.

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	652,595	198,517	11,861	33,569	74,335	334,313
Derivative liabilities	0	0	0	0	0	0
Total financial liabilities	652,595	198,517	11,861	33,569	74,335	334,313

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 loans to CMAL which accrue interest at the rate set for the National Loans Fund and its income and expenditure and cash flows are dependent of changes in market interest rates that affect this. Transport Scotland has interest bearing liabilities in respect of PFI schemes and minor lease rentals that are determined in the contracts entered and, as such, the related income, expenditure and 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 Assets disclosed under IAS37

Transport Scotland successfully defended an allegation of GARL copyright infringement, and a subsequent appeal which was dismissed in May 2012. The Diet of Taxation, to consider our account for the recovery of expenses incurred, took place on 13 June 2013 with the initial determination expected in September.

19b Contingent Liabilities disclosed under IAS37

Transport Scotland has a guarantee in place in relation to funding received by 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 / £734,443) should it be considered that the monies were not used for the purposes agreed under the original application. This liability runs out in July 2015 and would be based on the exchange rate at the time any repayment is made.

There is a claim from the contractor for White Cart Viaduct to recover alleged costs of up to £21 million from Transport Scotland. At adjudication for the first of the claim issues Transport Scotland were ordered to re-imburse the contractor approximately £1 million for liquidated damages, interest and adjudicators fees. Transport Scotland will continue to dispute this decision, which is only a part of the claim and considers that a final settlement (if any) between parties will be only a fraction of the £21 million. The Contingent Liability will remain until the final settlement is agreed

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

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

The 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;
- Liability agreement for any issues caused by the GARL ground investigation work for the next 10 years.

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

- S54 guarantees issued as part of rail rolling stock procurement process;
- Scottish Government underwriting First ScotRail pension fund in line with that provided to other train operators by DfT.

iii. Other contingent liabilities held by Transport Scotland:

- Monklands Canal - maintenance of pipes under trunk roads.

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. Loans were advanced to and repaid from CMAL and grants paid to HIAL and CMAL. David MacBrayne Limited is also the parent company of Calmac Ferries Limited, Argyll Ferries Limited and Northlink Ferries Limited who operated Ferry Services under contracts with Transport Scotland, which Transport Scotland supported by the payment of subsidies. Transport Scotland also paid grants to British Waterways Scotland, trading as Scottish Canals, for the operation and maintenance of Scottish canals and related infrastructure and capital grants for related investments during the year. Transport Scotland also had significant transactions with Local Authorities, Sustrans, the Energy Saving Trust, Loganair Limited, Forth Estuary Transport Authority, Northern Isles Ferries Limited, Cycling Scotland, Strathclyde Partnership for Transport, Tay Road Bridge Joint Board and Lothian Buses during the year, principally in relation to payment of grants to deliver specific transport objectives.

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

21. Segmental Reporting

21a Business Segments - Statement of Comprehensive Net Expenditure

2012-13 Total continuing segments	Resource £'000	Net Investment £'000	Income £'000	Non Cash £'000	AME £'000	Total £'000
Roads	94,802	94,213	(6)	150,470	56,966	396,445
Rail	454,726	328,871	0	13	0	783,610
Concessionary travel & Bus services	256,776	1,591	0	575	0	258,942
Other public transport	17,927	23,680	0	0	0	41,607
Ferry services in Scotland	114,283	1,263	(2,745)	0	0	112,801
Air services in Scotland	25,782	5,147	0	0	0	30,929
Other transport directorate programmes	19,732	0	0	0	0	19,732
Scottish Futures Trust	633	1,505	0	0	0	2,138
Grants to local authorities	0	22,929	0	0	0	22,929
	984,661	479,199	(2,751)	151,058	56,966	1,669,133

2011-12 Total continuing segments	Resource £'000	Net Investment £'000	Income £'000	Non Cash £'000	AME £'000	Total £'000
Roads	82,287	75,231	(234)	62,507	53,625	273,416
Rail	426,318	351,675	0	22	0	778,015
Concessionary travel & Bus services	243,754	2,956	0	413	0	247,123
Other public transport	20,421	23,064	0	0	0	43,485
Ferry services in Scotland	118,356	2,253	(2,428)	0	(1,500)	116,681
Air services in Scotland	25,107	8,700	0	0	0	33,807
Other transport directorate programmes	21,712	0	0	378		22,090
Scottish Futures Trust	0	0	0	0	0	0
Grants to local authorities	0	42,706	0	0	0	42,706
	937,955	506,585	(2,662)	63,320	52,125	1,557,323

21b Business Segments – Capital Expenditure

2012-13 Total continuing segments	Trunk Road Maintenance £'000	Capital Projects £'000	Other Assets £'000	Voted Loans £'000	Total Capital Expenditure £'000
Roads	12,102	357,425	31	0	369,558
Rail	0	0	0	0	0
Other public transport	0	0	0	0	0
Ferry services in Scotland	0	0	0	7,582	7,582
	12,102	357,425	31	7,582	377,140

2011-12 Total continuing segments	Trunk Road Maintenance £'000	Capital Projects £'000	Other Assets £'000	Voted Loans £'000	Total Capital Expenditure £'000
Roads	294,684	197,466	0	0	492,150
Rail	0	0	0	0	0
Other public transport	0	0	661	0	661
Ferry services in Scotland	0	0	0	5,022	5,022
	294,684	197,466	661	5,022	497,833

22. Notional Charges

The following notional charges have been included in the accounts:

	note	2012-13	2011-12
Auditors remuneration	3	180	188
		180	188

23. Losses and Special Payments

	number of cases	2012-13 £'000	2011-12 £'000
Total cash losses	22	90	139
Details of cases over £250,000	0	0	0
Including - claims abandoned	22	90	139
- active claims	0	0	0

The costs of damage to the Trunk Road Network due to road accidents are charged to Transport Scotland as part of the road maintenance programme. These costs are recovered from the party responsible through their insurance company wherever possible, except where they have been fatally injured. The costs are held in a debtor account until the recovery is successful. Transport Scotland reviewed the costs held in the debtor account to identify those that are due to be or in the process of being recovered. The costs that are no longer being pursued because they are not assessed as likely to be recoverable amounted to £90k in respect of 22 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 branchline 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. In addition, in 2012-13, land which had been acquired for the cancelled project, was then deemed surplus to requirements and consequently was disposed of in year in accordance with Crichel Downs rules, which generated a net credit of £0.2 million.

Costs incurred in 2012-13 were £0.1 million (2011-12 £3.2 million), with revenues of £0.2 million generated (2011-12 nil)

Annex A

TRANSPORT SCOTLAND
DIRECTION BY THE SCOTTISH MINISTERS

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

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

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

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

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، براے 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 ਕੰਮਿਊਨਿਟੀ ਭਾਸ਼ਾਵਾਂ ਦੇ ਵਿਚ ਮਿਲ ਸਕਦੀਆਂ ਹਨ, ਕ੍ਰਿਪਾ ਕਰਕੇ ਸੰਪਰਕ ਕਰੋ:

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