



Annual Report & Accounts

For the year ended
31 March 2019

transport.gov.scot



**TRANSPORT
SCOTLAND**
CÒMHDHAIL ALBA

Title

Contents

**Performance
Report
Overview**

Objectives

**Performance
Report
Performance
Analysis**

**Accountability
Report
Corporate
Governance**

**Accountability
Report
Remuneration &
Staff Report**

**Annual
Accounts**

Annex

Contents

Foreword by Chief Executive	3	Performance Report		Annual Accounts	76
Performance Report		Performance Analysis	22	Statement of Comprehensive	
Overview	5	Introduction	23	Net Expenditure	77
Introduction	6	Objectives	25	Statement of Financial Position	78
Purpose and main activities of the Agency	7	Social and Community issues	37	Cash Flow Statement	80
Key Risks and Challenges	8	Future Developments	39	Statement of Changes in Taxpayers' Equity	82
Performance Summary	10	Financials	40	Notes to the Accounts	84
The National Transport Strategy for Scotland	11	Sustainability	46		
		Accountability Report		Annex	126
		Corporate Governance	48	Direction by the Scottish Ministers	127
		Introduction	49		
Strategic Objectives		Directors Report	50		
Introduction	12	Statement of Accountable Officer's Responsibilities	51		
Strategic Transport	13	Governance Statement	52		
Planning and Governance	13				
Environmental Sustainability	14	Remuneration & Staff Report	61		
Maintaining and Developing Scotland's Transport Networks	15	Introduction	62		
New Infrastructure	16	Staff Report	63		
Moving Freight	17	Remuneration Report	66		
Moving People	18	Parliamentary Accountability Report	71		
Improving Communication, Travel Choices, Resilience and Safety	19	Independent Auditor's Report	72		
Procurement, Asset and Contract Management	20				
Who We Are and How We Operate	21				

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Foreword by Chief Executive

I am delighted to introduce Transport Scotland's Annual Report and Accounts for 2018-19. The annual report reflects the breadth of our activity in serving the people of Scotland and sets out our achievements and challenges in meeting our objectives.

The past year has seen the delivery of a number of significant projects; the £745 million Aberdeen Western Peripheral Route; the electrification of the Stirling/Dunblane/Alloa train line; the delivery of new rail rolling stock and the commencement of the latest stage of the dualling of the A9 between Perth and Inverness (Luncarty to Birnam). In addition we have supported the launch of new air routes to Heathrow and have continued to link more journeys by making more cycle spaces available at key locations on the rail network and installing 100 electric car parking spaces at stations.

This has also been a period of change for the Agency where we have sought to refocus and develop our efforts on bus, accessibility and active travel and develop activity to support the low carbon economy. All of this whilst also planning for the potential impacts of an exit from the EU whether through a managed exit or a no deal scenario.

June 2018 also saw a change in Ministerial responsibilities with the then Minister for Transport and the Islands, Humza Yousaf MSP promoted to Cabinet Secretary for Justice, and Michael Matheson MSP taking over as Cabinet Secretary for Transport, Infrastructure and Connectivity.

We are also the Lead Partner in the European Regional Development Fund 2014-2020 programme, focusing on funding for projects that support the Programme for Government's ambition to build an active nation and phase out the need for new petrol and diesel cars and vans by 2032. This will be reflected in our comprehensive review of the National Transport Strategy that will set a vision for Transport over the next 20 years.

'The past year has seen the delivery of a number of significant projects.'



Roy Brannen
Chief Executive
Transport Scotland

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Foreword by Chief Executive cont'd...

Our work has continued to be recognised with a number of awards:

The Forth Replacement Crossing

- Project Of The Decade - Winner Ground Engineering Awards [2018]
- Causeway Major Projects Award - Winner Chartered Institution of Highways and Transportation CIHT Awards [2018]
- Outstanding Project in a Generation - Winner Scottish Transport Awards [2018]
- Prix Ambassadeur 2018 - Winner Association Québécoise des Transports AQTr [2018]
- Project of the Year (over £30m) – Winner Construction News Awards [2018]
- Construction and Engineering Project of the Year – National Transport Awards [2018]
- Saltire Awards – Winner; greatest Contribution to Scotland
- Highways Awards – Winner; Major Project,
- GO Awards – Winner (Scotland) Infrastructure Project of the Year and GO Excellence Award: Shortlisted for National Infrastructure of the Year Award (30 April 2019).

A9 Dualling Programme

- British Construction Industry Awards 2018 - Skills Impact Initiative of the Year (Academy9),
- Ground Engineering Awards June 2018 - Winner - Ground Investigation Project of the Year - A9 Dualling Dalraddy to Slochd Stage 2 Preliminary Ground Investigation.

A82 Pulpit Rock

GO Infrastructure Project of the Year Winner, GO Awards, UK.

Certification to ISO 55001:2014 Asset Management

The Certificate of Approval from Lloyds Register of Quality Assurance is for “The asset management activities relating to the Scottish Trunk Road Network” in February 2019.

Transport Scotland’s Carbon Management Plan

Silver award for Environmental Best Practice, Scottish Green Apple Awards 2019.

We have exceeded our target to reduce Network Energy Emissions and the project which led to the massive energy savings involved upgrading road lighting on Scotland’s Trunk Road Network to LED. We have now been entered into the International Awards which are due to take place in the Houses of Parliament in November 2019.

Northern Digital Awards

Winner, Best Digital Marketing and Best Digital Public Sector for Country Roads campaign.

During the past year, we have taken forward a number of corporate developments including a restructure of the organisation to reflect changing responsibilities and priorities contained in the Scottish Government’s Programme for Government; a continued focus on developing our people; the embedding of smarter working and delivering on the commitments we made in our Corporate Plan 2017-20, launched at the end of October 2017.

It’s been another exceptional year, with much delivered across the breadth of the organisation. I am immensely grateful to all colleagues involved and to our partners across Scotland who continue to work with us to deliver positively for the people of Scotland.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex



Performance Report Overview

Title

Contents

Performance Report Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Performance Report Overview

In the Performance Report, we will present a review of the Agency's performance during 2018-19, against its strategic objectives, and those of the Scottish Government. We will highlight the key purpose and activities of the Agency, and the risks and challenges faced during the year.



Title

Contents

Performance Report Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Overview

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

We oversee the operation and improvement of the trunk road, ferry, inland waterway and railway networks in Scotland; air passenger facilities in the Highlands and Islands and are responsible for securing air routes for Scotland; air passenger facilities at Prestwick; national concessionary travel schemes and the provision of network traffic and travel information services.

We also support Scottish Ministers in prioritising future transport policy, strategy and investments and the delivery of a low carbon economy.

Our Purpose, Aims and Principles

Our purpose is to support and advise Scottish Ministers on strategy and policy options for Transport in Scotland, and to increase sustainable economic growth through the development of national transport projects.

Our aim is to help create an accessible Scotland, with a safe, integrated and reliable transport network.

Our core principles are:

- To strive for continuous improvement in transport delivery both nationally and internationally
- To promote transport integration
- To support the transition to active and more sustainable forms of transport
- To maintain a clear outward focus on the needs of transport users
- To work in partnership with transport providers, communities and wider government in our planning and delivery
- To make the most efficient use of public resources, and equip our staff to do the best possible job.

Key Risks and Challenges

The overarching risks and uncertainties facing us relate to our arrangements for the provision of, and financial investment in, rail, ferry, bus and air services, the maintenance of the road, rail and the Highlands and Islands air networks and major infrastructure projects. Additional challenges in 2018-19 related to the wider political and economic uncertainties associated with the preparation for, and potential impact of, EU Exit under a range of possible scenarios. The principal risks, in relation to Rail, Ferries, Low Carbon and EU exit, can also be seen in Figure 1 on pages 8 and 9.

The inherent risks relate to performance by contractors, sponsored bodies and grant recipients, which can also be affected by outside factors (such as adverse weather).

Our approach to Risk Management is highlighted within the **Governance Statement**, and **Figure 1** summarises an example of the key risks faced during 2018-19, the mitigating actions taken and further actions planned.

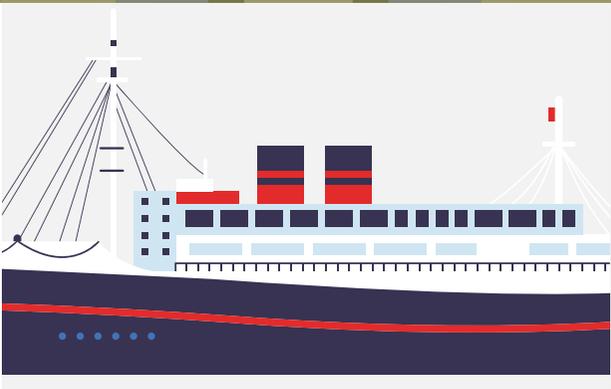
Title

Contents

Performance Report Overview
Objectives
Performance Report Performance Analysis
Accountability Report Corporate Governance
Accountability Report Remuneration & Staff Report
Annual Accounts
Annex

Key Risks and Challenges

Figure 1 Key Risk, Mitigation and Further Actions

	Key Risk	Mitigation and Further Actions
	<p>Impact of no UK agreement for EU withdrawal. Impact on rights of UK registered airlines, hauliers, buses/coaches etc to operate to and in the EU, and potential disruption to Scottish transport services.</p> <p>Rail Franchise Financial Robustness.</p>	<p>TS Resilience Group responds to key risks. Regular dialogue with UK Department for Transport (DfT) and Scottish and UK Government Resilience teams. Transport Scotland EU Exit Action Plan maintained. Contingency Planning reviewed, and Scottish Transport Logistics Intelligence Group established.</p> <p>TS works with Abellio and Serco Caledonian Sleeper Limited (SCSL) to identify measures to ensure the Franchise is on a sustainable footing. Regular liaison with advisors to better understand the fundamentals of the franchise.</p>
	<p>Financial and operational risk associated with the delivery of new vessels 801 and 802.</p>	<p>During 2018-19 a robust programme of liaison with Caledonian Maritime Asset Ltd (CMAL) and Ferguson Marine Engineering Ltd (FMEL), continued stakeholder engagement, advisors undertaking quarterly reviews and updates provided to ministers.</p> <p>On 16 August 2019 Ferguson Marine shipyard in Port Glasgow was placed in administration. Transport Scotland together with the wider Scottish Government is working with the administrator to establish the best route to secure the most effective delivery of the public sector vessels currently under construction in the yard.</p>

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

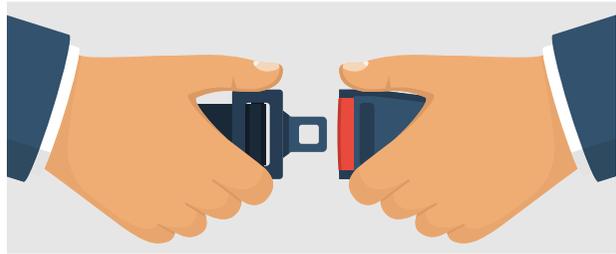
Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Key Risks and Challenges cont'd...

Figure 1 Key Risk, Mitigation and Further Actions

	Key Risk	Mitigation and Further Actions
	<p>Failure to achieve Scottish Minister's road casualty reduction targets.</p>	<p>Focused meetings and actions taken from Road Safety Strategic Partnership Board and Operational Partnership Groups. Road Safety performance and accidents statistics reviewed. Priority areas reviewed mid-term, engagement with colleagues to meet or exceed 2020 casualty reduction targets, focusing on motorcyclists and roadside safety, safety camera handbook criteria revised, liaison with high level European groups to share best practice.</p>
	<p>Programme for Government (PfG) commitments on air quality and low emission zones (LEZ's) not delivered.</p>	<p>Progression of Low Emission Zones (LEZ's) as part of the Transport Bill, supported, funding to be provided to local authorities and bus operators. Stakeholder engagement maintained, budget allocation re-profiled, liaison with EC on state aid changes.</p>

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Performance Summary

Transport Scotland's Corporate Plan 2017-20 sets out how we will help deliver the Scottish Government Strategy of creating a fairer, wealthier, safer, stronger and greener Scotland, with opportunities to flourish through increasing sustainable growth.

Our Corporate Plan sets out how we will support the Transport focused National Outcomes within the National Performance Framework (NPF) and the Programme for Government (PfG).

Figure 2, highlights the purpose and values of the NPF, and our work involves developing new policies and projects as well as supporting existing ones.



Figure 2: National Performance Framework. <http://nationalperformance.gov.scot>

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

The National Transport Strategy for Scotland

The National Transport Strategy (NTS) encapsulates our priorities for Scotland, and provides a framework with five high level objectives and three strategic outcomes, which can be seen in **Figure 3**. We review our strategic performance against these. We are in the process of undertaking a collaborative review of the NTS, and once consultation is completed, in the summer of 2019, the new NTS will set the priorities for future investment and provide an opportunity to explore future scenarios, which consider the impacts of technology, changes in travel behaviour, climate change and economic growth. The refreshed strategy (NTS2) will have an integrated framework to monitor and evaluate the performance of the transport system.

What we do

The Corporate Plan, and the supporting Annual Business Plans, set out nine strategic objectives, with a range of indicators to highlight our performance against those objectives, as shown on pages 12 - 21. The Performance Analysis section reports progress as at the end of March 2019.

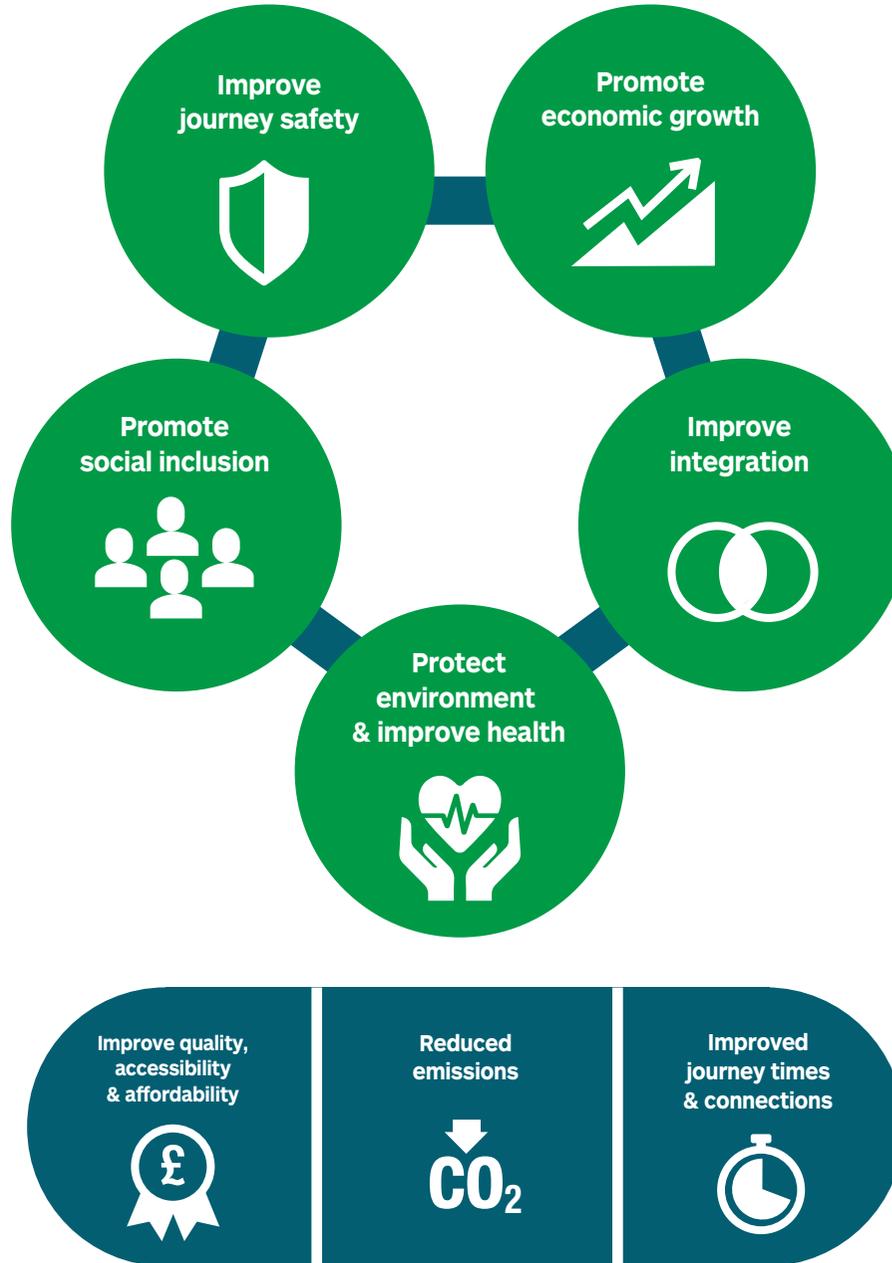


Figure 3: NTS Outcomes

Title
Contents
Performance Report Overview
Objectives
Performance Report Performance Analysis
Accountability Report Corporate Governance
Accountability Report Remuneration & Staff Report
Annual Accounts
Annex

Strategic Objectives

The following pages detail our 2018/19 objectives and highlights actions on how we delivered them

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Objective 1: Strategic Transport Planning and Governance

1 Produce a new Scottish National Transport Strategy and prepare a Strategic Transport Projects Review

- Wide stakeholder engagement in 2018
- Collaborative working groups formed
- Consultancy support appointed

2 Review and prepare for EU withdrawal implications on Transport

- Transport Scotland EU Team and Resilience Group set up Sept 2018
- Regular engagement with UK DfT policy teams and info sharing established
- In depth analysis of implications and mitigating actions completed March 2019
- Review of Scottish Transport legislation operability on exit completed

3 Introduce a Transport Bill to provide local transport authorities with options to meet users' needs

- Wide stakeholder engagement in 2018
- Legislative proposals put forward at Parliamentary Committees in September and October 2018
- Stage 1 complete



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 2: Environmental Sustainability

1 Supporting Scotland's Climate Change Plan

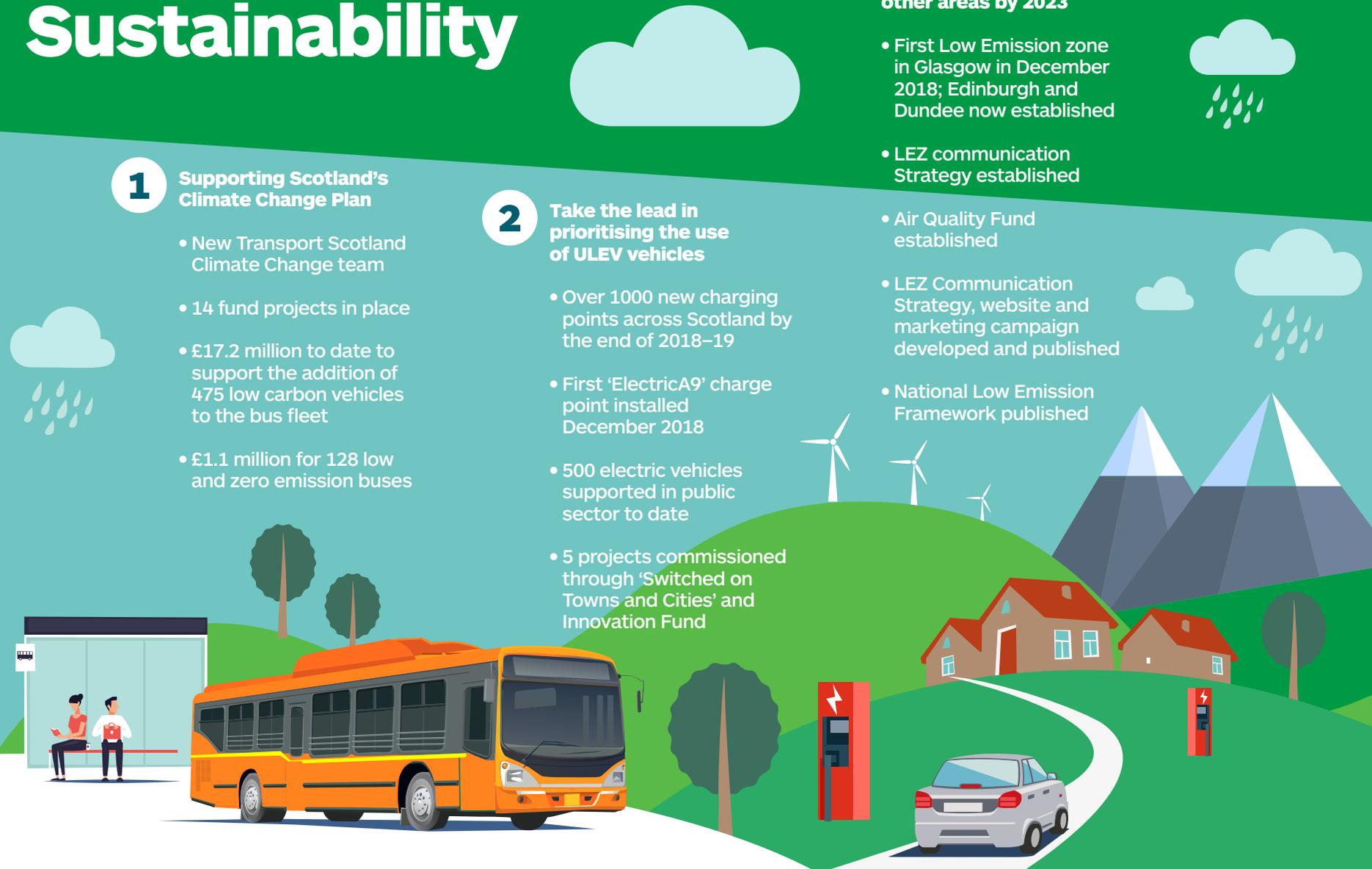
- New Transport Scotland Climate Change team
- 14 fund projects in place
- £17.2 million to date to support the addition of 475 low carbon vehicles to the bus fleet
- £1.1 million for 128 low and zero emission buses

2 Take the lead in prioritising the use of ULEV vehicles

- Over 1000 new charging points across Scotland by the end of 2018-19
- First 'ElectricA9' charge point installed December 2018
- 500 electric vehicles supported in public sector to date
- 5 projects commissioned through 'Switched on Towns and Cities' and Innovation Fund

3 Working with partners to introduce Low Emission Zones, into the 4 biggest cities by 2020 and into other areas by 2023

- First Low Emission zone in Glasgow in December 2018; Edinburgh and Dundee now established
- LEZ communication Strategy established
- Air Quality Fund established
- LEZ Communication Strategy, website and marketing campaign developed and published
- National Low Emission Framework published



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

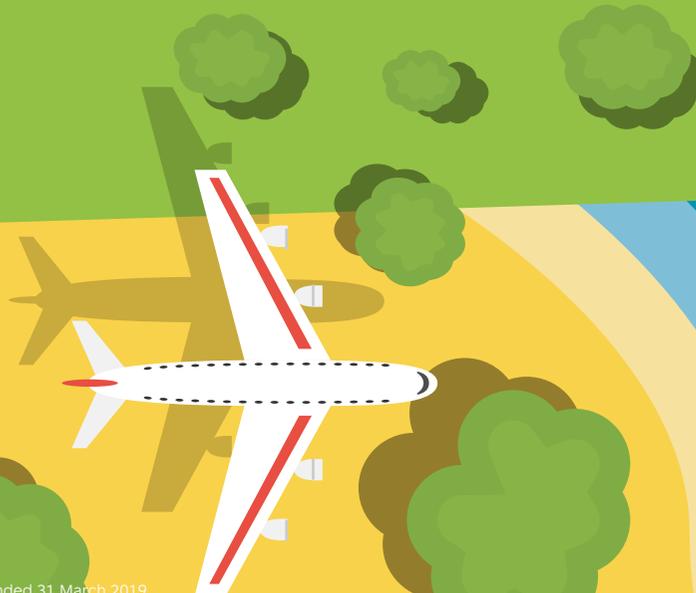
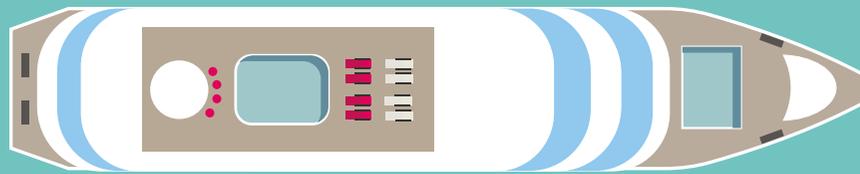
Annual Accounts

Annex

Objective 3: Maintaining and Developing Scotland's Transport Networks

1 Maintain the trunk road network as a primary national asset with international best practice and deliver structural maintenance on the trunk road network in 2018–19

- New Asset Management Policy and Strategy complete
- Structural maintenance programme ongoing
- Safety media campaign prepared
- Operating Company Health and Safety Forum
- Trunk Road Information Manual complete



2 Development of new air routes to enhance connectivity and tourism, and to contribute to the Scottish economy

- First direct route opened between Scotland and China
- Expansion of direct links with the USA via new Washington route
- Promotion of Scotland in meetings to 'Routes Europe' and 'World Routes'



3 Ensure Delivery of Ferry Services to the Northern Isles and the Clyde and Hebrides Networks

- £2 million investment for Northern Isles Ferry Services
- £3.5 million Ferry Resilience Fund
- £30 million for Brodick Harbour

Want to find out more? Go to p.28

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 4: New Infrastructure

1 Progress the design, development and procurement for the A9 Dualling Programme

- Luncarty Birnam Contract awarded
- Draft orders for all A9 projects published
- Continuing stakeholder engagement

3 Take forward major road improvement projects

- A9 Berriedale Braes contract awarded
- A737 The Den contract awarded

2 Progress the A96 Dualling between Inverness and Aberdeen by 2030

- Rolling programme of engagement with local communities, over 13,500 people visiting events
- Draft orders published, route assessment work underway

4 Network Rail and ScotRail to complete Edinburgh –Glasgow improvements and monitor Network Rail Glasgow Queen Street redevelopment

- First electric trains services in August 2018
- Redevelopment of Queen Street station progressing well

5 Support CMAL to build and maintain infrastructure for lifeline ferry services

- Specification for a new vessel for the Islay service
- Construction to replace slipways at Colintrave and Rhubodach completed

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 5: Moving Freight



1

Ensure efficient and sustainable movement of freight through integrated and flexible transport networks

- Cross-organisational partnership approach - 'Team Scotland'
- Building on actions and targets in the Rail Freight Strategy and High Level Output Specification

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 6: Moving People

1 Put active travel at the heart of our transport planning and increase everyday active travel through investment in walking and cycling

- Doubling investment in active travel to £80 million
- Assisting local authorities to deliver high quality walking and cycling infrastructure
- Scotland's first Active Nation Commissioner takes up post

2 Deliver a 10 year Accessible Travel framework ensuring disabled people can travel with the same freedom, choice and dignity as other citizens

- Improve journeys /remove barriers for disabled travellers
- 48 actions agreed by disabled people's organisations, transport providers and government
- Disability awareness training for all people working in transport
- Investment in station improvements

3 Working with transport operators, regional partnerships and local authorities to integrate networks through smart ticketing or smart payments

- Contactless payments rolled out by all major bus operators
- £1.1 million invested to assist smaller operators
- Fareshare back office system goes live
- Scotrail full suite of SMART Ticketing products



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 7: Improving Communication, Travel Choices, Resilience and Safety

1

Improve resilience across all networks for planned and unplanned events; Continue delivering the Traffic Scotland service

- Transport Resilience and Events Resilience teams strengthened
- Additional winter service enhancements

2

Extend and enhance key Traffic Scotland systems and Traveline Scotland to improve delivery of travel information to public, and to manage traffic on trunk road network

- Real-time roadside information via gantry signing
- New mobile website
- Continued support to Traveline Scotland
- Plans developed for Solheim Cup and European Championships

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
Analysis

Accountability
Report
Corporate
Governance

Accountability
Report
Remuneration &
Staff Report

Annual
Accounts

Annex

Objective 8: Procurement, Asset and Contract Management

1 Transport Scotland procurements compliance with relevant EU and national legislation, internal policy and governance procedures

- Procurement training enhanced
- Review of Transport Scotland's Framework
- Procurement Toolkit on the intranet
- Highest banding, 92% for Procurement and Commercial Improvement Programme (PCIP) assessment

2 Review ferry services procurement and arrange long-term delivery of supported ferry services

- Review of ferry services procurement

3 Enable public bodies to bid for future Scottish Rail franchises and press for the further devolution of Network Rail in Scotland

- Exploration of delivery vehicles, governance and funding options on-going

4 New contracts to manage and maintain the trunk road network by 2020

- Procurement for SW and SE Network Management Contracts
- Network Management Contract consultation with Industry completed
- Contract Award programmed for January 2020



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Want to find out more? Go to p.34

Objective 9: Who We Are and How We Operate

1 Invest and develop our staff in line with the SG2020 Programme and the People Strategy

- Development of corporate systems
- Hardware refresh
- Trial of improved video conferencing options
- Actions taken in response to staff survey
- Smarter working principles adopted / organisational re-structure delivered



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Performance Report Performance Analysis

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Performance Report Performance Analysis

We have delivered a change programme to ensure our structure reflects a flexible and efficient approach to delivering on our priorities which, will encompass the development of the new National Transport Strategy, the Programme for Government commitments around bus, accessibility and active travel as well as the development of the low carbon economy.



Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

We published the **Transport Scotland Corporate Plan 2017-20**, which details how we will take forward the Scottish Government's priorities and support the strategic outcomes contained within the NTS **Figure 3**. The following sections set out how the Agency has performed during 2018-19.



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 1: Strategic Transport Planning and Governance

The new National Transport Strategy

The review of the National Transport Strategy (NTS) continued during 2018-19 with the formation of a national **Strategic Framework Group**, composed of Transport Scotland and key partners to develop a vision for the future of transport for the next twenty years. There will be a formal public consultation on the new draft strategy at the end of July 2019 prior to its final publication by the end of the 2019 calendar year.

The outcomes from the revised NTS will also inform the development of the new Strategic Transport Projects Review (STPR2), which will consider future investment in all transport modes including the strategic road and rail networks as well as active travel, island connectivity, ferries and buses. This work encompasses an extensive stakeholder engagement programme involving organisations from all parts of Scotland. The review is programmed to take two years and will focus on national and regional issues to enable the delivery of national transport priorities.

Preparation for impact of EU withdrawal

Our focus during 2018-19 has been on planning for and response to the issues arising from EU withdrawal under a range of scenarios given the UK political context in which we have been operating. This work has involved the development of communication protocols and planning models to ensure that the transport network in Scotland would continue to function efficiently and effectively in the lead up to and during the process of any EU withdrawal.

Given the range of possible scenarios in play we set up a specific EU Resilience Team, which includes a wide range of skill sets and provides a pivotal link between Ministers, Scottish Government, UK Government and key partners in the process. A robust resilience response was also prepared in 2018-19, to mitigate against the impacts of a possible 'No Deal' exit. Staff are continuing to work closely with transport providers across Scotland, including through the newly established **Scottish Transport and Logistics Intelligence Group**, to ensure the timeous identification of the potential risks to transport and planning for their mitigation.

Transport Bill

The Transport (Scotland) Bill was introduced to Parliament on 8 June 2018, with proposals on low emission zones; bus services and information; smart ticketing; pavement and double-parking prohibitions; road works reforms; Regional Transport Partnership Finance and canals governance. Significant in-depth and sustained engagement with a range of stakeholders, has continued throughout the year including a series of presentations and question-and-answer sessions.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Objective 2: Environmental Sustainability

Electric Vehicles

In 2018-19, we invested £15 million in public, private and domestic charging installations, with Scotland now approaching its 1000th charge point milestone.

In June 2018 we launched the **Electric A9** programme to develop a complete network of Ultra Low Emission Vehicle (ULEV) charging facilities along the A9 corridor by 2022. Installation of the first charge point at Skiach Services took place in December 2018.

Switched On Towns and Cities

Our **Switched on Towns and Cities** Initiative was launched in 2018. This will contribute to the delivery of 20 **"electric towns"** across Scotland by 2025. In excess of £7 million has also been invested in our **"Switched on Fleets"** initiative. In the past year we have supported orders for over 380 ULEVs across Scotland's local authorities and a further 120 for other public sector fleets.

Low Carbon Vehicles

We allocated £20 million of interest free loans for businesses and private consumers to encourage the purchase of ULEV's resulting in a 46% growth in registrations of ULEV's in Scotland over the past year – 13 percentage points higher than the rest of the UK. Our **"Plugged in Households Programme"** also offers funding to Housing Associations to develop car club services which can be offered to their tenants, in order to promote ULEV driving.

Green Bus Fund

There have now been eight rounds of the **Scottish Green Bus Fund**, between 2011 and 2018, and funding of £17.2 million has supported the introduction of 475 low carbon vehicles to the bus fleet so far. In December 2018, £1.1 million was awarded to support the purchase of 128 low and zero emission buses. This funding has helped to put us ahead of schedule in delivering the Climate Change Plan target of 50% of the Scottish bus fleet to be low emission by 2032. Buses purchased through the Fund are returning significant fuel savings and reduced emissions. Each bus is expected to deliver an average reduction in CO2 of around 21 tonnes per year and 300 tonnes over their life cycle.

Active Travel

In 2018-19, more than £10 million was allocated to support local authorities in delivering behavioural change programmes including cycle training and driver awareness training for HGV and bus drivers. A total of 29 local authorities have now subscribed to **"Bikeability"** training for schools, which has involved some 42% of schools and a total of 36,000 children.



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 2: Environmental Sustainability cont'd...

E-Bikes

We launched an innovative £2 million scheme, delivered in partnership with Energy Saving Trust, to provide loans, grants and trials of electric bicycles. The first awards from the **E-bike Grant Fund**, totalling £800,000, have now been issued to 19 public sector organisations and community groups across Scotland, to encourage large scale e-bike adoption. The Low Carbon Transport Loan Fund provides for interest-free loans of up to £3,000 to help individuals and businesses purchase e-bikes and e-cargo bikes.

‘The Climate Change Plan, published in February 2018, sets out how Scotland will deliver its target of 66% emissions reduction for the period 2018–2032.’

Scottish Government's Climate Change Plan

The **Climate Change Plan**, published in February 2018, sets out how Scotland will deliver its target of 66% emissions reduction for the period 2018–2032. Our plans for transport should facilitate the greatest emissions reduction – in absolute terms – of any sector over the lifetime of the Climate Change Plan.

We continue to work in a number of areas to ensure we meet that commitment, including phasing out the purchase of petrol or diesel powered cars or vans by 2032. The first annual monitoring report on measures within the Climate Change Plan was published in October 2018 and we expect to see progress against the key indicators accelerate as we approach 2032.



Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
Analysis

Accountability
Report
Corporate
Governance

Accountability
Report
Remuneration &
Staff Report

Annual
Accounts

Annex

Objective 3: Maintaining and Developing Scotland's Transport Networks

Scottish Canals

We continue to support Scottish Canals in maintaining the canal network, with an additional £6 million provided to facilitate improvement work, including replacing lock gates at Fort Augustus and Culloch on the Caledonian Canal, additional work on lock gates on the Union Canal and work to strengthen the embankment at Linlithgow on the Union Canal.

Climate Change Adaptation

We continue to implement and deliver the programme of design, research and policy initiatives identified in the **Scottish Road Network Climate Change Study**. Recommendations that relate to new infrastructure continue to be implemented, and we also continue to employ asset management initiatives in order to make best use of available funds and ensure that the trunk road network remains safe and fit for purpose. We are on track to commence Phase 3 of our Asset Management Improvement Programme, which will align with International Standard ISO 55000 – Asset Management.

Roads and Bridges

We are contributing to the review and development of roads and bridges **design standards and guidance** by working with Highways England and the other devolved authorities in updating the Design Manual and standards producing additional guidance for Scotland.

'an additional £6 million provided to facilitate work on the canal network'



Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
Analysis

Accountability
Report
Corporate
Governance

Accountability
Report
Remuneration &
Staff Report

Annual
Accounts

Annex

Objective 4: New Infrastructure

Major Roads Projects

The final section of the £745 million Aberdeen Western Peripheral Route/Balmedie to Tippetty (AWPR/B-T) opened to traffic on 19 February 2019, giving access to 36 miles of new road.

The main construction contract for the second section of the **A9 Dualling - Luncarty to Pass of Birnam** – was awarded to Balfour Beatty Civil Engineering Limited in September 2018. Major traffic management was installed in February 2019 and construction is now underway. This project, which aims to widen the A9 over a length of 9.5km, and provide 15km of continuous dual carriageway between Inveralmond roundabout in Perth and the Pass of Birnam, is anticipated to be fully operational by Spring 2021.

Design work is well underway on the **A96 Dualling Programme**. Following publication of draft Orders on the Inverness to Nairn (including Nairn Bypass) section, a Public Local Inquiry was held in November 2018 to consider objections received. Route options assessment work has been completed on the sections between Huntly and Aberdeen and Hardmuir and Fochabers, with the preferred options announced at a series of public exhibitions in October and December 2018 respectively.

A £3.4 million ground investigation contract helped to inform the development of the preferred option for the **A82 Taret to Inverarnan Improvement scheme** and we continue to progress essential design and assessment including conducting environmental surveys and further liaison with landowners and businesses along the route. Draft Orders are expected to be published in October 2019 for formal comment.

The £31.2 million Design and Build contract for the 3.8 km **A737 Dalry Bypass** was awarded to Farrans Roadbridge Joint Venture. The bypass to the east of Dalry and associated junctions will connect with the existing A737 trunk road, and works will include the construction of a viaduct structure to enable road users to travel over the River Garnock and the Glasgow to Ayr railway line. Construction is expected to be complete by the end of 2019.



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 4: New Infrastructure cont'd...

Rail

The **Edinburgh to Glasgow via Falkirk High route** has been served by new class 385 Hitachi electric trains since December 2018 with the first services delivering a 42 minute fastest journey time and 26% more seats compared with 6-car class 170 diesel trains. Further timetable changes in May and December 2019 will see the number of services achieving this target increase. We have also removed a significant number of diesel trains operating between our two main cities, thus reducing emissions and improving air quality across the route.

The re-development of **Queen Street Station** is progressing well and will see the introduction of 8 car services, facilitated by platform extensions, commence from December 2019 with the architectural frontage due to complete March 2020.

In December 2018, the first electric passenger services on the newly electrified **Stirling Dunblane Alloa** route commenced. In addition to introducing new cleaner, longer, greener and quieter electric services, the electrification of 90 single track kilometres on this key rail corridor helped facilitate faster journey times on the Edinburgh - Glasgow via Falkirk High route as well as service improvements across the wider Scottish Network.

The **Glasgow Central to Edinburgh via Shotts** route is being electrified as part of the Rolling Programme of Electrification (Scotland). New electric services scheduled to commence in Spring of 2019, will provide additional capacity, comfort and environmental benefits. Significant enhancement works are being carried out at many of the stations along the route to facilitate the introduction of electric trains, including lengthened platforms and installation of footbridges and lifts.



Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Objective 5: Moving Freight

Freight / Modal Shift

We are working with the rail industry on an integrated partnership approach called **Team Scotland**. This builds on the actions and targets in our Rail Freight Strategy (2016) and the High Level Output Specification (HLOS) (2017). We have been working proactively with the rail and freight sectors to identify target freight markets, capable of modal conversion. We have tasked Network Rail to work with the wider rail industry, with a clear focus on delivering our priorities for Scotland's railways, and they are currently working to complete a plan aimed at exceeding the rail freight growth target in the HLOS.



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Objective 6: Moving People

Smart, Integrated Ticketing

We continued to develop **Smart, Integrated Ticketing** and payment technology during 2018-19. Contactless payments have now been rolled out by all major bus operators, and in November 2018, we launched a £1.1 million fund, designed to assist smaller operators to access equipment and join the rollout programme. In addition we have developed an App to assist local authority and bus industry partners in providing bespoke smartcard ticketing for schools transport via a smartphone.

We successfully implemented **Fareshare**, a new operating software that facilitates concessionary travel schemes payments to transport operators, replacing the existing outdated system. The system also supports Transport Scotland's approach to fraud detection and prevention. We are developing projects for **Mobility as a Service (MaaS)** and improving passenger information services, with a commitment in the 2018 Programme for Government for a £2 million investment to work with transport industry partners to further develop MaaS.



Active Travel

The majority of the Active Travel budget of £80 million in 2018-19 was allocated to local authorities to deliver high quality walking and cycling infrastructure, and this included more than £10 million to support local authorities and communities to deliver behaviour change programmes including cycle training, and increased access to bikes and facilities.

Working with colleagues from Active Scotland, in December 2018 we appointed Scotland's first **Active Nation Commissioner**, who will become the national advocate for the benefits of walking and cycling, including for every day short journeys. The Commissioner will be responsible for providing leadership, strategic oversight and challenge across local and central Government to encourage people to be more active.

Scotland's Accessible Travel Framework works to improve the journeys that disabled people make, and remove the barriers which prevent them travelling. The ten year Framework has been shaped by disabled people themselves, together with organisations that represent them.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Objective 7: Improving Communication, Travel Choices, Resilience and Safety

Traffic Scotland

We continue to invest in and improve traffic and travel information through the Traffic Scotland service, including the provision of real-time roadside information via Variable Message Signs (VMS) and gantry signing; the introduction of a new mobile website; continued support to **Traveline Scotland**; the Customer Care Line and enhancements to the Traffic Scotland Radio service.

Resilience

The Transport and Events Resilience Teams within Roads Operations have been strengthened to provide enhanced capabilities in resilience planning and responses, and additional winter service enhancements and trials have been in operation during the year. Enhancement and improvement of the Traffic Scotland service continues across a range of areas.



Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
Analysis

Accountability
Report
Corporate
Governance

Accountability
Report
Remuneration &
Staff Report

Annual
Accounts

Annex

Objective 8: Procurement, Asset and Contract Management

Future Rail Franchises

We have been successful in securing powers, through the Scotland Act 2016, to provide for bids from **public sector organisations for future rail franchises in Scotland**. This is a 'first' in the United Kingdom and forms part of a wider range of options under consideration for running the railways in Scotland in a way which best suits our passengers, freight providers and communities. We have identified David MacBrayne Limited as a viable public sector body able to make such a bid, and they have expressed an interest in doing so. We will continue to work with partners including Network Rail, the Rail Regulator and, in particular, the UK Rail Review team, seeking to influence and shape the outcome for Scotland, and to support Scottish Ministers' calls for changes to the existing structures, including further devolution of powers to Scotland.

'a 20% reduction on passenger and car fares was introduced in June 2018 on services between Aberdeen and Orkney, to Shetland'

Ferry Services

In August 2018 the Cabinet Secretary for Transport, Infrastructure and Connectivity announced a £3.5 million **Ferries Resilience Fund** with the aim of reducing the risk of vessel breakdown and improving resilience on the Clyde and Hebrides route. A further £4 million has been earmarked for the Resilience Fund in 2019-20 to facilitate further investment in the CalMac fleet. The funds will be used to upgrade or replace key systems and equipment on the vessels. This will be tackled on a priority basis to avoid delays to the service, and will enable increased vessel reliability.

In November 2018, we announced a £2 million investment for the **Northern Isles Ferry Services**, with the aim of supporting the economies of Orkney and Shetland. Improvements will include 66 new sleeping pods, a new cinema, shop, games area, and entertainment zone on the Aberdeen vessels. As part of the commitment to introduce cheaper fares on Northern Isles services, a 20% reduction on passenger and car fares was introduced in June 2018 on services between Aberdeen and Orkney, to Shetland. Investment continues on associated infrastructure.

Also in 2018/19 work was completed on a new £30 million project to improve **Broddick harbour and the purchase of the three Ro-Pax vessels**, the MV Hrossey, MV Hjaltland and MV Hamnavoe – the single biggest investment in over a decade – will improve the passenger experience from the Scottish mainland to Orkney and Shetland.



Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Objective 8: Procurement, Asset and Contract Management cont'd...

Air Services

In 2018, the first **direct route opened between Scotland and China** featuring the newer, cleaner Boeing 787-900. We also supported the ongoing expansion of our direct links with the USA when United Airlines added Washington DC to their Scottish routes, operating alongside their well-established Chicago and Newark services. Emirates also added a third daily service between Scotland and Dubai.

Ports and Canals

In April 2018, an award of £1.5 million **Ports Mode Shift Grant** was made to Montrose Port Authority to facilitate the reconstruction of two berths to allow larger boats to utilise the port. The grant will remove 1.26 million tonnes of freight from Scotland's roads over a 5-year period, the equivalent of 86,000 HGV journeys, and deliver £5.2 million in environmental benefits. Construction is estimated to be completed during November 2019.

Roads

The procurement process for the **South West and South East Network Management Contracts** commenced in August 2018, and the combined value of these two contracts is estimated to be worth in excess of £930 million over their minimum 8-year duration. They will directly support around 650 operational and professional jobs in Scotland and contribute significantly to the economy through the wider supply chain. Award of both contracts is currently programmed for early 2020 with commencement of service in August 2020.

We remain committed to working with a range of stakeholders, including all local authorities to help improve the condition and safety of the road network, and we do this through the **Road Collaboration Programme (RCP)**, which is jointly funded between national and local government. In addition, road authorities have also been working with industry partners to make positive changes to how road maintenance is undertaken, with a focus on efficiency, collaboration and innovation.



Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Objective 9: Who We Are and How We Operate

Corporate Processes

We continue to work to improve corporate processes and ensure that appropriate budgets are allocated to fund the agreed commitments, and that they reflect robust projections within our long-term financial plan. We continue to review Directorate updates of long term forecasts in order to inform budget setting for future years and ensure that they reflect agreed Directorate and Ministerial commitments and options.

We conducted two of **Best Value ‘self-assessment’** exercises in 2018-19 that were presented for approval, to the TS Audit and Risk Committee. The programme of these reviews is agreed to cover processes within all Directorates to provide assurance in respect of Best Value principles and seek recommendations for further improvement.

Our approach to **‘Smarter Working’** allows a flexible approach to how staff deliver their objectives and we have improved our technology and wireless connections to facilitate improved information sharing between both staff and other partners and stakeholders. We have now been granted **Cyber Essential Plus** accreditation and continue to work closely with information technology colleagues at core Scottish Government to ensure we remain at the forefront of initiatives which seek to benefit the wider Scottish Government.

We have been working with **See Me** with a view to raising awareness around mental health, and in 2018-19 a number of staff, across all Directorates, completed training as mental health first aiders. This training was so well received that we have now expanded our mental health first aid team to 25 across the organisation. We have also drafted a Mental Health Action Plan and will continue to monitor the effectiveness of this throughout 2019-20.



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Social & Community Issues

We aim to work in partnership with communities and to deliver social benefits across Scotland as a consequence of our work. We have been able to demonstrate this in a number of ways during 2018-19:

Our **Low Carbon Economy Team** is working with Skills Development Scotland and the Energy Skills Partnership to ensure the provision of a strong skills base for the maintenance and repair of electric vehicles.

The **Academy9** programme seeks to prepare pupils for local jobs which the A9 Dualling programme will create. We have engaged with over 3,800 students and 510 teachers to raise awareness of civil engineering careers. We also hosted the **Academy9 Conference: Building a Legacy** in March 2019, showcasing the initiative's progress so far and setting best practice benchmarks for other infrastructure projects.

The current design work on the A96 Dualling is helping support over 400 engineering related jobs in Scotland, including over 150 graduate and apprentice jobs. The A96 Dualling team have supplied training for 40 Primary and 12 Secondary School teachers and provided engineers to support and engage with 14 primary school and two secondary school classes. Further engagement with schools regarding apprenticeships, summer placements and work experience for school pupils is planned.



- Title
- Contents
- Performance Report Overview
- Objectives
- Performance Report Performance Analysis
- Accountability Report Corporate Governance
- Accountability Report Remuneration & Staff Report
- Annual Accounts
- Annex

Social & Community Issues

cont'd...

It is estimated that the AWPR/B-T project will generate over £6 billion additional income for the North East, at 2004 prices – reducing costs to business and providing opportunities for increased sales. Over 14,000 jobs are expected to be generated over the first 30 years after the scheme opening.

The local community will benefit from opportunities for Small Medium Enterprises (SMEs) to bid for subcontractor roles on the A737 Dalry project, and the provision of at least two vocational and two professional, site-based training opportunities. There are currently 96 site-based construction staff working on the project with around 120 staff expected to be working on site at its peak.

The Contact and Education Centre at South Queensferry, which served as a focal point for community engagement and education during the construction of the Queensferry Crossing, continues to provide an excellent learning environment with detailed bridge models, exhibition panels, audio-visual resources and interactive learning facilities. Between January 2018 and December 2018, over 7,000 pupils from 148 schools took part in the Science, Technology, Engineering and Mathematics (STEM) Schools Programme, and the 2019 Programme continues to attract a lot of interest from schools from around Scotland and beyond.



- Title
- Contents
- Performance Report Overview**
- Objectives
- Performance Report Performance Analysis**
- Accountability Report Corporate Governance
- Accountability Report Remuneration & Staff Report
- Annual Accounts
- Annex

Future Developments

We are a major contributor to the Scottish Government's Programme for Government 2018-19, which sets out the Scottish Government's plan of action over the coming year and focuses on the building of a competitive, sustainable and inclusive economy. There will be continued emphasis on digitally-enabled and low carbon growth, and our forward work programme will include delivering key Programme for Government commitments including those relating to ultra-low emission vehicles and active travel.

Our work in setting a new National Transport Strategy, refreshing our investment strategy for major transport projects and reviewing our policy, legislative and funding frameworks will be key to shaping our ambitions for the future, as will our work to develop STPR2. Ministers have given commitment to improving connectivity between our cities through the dualling of the A9 and A96, as well as supporting a major programme of investment in our railways.

Over the next few years, investment in active travel such as walking and cycling, will continue and support for low carbon developments will be available through the Low Carbon Travel and Transport Development Challenge Fund. We will continue to develop plans to respond the challenge of the UK leaving the European Union and to mitigate any potential risks to transport in Scotland.



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Financials

The financial statements for the year ended 31 March 2019 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 (FRoM). The financial statements are consolidated within the Scottish Government Consolidated Resource Accounts.

The accountable officer authorised these financial statements for issue on 2 September 2019.

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

Significant accounting policies

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

Valuation of the Trunk Road Network

The trunk road network is valued on the basis of current replacement cost, adjusted to reflect the current condition of the road component and the depreciation of structures and communications assets. This valuation reflects assumptions, estimates and professional judgement that are incorporated in the data input to the model used to produce the valuation known as the Road Authorities Asset Valuation System (RAAVS). This model is currently provided by WS Atkins using standard costs to value the individual components of the network asset and indices to revalue these on an annual basis through a joint contract with the other UK Road Authorities.

Recognition and the valuation of provisions

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

Valuation of accruals

Due to the timing and availability of final year end information from external suppliers for Concessionary Travel, Rail and Roads maintenance, certain assumptions and judgments are required to be made when determining final accruals.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Financials cont'd...

Public Private Partnerships (PPP)

We have three Public Private Partnerships (PPP) agreements in the form of Private Finance Initiative (PFI) contracts (M77-Connect, M6 DBFO-Autolink and M80 Highway Management (Scotland) Limited). These arrangements meet the definition of Service Concession Arrangements in accordance with the disclosure requirements of IPSAS 32.

We also have PPP agreements in the form of Non-Profit Distributing (NPD) contracts for the M8/M73/M74 Motorway Improvements Project, with Scottish Roads Partnership (SRP) and Aberdeen Roads Limited (ARL) for the new AWPR / B-T. Both SRP and ARL are contractually obliged to provide the infrastructure and related services to the public on our behalf. We have reviewed the degree of control exercised by each of the parties in existing PPP contracts and conclude that the degree of control we retain satisfies the requirements that the related assets created are required to be accounted for on our Statement of Financial Position (SFP). Details of the accounting treatment can be found in notes 1 and 16 to the annual accounts.

For details of the differences between NPD and PFI contracts, see the Scottish Futures Trust website at:

www.scottishfuturestrust.org.uk

Sources of Funding

Rail Infrastructure

Our responsibility for rail includes setting strategic outcomes for Network Rail in relation to the Operation, Maintenance, Renewal and Enhancement of the rail infrastructure in Scotland, as well as the services to be delivered through the ScotRail and Caledonian Sleeper franchises, and defining the level of public expenditure available to support this.

Network Rail outputs and associated funding for Control Period 5 from 1 April 2014 to 31 March 2019 was determined by the Office of Rail Regulation (ORR). Following their reclassification as a central government body in 2014, Network Rail borrowing to cover enhancements to the UK rail network was financed by the UK Government. Transport Scotland managed Network Rail delivery and funding of specified outputs on the Scottish rail network under a Memorandum of Understanding agreed with the UK Government following reclassification with regulatory oversight from the ORR. The major projects specified by Scottish Ministers for Network Rail to undertake to the end of CP5 were funded through a ring-fenced limit within this agreement to protect the delivery of Network Rail's programme in Scotland. Under these arrangements, we are not required to account for any debt incurred on our behalf, although payments in respect of the servicing of the debt are reflected in the Network Rail

deed of grant payments made. The equivalent funding for activities in Control Period 6 from 1 April 2019 to 31 March 2024 will be payable directly to Network Rail by Transport Scotland. The responsibility for servicing of any residual debt from previous control periods will then rest entirely with HM Treasury.



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Financial performance and use of resources

During the year, our budget can be subject to revision and adjustment via the Scottish Government Autumn Budget Revision (ABR) and Spring Budget Revision (SBR). The table below shows the movement in our budget and comparison with the outturn for 2018-19. More detail on performance can be found in our Performance Analysis section.

Resources to fund our operating costs and capital investment programme were allocated in the Scottish Government Budget 2018-19. The choice between public and private funding is governed by suitability for alternative forms of finance (including value for money). The policy decision set out in the National Infrastructure Mission is to boost economic growth by utilising all available forms of finance (whilst working within a 5% affordability envelope for revenue financed schemes) in light of significant capital constraints.

A total of £2,222 million of budget cover was allocated from the Scottish Government Departmental Expenditure Limit (DEL) budget (17-18: £2,270 million). Annually Managed Expenditure (AME) relates to movement in provisions for both land compensation claims and orders for investment in land required to progress projects. A budget allocation was provided in the Spring Budget Revision.

The £154 million ODEL budget (17-18: £136 million) funds expenditure in respect of on-balance sheet PFI/PPP projects. This is scored against resource and includes payments for the, M77, M80 and M6 schemes. These form part of the overall budget of the Scottish Government.

Transport Scotland 2018-19	Original Budget 2018-19 £000's	ABR Adjust £000's	SBR Adjust £000's	Revised Budget 2018-19 £000's	Outturn 2018-19 £000's	Variance £000's
Rail Services	780,900	-	-	780,900	759,533	21,367
Concessionary Travel	269,100	-	-	269,100	263,413	5,687
Motorways & Trunk Roads	659,215	-	(164)	659,051	518,144	140,907
Ferries	240,530	-	-	240,530	211,267	29,263
Air	50,340	-	-	50,340	49,377	963
Other Transport	185,321	(4,880)	(1,132)	179,309	176,464	2,845
Local Authority Grants (RTP and Cycling) / Support for Active Travel / Inter Island Ferries	36,900	-	-	36,900	53,703	(16,803)
Total DEL	2,222,306	(4,880)	(1,296)	2,216,130	2,031,901	184,229
AME Capital	-	-	50,000	50,000	23,082	26,918
ODEL PFI Resource	154,792	-	-	154,792	121,561	33,231
ODEL PFI Capital	-	-	-	-	-	-
TOTAL	2,377,098	(4,880)	48,704	2,420,922	2,176,544	244,378

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Outturn Analysis

The DEL underspend of 184.2 million, comprises a cash underspend of £130.0 million and a non-cash underspend of £54.2 million and has been managed as part of the overall Scottish Government financial position. The cash underspend reflects the net position, with savings and slippages being partially offset by a number of pressures experienced over various directorates. The most significant pressures have been within Ferries, in relation to the Northern Isles Ferry Service contract extension (£4 million); Major Projects on Queensferry Crossing (£10 million); Canals in respect of additional capital for renewals (£7 million); the agreed revised grant profile in

relation to Glasgow Subway Modernisation (£19 million) and Roads in relation to the additional authorised expenditure on priority roads schemes (£16 million). These pressures have been alleviated in year by significant savings and slippages within Major Projects on Capital Land and Works (£102 million); Roads in respect of lower unitary charges for revenue financed projects in respect of slippage (£33 million); Ferries in respect of accelerated spend on vessel procurement in prior year (£33 million); slippage on implementing Revolution in Rail (£12 million); and Bus in respect of financial transactions loan funding not utilised (£10 million).

The underspend in non-cash is a result of lower than anticipated depreciation of the road network. The AME outturn reflects the fact that provisions that were initially estimated were not required in year, with the negative expenditure representing a net overall reduction in these provisions. The ODEL resource underspend reflects the delay in the completion of the M8 and the Aberdeen Western Peripheral Route/Balmedie to Tippetty (AWPR/B-T) Projects, coupled with changes in the forecast lifecycle maintenance on the M77, M80 and M6 projects.

The total underspend of £244.4 million (17-18: £106.8 million underspend) represents approximately 10% of the overall budget.

Transport Scotland 2018-19	Budget £000's	Actual £000's	Variance £000's
Resource – Operating Costs	830,779	1,071,175	(240,396)
Resource – Investment	870,749	651,550	219,199
Resource Depreciation (non-cash)	143,135	88,956	54,179
Capital	371,467	220,220	151,247
DEL Total	2,216,130	2,031,901	184,229
AME	50,000	23,082	26,918
PFI Resource (ODEL)	154,792	121,561	33,231
PFI Capital (ODEL)	-	-	-
Total	2,420,922	2,176,544	244,378

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

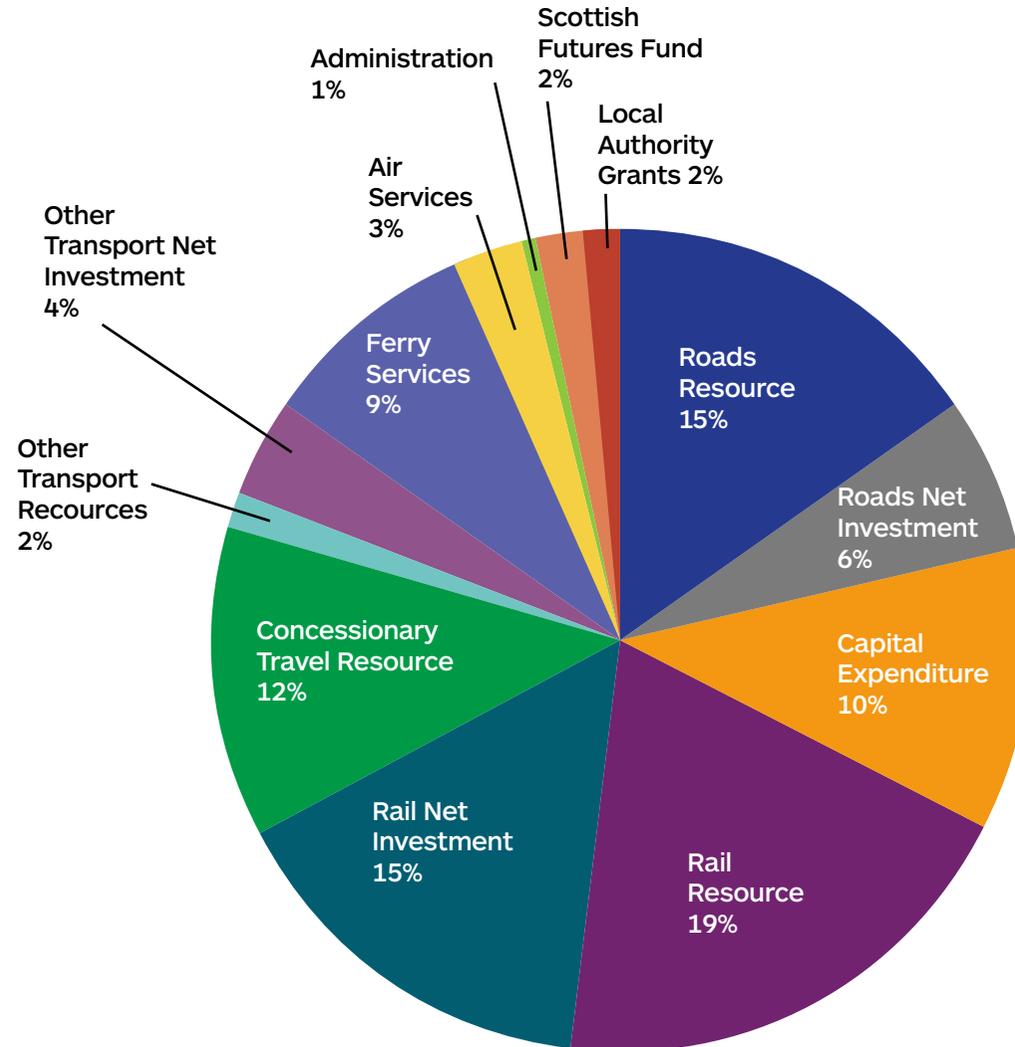
Annex

Outturn Analysis cont'd...

The Statement of Comprehensive Net Expenditure (SoCNE) on page 77 identifies net operating costs of £1,963 million. Capital expenditure is not recognised as in-year expenditure within the SoCNE, but the table below provides a reconciliation of overall outturn to SoCNE.

The majority of Transport Scotland's budget is spent, either directly or indirectly, with external suppliers. Only 1% is utilised on the on-going Agency running costs. The chart on the right shows the percentage spent on each of the main areas of service provision identified in the budget.

	£000's
Net Operating Costs per SoCNE	1,963,142
Add: Additions to Intangible Assets (note 7)	-
Add: Additions to PPE (note 6)	180,369
Add: Additions to Investments (note 9)	39,253
Less: Disposals of Intangible Assets (note 7)	-
Less: Disposals of PPE (note 6)	(115)
Less: Repayments of Investments (note 9)	(6,105)
Less: Disposals on Assets held for Sale (note 8)	-
Less: De-trunkings (note 6)	-
Add: De-trunkings depreciation (note 6)	-
Outturn per Management Commentary	2,176, 544



Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Outturn Analysis cont'd...

The total asset base is £20.25 billion, the majority of which relates to the trunk road network. Additions to the value of the asset include the dualling of the A9 from Kincaig to Dalraddy and sections of the A90 Aberdeen Western Peripheral Route.

Relationship with suppliers

We are committed to prompt payment of bills for goods and services and aim to settle all undisputed invoices within contract terms and also in line with the Scottish Government 10-day payment policy. We settled 96% of invoices within this timescale (17-18: 96%). The amount owed to trade creditors at the year-end as a proportion of the aggregate amount invoiced during the year, represented -18.2 days in proportion to the total number of days in 2018-19 (17-18: 0.3 days).

Fraud Detection and Prevention

Transport Scotland has a dedicated Fraud Prevention Officer, who links directly with the Scottish Government Fraud Prevention Team. There is a published fraud prevention plan, which is updated with relevant legislative changes as they occur, and provides clear guidance on the Agency's approach to, and methodology for, anti-corruption, bribery and whistle blowing. Additional information can be found at <https://www.gov.scot/publications/scottish-public-finance-manual/fraud-and-gifts/fraud/>

Future Spending Plans

The Scottish Budget Draft Budget 2019-20, provides details of our spending plans that will help deliver sustainable economic growth. These allocations are included in the table below for the coming financial year. A significant part of the increase within Net Investment is a consequence of the change in funding for Network Rail in Control Period 6.

	2019-20* £000's
Resource – Operating Costs	823,013
Resource – Investment	1,209,383
Non-Cash	146,100
Capital	286,522
Total	2,465,018
ODEL	146,200
Total	2,611,218

*Source- Scottish Draft Budget 2019-20

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Sustainability



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

Our Carbon Management Plan – 3rd Edition, sets a corporate carbon emission baseline, along with associated targets and projects, until 2019/20. The emission scope covers both operational emissions from our buildings and travel, as well as trunk road lighting emissions (also known as Network Energy emissions).

This section of the report focuses on the carbon reduction performance of the agency against the baseline set in the Carbon Management Plan – 3rd Edition. As the agency reports combined operational and network emissions via the Public Bodies Climate Change Duties Reporting portal, the information included in this year’s report and going forward will include **both our network energy emissions and our operational Carbon Footprint** based on the baseline set using the 2015/16 data.

During the course of the financial year 2018/19, Transport Scotland’s combined emission have decreased by 33% when compared to the previous year. When compared to the 2015/16 baseline, Network Energy emissions have reduced by 60% and Operational Emissions reducing by 22%. This equates to a 56% reduction in overall combined emissions compared to the baseline.

The Carbon Management Plan – 3rd Edition (2015/16), won a silver award for Environmental Best Practice at the Scottish Green Apple Awards 2019. This was in recognition of work done to meet Network Energy carbon reduction targets after only two years. The reduction was in relation to the replacement of the current road lighting luminaries on Scotland’s Trunk Road Network with an LED alternative.

A detailed Sustainability Report will be published in late 2019, providing fuller details of our operational carbon footprint.

Title

Contents

Performance Report Overview
Objectives
Performance Report Performance Analysis
Accountability Report Corporate Governance
Accountability Report Remuneration & Staff Report
Annual Accounts
Annex

Sustainability cont'd...

Corporate Operational Carbon Emission 2018-19

Element		Metric	Baseline in 2015/16 ¹	Actual in 2017/18 ¹	Actual in 2018/19 ¹	% change compared to previous year
Total Emissions	-	tCO2e	22,222	14,093.8	9,389.9	-33%
Network Energy	Electricity	tCO2e	20,847	12,868.9	8,319	-35%
Energy (Scope 1&2 GHG emissions)	Electricity	tCO2e	764.98	643.1	481.7	-25%
	Gas	tCO2e	265.26	296.2	256.9	-13%
Travel (Scope 3 GHG emissions)	Business Travel	tCO2e	187.72	201.0	249.2	23.9%
Travel (Scope 3 GHG emissions)	Commute Travel	tCO2e	154.5	76.5	74	-3%
Water	Water	tCO2e	3.13	4.1	3.1	-24%
Waste	Waste (BH)	tCO2e	2.02	5.35	5.6	4.6%

¹ t/CO2e figures are based on the UK Department for Business and Industrial Strategy (2018/19) GHG conversion factors, figures from 2017/18 use the 2017 GHG conversion factors and the CMP 3rd Edition (2016) used the 2015 GHG conversion factors.

Energy: Emissions from electricity use in our offices (Buchanan House/Victoria Quay/Traffic Control Centre) have decreased by 25%. Gas consumption emissions have decreased by 13%.

Water: Consumption Emissions have decreased by 24%.

Waste: Emissions from waste disposal have increased by 4.6%, a direct result of operations involved in moving towards smarter working.

Commute Travel: Emissions associated with commute travel have decreased by 3%.

Business Travel: Emissions attributed to Business Travel have increased by 24% when compared to the previous year.



Roy Brannen
Chief Executive, Transport Scotland
2 September 2019

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex



Accountability Report Corporate Governance

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Accountability Report

In this section, we will demonstrate how Transport Scotland meets its accountability requirements to Parliament. The Agency's auditors have reviewed it for consistency with the information contained in the financial statements for 2018-19 and their opinion, provided on pages 72-75 covers these disclosures.

Corporate Governance Report

The Corporate Governance section explains the composition and governance structure of the Agency and how that supports the achievement of our objectives.



Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Directors Report

The Chief Executive is the Accountable Officer for the Agency, appointed by the Permanent Secretary to the Scottish Government. He is supported by a Senior Management Team comprising eight Executive Directors.

During the year we completed a programme of change, designed to ensure that the governance structure was flexible, efficient and well placed to deal with the challenges going forward, including; the delivery of major infrastructure projects; tackling poor air quality; promoting active travel; improving accessibility and moving to a low carbon economy, all of which are underpinned by the development of the new National Transport Strategy and the assessment of Scotland's transport needs and priorities for the next 20 years. This exercise culminated in a review of all Directorate structures and the subsequent creation of three new Directorates –

Transport Strategy and Analysis, Low Carbon Economy and Bus, Accessibility and Active Travel.

The Accountable Officer is also supported by an Audit and Risk Committee, chaired by a non-executive member (John Matheson has held this position since July 2017), and including two further external members. Bill Bound and Pamela Mclauchlan served as non-executive members during 2018-19.

Current Directors:

- Roy Brannen; Chief Executive
- Michael Baxter; Finance and Corporate Services
- Donald Carmichael; Low Carbon Economy
- Hugh Gillies; Roads
- Alison Irvine; Transport Strategy and Analysis (from 18 July 2018)
- Laura Murdoch; Bus, Accessibility and Active Travel (from 3 September 2018)
- John Nicholls; Aviation, Maritime, Freight and Canals (left 31 July 2018)
- Frances Pacitti; Aviation, Maritime, Freight and Canals (from 9 July 2018 on leave from 15 February 2019)
- Bill Reeve; Rail
- Michelle Rennie; Major Projects
- Chris Wilcock – Temporary Appointment - Aviation, Maritime, Freight and Canals (from 21 January 2019)

Directors and Non-Executive Members Interests

Directors' and Audit & Risk Committee Non-Executive Members' interests are recorded on the electronic HR system. The 2018-19 statements of assurance completed by Directors in post as at 31 March 2019 also confirmed that no conflict of interest arose in the exercise of their duties.

Appointed Auditors

The financial statements for 2018-19 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 £178,110 which related solely to the provision of the statutory audit service. There were no payments made for non-audit work in the year.

Personal Data Related Incidents

There were no personal data related incidents in 2018-19 (2017-18: none).

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Statement of Accountable Officer'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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Transport Scotland will continue in operation

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

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

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

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Governance Statement

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

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

This Governance Statement describes how our governance structures work, how they have performed, and provides an assessment of how the Agency has been managed, including the effectiveness of the systems of internal control, risk management and accountability. Transport Scotland complies with all governance related guidance in the SPFM, the Civil Service Code and relevant elements of the Good Governance Standard for Public Services, produced by the Independent Commission on Good Governance in Public Services.

Accountable Officer's scope of responsibilities

Our role is to oversee the operation and improvement of the trunk road, ferry, inland waterway and railway networks in Scotland; the air facilities and routes in the Highlands and Islands; the air passenger facilities at Prestwick; bus services and sustainable and active travel; the national concessionary travel schemes and the provision of travel information services. We also support Scottish Ministers in prioritising future transport policy, strategy and investments and the delivery of a low carbon economy.

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 eight Directors and an Audit and Risk Committee, chaired by a non-executive member and including two further non-executive members.

Transport Scotland Audit and Risk Committee

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

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

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Governance Statement cont'd...

The Audit and Risk Committee receives copies of minutes of the monthly Directors meetings, as well as monthly finance reports, and also meets directors individually twice a year. In addition, the Committee also meets with Internal Audit separately once a year and external audit separately, in private session, once a year.

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

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

Principles of Corporate Governance in Transport Scotland

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

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

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

Performance Review

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

Performance against our objectives within the Corporate Business Plan is monitored throughout the year and measured against targets at year end. Progress on key achievements is highlighted. In addition, every Directorate within the Agency sets key performance indicators for the service it provides and progress against these is reviewed at Senior Management level. We have a robust process of financial management, which is undertaken within the context of the broader Scottish Government, including the generation of in year underspends where those are required to support the overall SG financial position.

Accountability

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

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Governance Statement cont'd...

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 by the Finance and Corporate Services Directorate.

Financial Management

The Senior Management Team reviews financial performance monthly as well as ensuring the timely production of the Annual Report and Accounts, in compliance with relevant standards of Corporate Governance. Monthly financial reports considered by the Senior Management Team are shared with External Audit and Audit and Risk Committee Members. Our budgets are set in the context of the Scottish Government's annual budget process, and forecast expenditure, in addition to internal financial management and reporting within Transport Scotland, is continuously monitored with Scottish Government Finance Directorate.

Programme and Project Management

All investment projects are overseen by a Project Board, chaired by the Project Sponsor, incorporating appropriate procurement, legal, technical and financial expertise. In addition, non-executive members of the Audit and Risk Committee are included on the Boards of the most significant projects. The Project Board's role is to oversee the delivery of the projects, including associated risk management. This includes the development and approval of associated business cases in line with the requirements of the Scottish Public Finance Manual.

Gateway Reviews and other appropriate external reviews are undertaken at relevant stages to ensure that projects are capable of delivering their stated objectives. As Accountable Officer, I am the nominated Investment Decision Maker. I am supported by an Investment Decision Making Board, made up of senior managers, in reviewing and approving the key stages in all of Transport Scotland's major projects and procurements.

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

The System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve our policies, aims and objectives. Consequently, reasonable and not absolute assurance of its effectiveness can be provided. The system of internal control is based on an on-going process designed to identify and prioritise risks, to evaluate their likelihood and impact and to manage them efficiently, economically and effectively. This system of internal control has been in place for the year ended 31 March 2019 and up to the date of approval of the Annual Report and Accounts. It is in accordance with the guidance from Scottish Ministers.

Title

Contents

**Performance
Report
Overview**
Objectives
**Performance
Report
Performance
Analysis**
**Accountability
Report
Corporate
Governance**
**Accountability
Report
Remuneration &
Staff Report**
**Annual
Accounts**
Annex

Governance Statement cont'd...

Review of Effectiveness

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

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

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

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

The Performance Audit Group (Turner and Townsend working in association with PriceWaterhouseCoopers) audits, monitors and reports on an independent basis on the financial, technical and performance aspects of the work carried out by the Trunk Road Operating Companies, and this provides external assurance for trunk road maintenance.

In their role as external auditors, Audit Scotland assess the extent to which it can place reliance on the individual reviews undertaken by Internal Audit to inform their opinion on the financial statements, depending on their direct relevance to their work on the statements. Alongside this, each year Audit Scotland undertakes a review of our internal Audit arrangements.

Last financial year, Audit Scotland identified some areas for improvement in the area of compliance with Internal Audit Standards, principally in relation to audit planning, documentation, reporting and management review. Although Audit Scotland did not identify any internal audit reports where the underlying evidence would suggest an incorrect audit opinion or conclusion, Internal Audit did undertake to ensure a programme of improvement was progressed. The 2018-19 Audit Scotland Report 'Overview of Scottish Government Internal Audit' found clear improvements in the standard of internal audit work undertaken compared with 2017/18, and the areas identified for further improvement, such as ensuring that all reviews are documented consistently in line with the requirements of the internal audit manual have now been taken forward and are subject to continuous review.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Governance Statement cont'd...

Internal Audit Reports 2018-19

Audit Area & Scope	Outcome
1. Financial Reporting Arrangements	Assurance Provided: Substantial
2. Management of Caledonian Sleeper Franchise	Assurance Provided: Substantial
3. Information Governance	Assurance Provided: Substantial
4. Concessionary Fares – Implementation of TABO replacement	Assurance Provided: Substantial

The overall work undertaken in 2018-19 and the substantial assurance opinions for each of the assurance reviews, alongside the results from a number of Gateway reviews and Audit Scotland reports, the implementation of audit recommendations and the general Transport Scotland management approach and engagement, has resulted in Internal Audit providing **‘Substantial’ Assurance** in respect of Transport Scotland’s risk management, control and governance arrangements.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Governance Statement cont'd...

Efficient Government

Each year, the Agency is tasked by the Scottish Government, to demonstrate that it continues to use resources in an efficient and effective way, so that more can be delivered for the same or less cost. Transport Scotland has consistently been able to demonstrate that it has achieved its efficiency objectives, and once again, during 2018-19, the Agency has demonstrated its commitment to deal with cost pressures and live within its budget allocation. Regular performance reporting illustrates the extent to which we use efficiencies to protect the quality of our work and deliver our objectives. In 2018-19, we are reporting in excess of £19 million of efficiencies across a variety of areas, including roads, Aviation and Maritime and Bus and Concessionary Travel, and these have been delivered simply by reviewing systems and processes.

Best Value

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

A Best Value review on **Challenge and Improvement** was undertaken in 2018-19, which demonstrated a robust and forward-looking approach to the area and made a number of key recommendations for further improvement. These related to continuous improvement of performance reporting, including honing relationships with DG colleagues; continuous review of the impact of and processes for the new Directorate structure in the light of new challenges and the increasing links between social and economic policies; increased awareness and training on areas such as cyber resilience, new Digital strategy and

the recent new General Data Protection Regulations (GDPR). All of this will be progressed in 2019-20.

A follow up review was also conducted on **Information Management**. Significant progress has been made in this area and actions from the previous review have been taken forward. We continue to demonstrate Best Value in this area.

In 2019-20, it is planned to conduct a further Best Value review, utilising the toolkit on **Performance Management**.

Title

Contents

**Performance
Report
Overview**
Objectives
**Performance
Report
Performance
Analysis**
**Accountability
Report
Corporate
Governance**
**Accountability
Report
Remuneration &
Staff Report**
**Annual
Accounts**
Annex

Governance Statement cont'd...

Risk Management

Risks are managed at the level most able to deal with them, with the most serious risks being escalated to the Senior Management Team. The Director of Finance and Corporate Services is the Transport Scotland Risk Champion and Chairperson of the Transport Scotland Risk Management Group. Each Directorate has a designated risk co-ordinator who is responsible for facilitating an effective and regular review of risks to the delivery of objectives.

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

- I, as Chief Executive, in conjunction with the Directors, review the strategic and operational risks to the Agency's business throughout the year, and this is a regular item at the monthly Senior Management Team meetings
- the Audit and Risk Committee has provided oversight of the Agency's risk management processes and strategy and Corporate Risk Register throughout the year

- managers identify and evaluate risks to successfully deliver the Agency's objectives when they prepare and monitor directorate and business management plans
- I, as Chief Executive, hold regular meetings with Ministers where both strategic and operational risks are discussed

Our overall Risk Strategy sets out a consistent approach to the implementation of risk management at strategic, programme and project levels. The Risk Management Framework and approach has been substantially reviewed and enhanced during 2018-19 (in line with the revised arrangements put in place across the Scottish Government) to assist with the increasing number of challenges facing the Agency and the continued drive for transparency. A new systematic approach was devised to help colleagues identify risks and to link them to Corporate Planning and Objectives. The new framework provides additional guidance on assessing risks and their impact, with a new scoring system weighted towards impact. Colleagues are also provided with advice on how to assess risk appetite and review mitigating actions. A number of awareness sessions were held for both management and staff during the year and all Risk Registers were reviewed and revised in the light of the new guidance in the Autumn of 2018.

The Risk Management Group (Chaired by the Director of Finance and Corporate Services) is responsible for developing and maintaining the Corporate Risk Register and for facilitating the on-going production and management of risk registers within project teams and Directorates and for enhancing the management of risk across all areas of the business. The group comprises representatives from each directorate and meets quarterly with appropriate communication between meetings. Minutes of the meetings are shared with Directors and the Audit and Risk Committee.

The most significant highest scoring risks currently identified by the Agency include planning for and responding to the issues associated with EU Exit, funding and delivery of major road, rail and ferries programmes, the financial position of rail franchises and the delivery of the Programme for Government commitment on air quality and delivery of road casualty accident reduction targets. These are also highlighted in Figure 1 on **page 8**.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Governance Statement cont'd...

Managing information and information security

We are committed to ensuring information is managed and valued, with appropriate protection and use of our information assets. The handling of data and information carries significant risks and we take information security very seriously, in compliance with Scottish Government sponsored and adopted Security Frameworks and Data Handling policies. External assurance around our information governance arrangements has also been received through the review by Internal Audit, for which a substantial assurance has been given.

In addition, we follow the Scottish Government key principles for good information management that:

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

All our users of Information Technology must comply with the Scottish Government Code of Conduct.

Transport Scotland are working to produce a Digital Strategy (2019-2022) for the Agency, to be published in 2019-20. Although this Strategy will be published as a formal document, it will be subject to continual review to ensure that changes to technology and business direction can be reviewed and included.

Counter Fraud / Review of risk of financial loss

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

We also have a designated Fraud Officer and a Fraud Response Plan in place to ensure that timely and effective action is taken in the event of a fraud. The Plan is reviewed on an annual basis and it includes detailed guidance which is designed to increase awareness of both 'bribery and corruption' and 'whistleblowing in the public sector', and these are also subject to regular staff notices and awareness sessions.

The Plan also now includes a section on Cyber Resilience, which is high on the agenda throughout the Agency. The Cyber Resilience Team review and develop best practice, improve staff awareness and monitor all of the Agency's systems. The Cyber Steering Group has the responsibility of overseeing the Cyber Resilience Plan and the Agency is a catalyst organisation for Cyber Resilience, putting it right at the forefront of Scotland wide Cyber efforts. The Agency achieved **Cyber Essentials** accreditation in October 2018, followed by **Cyber Essentials Plus** accreditation in January 2019.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Governance Statement cont'd...

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

Details of cases of actual or attempted fraud that come to light during the financial year (nil in 2018-19 (2017-18: nil)) are reported within the Fraud Log and reported to the Audit and Risk Committee. Details are also shared with Police Scotland where this is deemed appropriate. We actively participate in the fraud alerts system run by the National Fraud Authority, which seeks to share intelligence about specific fraud risks encountered across Government.

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

Business Continuity

Our Business Continuity Plan has been reviewed during 2018-19. The objectives of the plan are:

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

Transport Scotland's Resilience Team have been working during 2018-19, on preparation for the impact of EU withdrawal. The focus will continue to be on managing the coordination and communications between Ministers, Scottish Government, UK Government and key partners in the process. Transport will have a key role in any forward planning and a bespoke Resilience Team for this purpose has been set up by the Agency, comprising of a range of staff from across all Directorates with wide ranging skill sets.

Title

Contents

**Performance
Report
Overview**
Objectives
**Performance
Report
Performance
Analysis**
**Accountability
Report
Corporate
Governance**
**Accountability
Report
Remuneration &
Staff Report**
**Annual
Accounts**
Annex



Accountability Report

Remuneration & Staff Report

Title

Contents

**Performance
Report**
Overview

Objectives

**Performance
Report**
Performance
Analysis

**Accountability
Report**
Corporate
Governance

**Accountability
Report**
Remuneration &
Staff Report

**Annual
Accounts**

Annex

Accountability Report

Remuneration & Staff Report

This shows our remuneration policy for directors and reports on how it has been implemented, along with the amounts awarded to directors. There is also information on staffing policies, structures and composition, along with details on staff numbers and costs.



Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Staff Report

Equal opportunities and diversity

Our equal opportunities and diversity policy aim to ensure that each and every member of staff feels comfortable, valued, and free to contribute fully and to the best of their ability. Transport Scotland is committed to increasing the diversity of staff within the organisation. We continually develop our staff and we will positively value their different perspectives and skills and make full use of these in our work. It is our aim to have an organisation that is fully reflective of the people of Scotland. We are an equal opportunities employer with policies in place to guard against bullying, harassment or discrimination and to ensure against barriers to employment or advancement. We are also committed to meeting our duties under the Equality Act 2010, and to ensuring that all staff are treated equally irrespective of their sex, marital/civil partnership status, maternity/paternity status, age, race, ethnic origin, sexual orientation, disability, religion or belief, working pattern, employment status, gender identity (transgender), caring responsibility, or trade union membership.

In addition, Transport Scotland recognises that everyone is entitled to basic rights and freedoms and, as such, we seek to create an inclusive Scotland that protects, respects, promotes and implements internationally recognised human rights.

Gender	2018—2019			2017—2018		
	Chief Executive & Directors	Employees	Total	Chief Executive & Directors	Employees	Total
Female	4	214	218	1	189	190
Male	6	346	352	6	298	304

Figures based on Agency numbers at the end of March 2019

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

Staff relations

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

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

The procedures are aimed to:

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

In 2018-19 an average of 7.9 working days (17-18: 7.5) were lost due to sickness absence per staff year for Transport Scotland.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Staff Report cont'd...

Health and Safety

We are committed to promoting the highest standards of health and safety for our staff, visitors, contractors and others who could be affected by our acts or omissions. We seek to promote a positive health and safety climate and culture and seek continuous improvement through relevant and compulsory training and e-learning, with the support of the Health & Safety Adviser. Our policy is in alignment with Scottish Government Occupational Health & Safety strategies.

Trade Union Membership

Transport Scotland values strong employee relations and has a Partnership Board in place. Our Partnership Agreement sets out the terms of reference for the Board in matters affecting staff.

The Board itself is made up of Transport Scotland management, with a representative from Transport Scotland Human Resources as well as representatives from the Scottish Government Trade Unions. The Board meets on a quarterly basis throughout the year, or additionally on request by Board members.

Trade Union Facility Time

Transport Scotland had three employees, who were relevant trade union officials during 2018-19. The analysis of facility time is shown in the table below.

Percentage of time spent on facility time	Number of employees
0%	2
1-50%	1
51-99%	0
100%	0

The percentage of the 2018-19 paybill, for the three employees, which was spent on facility time was 18%, at a cost of £8,195.

Employment of disabled persons

We are a **“Disability Confident Leader Employer”**, which recognises our commitment and our positive attitude towards our disabled applicants and staff.

In doing so, we offer interviews to all disabled applicants and staff who meet the minimum criteria for any post; reminding line managers of their management responsibilities; helping staff balance their work and their disability; and offering advice and training to staff and managers about issues related to disability.

The number of staff as at 31 March 2019 who had declared a disability employed by Transport Scotland was 46 (2017-18: 44).

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Staff Report cont'd...

Staff Costs

Details of Agency staff numbers and costs for the year are contained within Note 2 to the Accounts. Transport Scotland incurred £21.3 million in relation to staff costs in the year 2018-19 (2017-18: £18.9 million). Of this, £20.32 million was in relation to permanent staff, who are civil servants with an employment contract with Transport Scotland (2017-18: £17.7 million). The balance of £1.02 million related to agency staff (2017-18: £1.2 million).

In addition, the agency paid out £7.1 million in professional consultancy costs in 2018-19 (2017-18: £5.3 million) in relation to professional services required in the procurement of key projects and the delivery of the Agency's transport objectives.

At the end of financial year 2018-19, the Agency headcount totalled 570, analysed in the table to the right. The full time equivalent (FTE) figure of Permanent staff was 427.4.

Staff Category	Headcount at 31 March 2019	Headcount at 31 March 2018
Permanent Staff	459	398
Agency Staff	29	18
Consultants Employed	82	67
Total	570	483

Pension liabilities

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

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

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
- 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. In line with Scottish Public Sector Pay Policy there will be no non-consolidated performance payments.

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

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

Service Contracts

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

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

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

Whilst Transport Scotland does not have a Board with non-executive directors, the Audit and Risk Committee has three external members to ensure independent oversight and challenge: John Matheson - appointed as chair in July 2017; Pamela Mclauchlan (appointed May 2015) and Bill Bound (appointed November 2016).

Title

Contents

Performance Report Overview
Objectives
Performance Report Performance Analysis
Accountability Report Corporate Governance
Accountability Report Remuneration & Staff Report
Annual Accounts
Annex

Remuneration Report cont'd...

Remuneration Group

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

- Annual pay proposals for chief executives and board members and make recommendations to Ministers;
- Annual guidelines for flat rate increases for chief executives and senior civil servants and consider the Public Sector Pay policies which will apply for the annual pay round and make recommendations to Ministers;
- Pay remits which look at pay proposals for public bodies in Scotland.

The Remuneration Group will, as a minimum, report annually to the Scottish Government Strategic Board.

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

Directors Remuneration (Salary, benefits in kind and pensions)

The single total figure of remuneration, comprising the salary, the value of any bonuses or taxable benefits in kind and the pension benefits of the directors for the year 2018-19, along with comparative figures are shown in the table overleaf.

Salary

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

Where a Director has joined or left Transport Scotland during the year, their salary reflects only that which they received whilst a member of the senior management team.

Where an individual has been a member of the senior management team for only part of the year, but they have been employed by the Agency throughout the year, their annual salary has been reported on a "days served" basis as well as the full year equivalent salary. Any amounts payable on early termination of a contract will be in accordance with the individual's circumstances.

Fees

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

The fees which the external members of the Audit and Risk Committee were entitled to for 2018-19 are as follows:

John Matheson	£232 daily rate
Pamela Mclauchlan	£232 daily rate
Bill Bound	£232 daily rate

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

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Remuneration Report

cont'd...

Single total figure of remuneration

Directors	Salary (Banding £000)		Bonus Payments (£000)		Benefits in Kind To nearest £100		Pension Benefits To nearest £1,000		Total (Banding £000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Mike Baxter	75-80	75-80	-	-	-	-	27,000	17,000	105-110	90-95
Roy Brannen	95-100	95-100	-	-	-	-	28,000	24,000	125-130	120-125
Donald Carmichael	75-80	70-75	-	-	-	-	17,000	12,000	90-95	80-85
Hugh Gilles	75-80	70-75	-	-	-	-	29,000	24,000	100-105	95-100
Alison Irvine ¹	50-55	0	-	-	-	-	20,000	0	70-75	0
Laura Murdoch ²	40-45	0	-	-	-	-	19,000	0	60-65	0
John Nicholls ³	30-35	70-75	-	-	-	-	0	12,000	30-35	80-85
Frances Pacitti ⁴	45-50	0	-	-	-	-	20,000	0	65-70	0
Bill Reeve	110-115	105-110	-	-	-	-	51,000	49,000	160-165	155-160
Michelle Rennie	75-80	70-75	-	-	-	-	32,000	24,000	105-110	95-100
Chris Wilcock ⁵	10-15	0	-	-	-	-	11,000	0	20-25	0

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

1 Alison Irvine took up post as Director of Transport Strategy and Analysis on 18 July 2018. The £50k-£55k represents salary from this date. Full year equivalent banding £70k- £75k.

2 Laura Murdoch took up post as Director of Bus, Accessibility and Active Travel on 3 September 2018. The £40k-£45k represents salary from this date. Full year equivalent banding £70k- £75k.

3 John Nicholls left post as Director of Aviation, Maritime, Freight and Canals on 31 July 2018. The £30k-£35k represents salary to this date. Full year equivalent banding £70k- £75k.

4 Frances Pacitti took up post as Director of Aviation, Maritime, Freight and Canals on 9 July 2018. The £45k-£50k represents salary from this date. Full year equivalent banding £70k- £75k.

5 Chris Wilcock took up post on Temporary Promoted appointment on 21 January 2019. The £10k-£15k represents salary from this date. Full year equivalent banding £65k- £70k.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Remuneration Report cont'd...

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce. The median calculation includes directly employed staff paid through SG Core payroll. It covers both permanent staff and those on fixed term contracts. It does not include temporary agency staff paid locally by invoice, as these invoices are not processed through the payroll system. The ratio is calculated as the mid-point of the highest band divided by the median total remuneration.

The full year equivalent banded remuneration of the highest paid director was £110k - £115k (17-18: £105k - £110k). This was 2.8 times (17-18: 2.7 times) the median remuneration of the workforce, which was £40,305 (17-18: £40,185).

In 2018-19, Nil (17-18: one) employee received remuneration in excess of the highest paid director. Remuneration across Transport Scotland ranged from £18k - £111k (17-18: £18k - £164k).

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

Civil Service and other Compensation Scheme

Within Transport Scotland, no members of staff agreed departures under the Civil Service Compensation Scheme rules in 2018-19. There were no members of staff who agreed departures under the scheme in 2018-19.

No members of staff retired on ill health grounds in 2018-19.

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 2019. The accrued pension includes service previous to becoming a Director and/or service in other departments.

A 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 is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Remuneration Report cont'd...

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

Transport Scotland's contributions to the scheme in respect of the Senior Management Team amounted to £164,413 for the year to 31 March 2019. 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 table on the right: Calculated on normal retirement age (NRA) where pension entitlement due at that age or current age if over NRA.

The above pension data was supplied to Transport Scotland by MyCSP for all of the Directors, with the exception of Bill Reeve, whose information was supplied by RPMI.

	Lump Sum at NRA At 31 March 2019 £000's	Real Increase in Lump Sum at age NRA £000's	Accrued Pension at age NRA At 31 March 2019 £000's	Real Increase in Pension at age NRA £000's	CETV At 31 March 2019 £000's	CETV At 31 March 2018 £000's	Real Increase in CETV 2018-19 £000's
Mike Baxter	5-10	(0-2.5)	35-40	0-2.5	610	526	14
Roy Brannen	85-90	(0-2.5)	35-40	0-2.5	725	634	13
Donald Carmichael	95-100	2.5-5.0	35-40	0-2.5	820	760	17
Hugh Gillies	0	0	20-25	0-2.5	401	338	16
Alison Irvine	0	0	10-15	0-2.5	137	115	10
Laura Murdoch	0	0	15-20	0-2.5	236	194	8
John Nicholls	90-95	0-2.5	30-35	0-2.5	629	606	0
Frances Pacitti	0	0	5-10	0-2.5	58	40	7
Bill Reeve	60-65	2.5-5.0	50-55	0-2.5	1296	1204	50
Michelle Rennie	0	0	15-20	0-2.5	229	182	16
Chris Wilcock	0	0	20-25	0-2.5	268	260	5

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

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

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Parliamentary Accountability Report

The following Parliamentary Accountability section summarises all of the key accountability documents for the Agency, including the Audit Report for the year.

Regularity of Expenditure

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

Fees and Charges

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

Remote Contingent Liabilities

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

Losses and Special Payments

There were none that exceeded £250,000. Full details are identified within Note 23 of the Financial Statements.

Gifts

There were none.



Roy Brannen
Chief Executive
2 September 2019

Title

Contents

**Performance
Report
Overview**

Objectives

**Performance
Report
Performance
Analysis**

**Accountability
Report
Corporate
Governance**

**Accountability
Report
Remuneration &
Staff Report**

**Annual
Accounts**

Annex

Independent Auditor's Report

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

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Transport Scotland for the year ended 31 March 2019 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

Report on the audit of the financial statements

In my opinion the accompanying 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 2019 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 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.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice https://www.audit-scotland.gov.uk/uploads/docs/report/2016/code_audit_practice_16.pdf approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is three years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Report on the audit of the financial statements cont'd...

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, <https://www.audit-scotland.gov.uk/our-work/annual-audits> the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the

financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website <https://www.frc.org.uk/auditors>. This description forms part of my auditor's report.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Report on the audit of the financial statements cont'd...

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

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.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Report on other requirements cont'd...

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Mark Taylor CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

4 September 2019

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex



Annual Accounts

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Transport Scotland Annual Accounts 2018-19

Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Note	£000's Staff Costs	£000's Other Costs	£000's Income	2018-19 £000's Total	2017-18 £000's Total
Administration costs						
Staff costs	2	10,580			10,580	13,421
Other administration costs	3		5,676		5,676	5,565
Total administration costs					16,256	18,986
Programme costs						
Staff costs	2	10,758			10,758	5,480
Other programme costs	4		1,944,861		1,944,861	1,825,137
Income	5			(8,733)	(8,733)	(9,766)
Total programme costs					1,946,886	1,820,851
Total		21,338	1,950,537	(8,733)	1,963,142	1,839,837
Net operating costs for the year ended 31 March 2019					1,963,142	1,839,837

Other Comprehensive Net Expenditure

	Note	2018-19 £000's	2017-18 £000's
Items that will not be reclassified to net operating costs:			
Net (gain) / loss on:			
- revaluation of property, plant and equipment	6	(645,409)	(90,807)
- revaluation of intangibles		0	0
		(645,409)	(90,807)
Items that may be reclassified subsequently to net operating costs:			
Net (gain) / loss on:			
- revaluation of assets held for sale	8	0	0
Total comprehensive net expenditure for the year ended 31 March 2019		1,317,733	1,749,030

All income and expenditure is derived from continuing activities.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
Analysis

Accountability
Report
Corporate
Governance

Accountability
Report
Remuneration &
Staff Report

Annual
Accounts

Annex

Transport Scotland Annual Accounts 2018-19

Statement of Financial Position as at 31 March 2019

	Note	£000's	31 March 2019 £000's	£000's	31 March 2018 £000's
Non-current assets					
Property, plant & equipment	6	21,349,673		20,372,280	
Intangible assets	7	32		59	
Financial assets	9	260,060		260,872	
Other receivables	10	57,365		36,663	
Total non-current assets			21,667,130		20,669,874
Current assets					
Assets held for sale	8	0		0	
Financial assets	9	8,257		4,197	
Trade and other receivables	10	39,694		33,714	
Cash & cash equivalents		0		0	
Total current assets			47,951		37,911
Total assets			21,715,081		20,707,785
Current liabilities					
Trade and other payables	11	(224,696)		(180,321)	
Provisions	12	(45,361)		(33,256)	
Total current liabilities			(270,057)		(213,577)
Total assets less current liabilities			21,445,024		20,494,208

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Transport Scotland Annual Accounts 2018-19

Statement of Financial Position as at 31 March 2019 cont'd...



Roy Brannen
Chief Executive
Transport Scotland
2 September 2019

The notes on pages 84 to 125
form part of these accounts.

	Note	£000's	31 March 2019 £000's	£000's	31 March 2018 £000's
Non-current liabilities					
Other payables and financial liabilities	11	(1,201,538)		(1,238,318)	
Provisions	12	(23,647)		(44,352)	
Total non-current liabilities			(1,225,185)		(1,282,670)
Assets less liabilities					
			20,219,839		19,211,538
Taxpayers' equity					
General fund	SoCTE		12,001,716		11,329,833
Revaluation reserve	SoCTE		8,218,123		7,881,705
Total taxpayers' equity			20,219,839		19,211,538

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Transport Scotland Annual Accounts 2018-19

Cash Flow Statement for the year ended 31 March 2019

	Note	2018-19 £000's	2017-18 £000's
(A) Cash flows from operating activities			
Net operating cost	SoCNE	(1,963,142)	(1,839,837)
Adjustments for non-cash transactions	3/4	88,974	52,699
Decrease / (increase) in trade and other receivables	13	(26,682)	(3,038)
Adjustment for the revaluation element of assets held for sale	8	0	0
Increase / (decrease) in trade and other payables	13	(25,113)	(1,243)
Increase / (decrease) in provisions	13	(8,600)	(6,407)
Adjustment for interest element of PFI contracts	4	60,977	48,512
Net cash outflow from operating activities		1,873,586	(1,749,314)
(B) Cash flows from investing activities			
Purchase of property, plant and equipment	6	(180,209)	(411,351)
Purchase of intangible assets	7	0	0
Roads developer contribution		0	0
Transfer of assets held for sale to property, plant and equipment	6/8	0	0
Disposal of property, plant and equipment	6	128	86
Impairment of property, plant and equipment		0	0
Increase / (decrease) in capital accruals	13	54,530	(2,724)
Voted loans	9	(3,248)	(69,328)
Net cash outflow from investing activities		(128,799)	(483,317)

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Transport Scotland Annual Accounts 2018-19

Cash Flow Statement for the year ended 31 March 2019 cont'd...

	Note	2018-19 £000's	2017-18 £000's
(C) Cash flows from financing activities			
Funding from the Scottish Government	SoCTE	2,142,276	2,203,850
Inter Entity transfers		(57,093)	(60,900)
Capital element of payments - finance leases and On Balance Sheet PFI contracts	13	(21,821)	138,193
Interest element of PFI contracts	4	(60,977)	(48,512)
Net Financing		2,002,385	2,232,631
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

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Transport Scotland Annual Accounts 2018-19

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

	Note	General Fund £000's	Revaluation Reserve £000's	Total Reserves £000's
Balance at 31 March 2017		10,608,165	8,217,582	18,825,747
Changes in taxpayers' equity for 2017-18				
Net gain / (loss) on revaluation of property, plant and equipment	6	0	90,807	90,807
Non-current assets adjustments		137	0	137
Roads trunkings / de-trunkings	6	(699)	0	(699)
Roads historic value adjustment	6	(7,740)	0	(7,740)
Transfers to Scottish Government	6	0	0	0
Realised element of the revaluation reserve		426,684	(426,684)	0
Inter-Entity transfers		(60,900)	0	(60,900)
Non-cash charges - auditors remuneration	3	173	0	173
Net operating costs for the year	SoCNE	(1,839,837)	0	(1,839,837)
Total recognised income and expense for 2017-18		(1,482,182)	(335,877)	(1,818,059)
Funding from Scottish Government		2,203,850	0	2,203,850
Balance at 31 March 2018		11,329,833	7,881,705	19,211,538

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Transport Scotland Annual Accounts 2018-19

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019 cont'd...

	Note	General Fund £000's	Revaluation Reserve £000's	Total Reserves £000's
Changes in taxpayers' equity for 2018-19				
Net gain / (loss) on revaluation of property, plant and equipment	6	0	645,409	645,409
Non-current assets adjustments		(44)	0	(44)
Roads trunkings / de-trunkings	6	0	0	0
Roads historic value adjustment	6	240,717	0	240,717
Transfers to Scottish Government	6	0	0	0
Realised element of the revaluation reserve		308,991	(308,991)	0
Inter-Entity transfers		(57,093)	0	(57,093)
Non-cash charges - auditors remuneration	3	178	0	178
Net operating costs for the year	SoCNE	(1,963,142)	0	(1,963,142)
Total recognised income and expense for 2018-19		(1,470,393)	336,418	(1,133,975)
Funding from Scottish Government		2,142,276	0	2,142,276
Balance at 31 March 2019		12,001,716	8,218,123	20,219,839

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance AnalysisAccountability Report
Corporate GovernanceAccountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts

1 Statement of Accounting Policies

The accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual (FRem). The particular accounting policies applied by Transport Scotland are described in this section.

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

1.1 Accounting Convention

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

- IFRS 9** – Financial Instruments. This replaces IAS39, and is applicable for 2018-19. This standard revises the approach to the valuation of loans and receivables and focuses on the risk that a loan will default rather than on whether a loss has been incurred. It requires a single classification and measurement methodology and provision for losses on a risk assessed basis.
- IFRS 15** – Revenues from contracts with customers. This standard is applicable for 2018-19 and specifies how and when revenue is recognised and requires the provision of more informative, relevant disclosures to facilitate understanding of the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. This standard has minimal impact on Transport Scotland.
- IFRS 16** – Leases. This replaces IAS 17. The implementation of this standard has been deferred for central government bodies and will therefore be applicable to Transport Scotland for 2020-21. The impact of this is anticipated to eliminate accounting for operating leases, and recognise the value of all leased and other ‘right of use’ assets specified to operators, in contracts for the provision of services in the Statement of Financial Position. The impact on Transport Scotland Accounts is expected to relate to the potential value of assets that require to be accounted for in terms of right to use. Work continues on the identification, collation and review of information across all business areas in preparation for implementation, and this in itself is anticipated to be significant.
- IFRS 7** – cash flows. This standard is applicable for 2018-19 the objective is to require the information about the historical changes in cash and cash equivalents , provided in the statement of cash flows, classifying cash flows during the period from operating, investing and financing activities. This standard has minimal impact on transport Scotland.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

- Other Standards issued, not yet effective, include IFRS17 (effective for accounting periods after 1 January 2021); IFRS23 (effective for accounting periods after 1 January 2019); and IAS1 and IAS8 (both effective for accounting periods after 1 January 2020). These are currently being reviewed and the impact considered, although it is anticipated that they will have minimal relevance to Transport Scotland.

1.2 Trunkings / Detrunkings

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

1.3 Property, Plant and Equipment (PPE)

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

1.4 Capitalisation Policy

The trunk road network is recognised as a single infrastructure asset in accordance with FReM, as a variation of IFRS16. However, it comprises four distinct elements that are accounted for differently: Land; Road Pavement; Structures; and Communications.

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

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

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

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

Valuation

Land is held at current market values, as assessed by the Valuation Office Agency (VOA). Revaluation exercises are carried out on buildings and dwellings as part of the Scottish Government five year rolling programme, with indexation applied in the intervening years.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

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

Infrastructure Assets - the road network

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

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

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

The indexation factors applied are:

Road Pavement and Structures	Baxter Index, published 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 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.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

1.5 Depreciation

Infrastructure assets - the road network

Roads and associated street furniture are surveyed over a 5-year rolling period to assess their estimated remaining useful lives and the resultant assessment is used to determine their valuation, with any changes reflected as a condition variance. The variance is valued according to the rates applied to the respective sections of road. The useful economic lives of elements of the road valuation are assessed according to the following design lives:

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

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

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

Non-Infrastructure Assets

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

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

1.6 Assets Held For Sale

A property is derecognised and held for sale when:

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

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

1.7 Intangible Non-Current Assets

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

1.8 Financial Assets

Loans, trade receivables and accrued income are accounted for in accordance with IFRS 9 and, for the comparative year, IAS 39. These financial assets were previously categorised as loans and receivables under IAS 39 and have been categorised as financial assets held at amortised cost under IFRS 9.

Loans and receivables are recognised initially at fair value, plus transaction costs. Fair value is usually the contractual value of the transaction. Thereafter, loans and receivables are held at amortised cost in accordance with IFRS 9 where the Agency's business model is to hold them to collect the cash flows and where the cash flows are solely payments of principal and interest on the outstanding principal.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

Where material and not specifically excluded by the FReM, credit loss allowances are recognised. Credit loss allowances for trade receivables and similar arrangements are measured at the lifetime expected credit loss. Credit loss allowances for formal loans are measured at the twelve-month expected credit loss. We have provided for anticipated credit losses in respect of those loans where there is evidence to indicate that we may not be able to recover the full value of their amortised cost and deducted these values from the carrying amounts as required under IFRS 9.

Loans and receivables are only derecognised under the following circumstances: when the rights to the cash flows expire; when the assets have been transferred; or when the assets have been written off because there is no reasonable expectation of recovering them. During the year we have not derecognised any loans and receivables.

Loans and receivables were defined by IAS 39 as non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, were not held for trading and not planned to sell. They included long-term investments as well as trade receivables.

Loans and receivables were held at amortised cost, using the effective interest method to discount future cash flows. Impairments were recognised in accordance with the 'incurred loss' method, reflecting events that had an impact on future cash flows that occurred between the initial recognition of the asset and the end of the comparative reporting period.

1.9 Investment in Equities

Investments in entities that are not classified to central government are financial instruments within the scope of IFRS 9 and, for the comparative period, IAS 39. They are all classified as equity instruments held at fair value through other comprehensive net expenditure (IFRS 9) and available-for-sale financial assets (IAS 39).

As all financial assets previously categorised as available-for-sale financial assets have been re-categorised as equity instruments held at fair value through other comprehensive net expenditure. The carrying amounts as at 31 March 2018 were stated at cost and at 1 April 2018 have been re-assessed in accordance with evidence that their fair values differed from cost.

Measurement at fair value may require the use of accounting estimates and so may give rise to estimation uncertainty. In valuing instruments for which there is no active market, we have used estimation techniques which reflect, so far as practicable, those that would be used by market participants, making maximum use of observable inputs.

Shareholdings are de-recognised when the Agency's rights to receive cash flows expire or have been transferred, provided that the transfer transaction also transfers substantially all of the risks and rewards of ownership and control of the financial asset.

1.10 Trade and Other Payables

These are financial liabilities other than those classified as held at fair value through Net Operating Expenditure and those classified as financial guarantee contracts. They fall within the scope of the financial instruments standards.

They are valued initially at fair value, with the transaction value regarded as the fair value at the date of initial recognition. Thereafter, where the time value of money is considered to be material, they are held at amortised cost using the effective interest rate to discount future cash flows. They are derecognised when all obligations are settled.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

1.11 Private Finance Transactions (PFI/PPP/NPD)

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

1.12 Leases

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

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

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

The treatment of Leases will be impacted in future years by the applicability, from 2020-21, of IFRS16.

1.13 Provisions

Legal and constructive obligations that are of uncertain timing or amount are provided for in the Statement of Financial Position at 31 March on the basis of the best estimate available. These area accounted for under IAS37. Provisions are charged to the Statement of Comprehensive Net Expenditure unless they will be capitalised as part of additions to non-current assets. Major projects provisions relates to compensation claims made in respect of work done under the projects that have not yet been fully settled.

1.14 Other Infrastructure Expenditure

Other infrastructure expenditure is differentiated between capital and resource for budgeting purposes. However only the expenditure that is capital in nature that relates to assets reflected in these accounts is capitalised with that which relates to assets reflected by external bodies charged as expenditure. Such expenditure includes Network Rail grant, Fixed Track Access and Regulated Asset Base charges.

1.15 Operating Income

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

1.16 Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme. Administration costs reflect the costs of running the Agency and include staff costs as well as accommodation, services and supplies. Programme costs reflect the costs of operating, maintaining, managing and improving the road, rail, aviation and maritime infrastructure for which we have responsibility, as well as those incurred in delivering

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

transport policies, such as concessionary fares, and grants and subsidies to contribute to the provision of rail, bus, ferry and air services. The allocation of costs between administration and support of the programme work has been reviewed in year, together with the re-structure of Transport Scotland Directorates. This has resulted in a re-allocation of staff costs and a consequential reduction in expenditure classed as administration.

1.17 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.

1.18 Pensions

Past and present employees are mainly covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme or, Alpha Scheme, 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. The Alpha Scheme provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

1.19 Contingent Liabilities

Contingent Liabilities are disclosed in respect of:

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

1.20 VAT

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

1.21 Segmental Reporting

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

1.22 Employee Benefits

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

1.23 Critical Accounting Estimates

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

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

2 Staff Numbers and Costs

Staff costs comprise

	2018-19 Permanently Employed Staff £000's	Others £000's	Total £000's	2017-18 Permanently Employed Staff £000's	Others £000's	Total £000's
Administration:						
Wages and salaries costs	7,649	579	8,228	9,869	420	10,289
Social security costs	786	0	786	1,056	0	1,056
Other pension costs	1,525	0	1,525	2,018	0	2,018
Early retirement costs	41	0	41	58	0	58
	10,001	579	10,580	13,001	420	13,421
Programme:						
Wages and salaries costs	7,788	441	8,229	3,617	740	4,357
Social security costs	886	0	886	391	0	391
Other pension costs	1,643	0	1,643	732	0	732
	10,317	441	10,758	4,740	740	5,480
Total staff costs to be charged to Comprehensive Net Expenditure	20,318	1,020	21,338	17,741	1,160	18,901

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

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

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

Wages and 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 allowances to the extent that it is subject to UK taxation. The payment of legitimate expenses is not part of salary.

Staff costs comprise cont'd...

	2018-19 Permanently Employed Staff £000's	Others £000's	Total £000's	2017-18 Permanently Employed Staff £000's	Others £000's	Total £000's
Total staff costs to be charged to Comprehensive Net Expenditure	20,318	1,020	21,338	17,741	1,160	18,901
Capitalised Programme:						
Wages and salaries costs	2,557	34	2,591	3,275	48	3,323
Social security costs	262	0	262	339	0	339
Other pension costs	515	0	515	646	0	646
	3,334	34	3,368	4,260	48	4,308
Total staff costs charged to capital expenditure	3,334	34	3,368	4,260	48	4,308
Total Staff Costs	23,652	1,054	24,706	22,001	1,208	23,209

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Notes to the Accounts cont'd...

Pension Costs

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

www.civilservicepensionscheme.org.uk

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022.

All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in premium.

In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic, premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

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

Average numbers of persons employed

	2018-19 Permanent Staff	Others	Total	2017-18 Permanent Staff	Others	Total
Aviation, Maritime, Freight & Canals	33	1	34	31	0	31
Bus, Accessibility and Active Travel	64	1	65	0	0	0
Finance and Other (CEO)	49	5	54	62	3	65
Low Carbon Economy	14	1	15	0	0	0
Major Projects	63	5	68	76	4	80
Rail	60	2	61	55	1	56
Roads	97	9	106	119	5	124
Transport Policy	0	0	0	51	4	55
Transport Strategy & Analysis	37	2	40	0	0	0
Total average staff numbers	417	26	443	393	17	410

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

For 2018-19, employers' contributions of £3,683k (2017-18, £3,397k) were payable to the PCSPS at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands. The scheme 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 2018-19 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Notes to the Accounts cont'd...

3 Other Administration Costs

	Note	2018-19 £000's	2017-18 £000's
Rentals under operating leases		1,056	1,221
Accommodation		1,479	1,274
Office costs and supplies		1,338	1,419
Hospitality		59	40
Travel		469	429
Training		72	111
Consultancy		275	239
Non-cash items			
Depreciation	6/7	750	659
Auditors' remuneration and expenses - external	22	178	173
Total administration costs		5,676	5,565

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

4 Programme Costs

Other programme expenditure	Note	2018-19 £000's	2017-18 £000's
Roads			
Capital maintenance		108,959	96,968
Current maintenance		130,028	134,996
PFI interest charges		60,977	48,512
PFI service charges		60,583	61,464
Rail			
ScotRail franchise*		415,379	169,800
Rail infrastructure in Scotland**		338,957	585,446
Other		2,101	657
Concessionary travel			
Smartcard applications		2,102	1,899
Concessionary travel schemes		204,922	198,650
Other public transport			
Major public transport projects - rail		(104)	5,487
Transport information		771	1,137
Ferry services in Scotland		203,333	187,418
Air services in Scotland		78,052	44,005
Bus services in Scotland		55,566	51,344
Low carbon and active travel		114,840	140,128
Scottish Futures Fund projects		43,477	18,123
Central Government grants to Local Authorities		36,712	27,236
Non-cash items			
Depreciation	6/7	88,206	51,867
Total other programme costs		1,944,861	1,825,137

* Payments to Abellio totalled £415m (£390m including Fixed Track Access Charges of £260m) and Serco (£25m).

** The Rail Infrastructure in Scotland Capital Figure of £339m was paid directly to Network Rail.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

5 Operating Income

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
- European Structural Fund

	2018-19 £000's	2017-18 £000's
Programme income		
Interest receivable - loans	(7,230)	(5,961)
Rental income - land & properties	(11)	(20)
Other income	(76)	(60)
European Structural Fund (ESF) income	(1,295)	(2,363)
Ports income	0	(8)
Land sales	0	(1,316)
Profit on disposal of land	(121)	(38)
Total operating income	(8,733)	(9,766)

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

6 Property Plant and Equipment

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

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

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

2018-19	Road Network £000's	Land £000's	Buildings £000's	Transport £000's	IT £000's	Leasehold Improvements £000's	Assets under Construction £000's	Total £000's
Cost or Valuation								
At 1 April 2018	23,484,643	7,720	11,472	135	4,609	1,507	962,522	24,472,608
Detrunckings	0	0	0	0	0	0	0	0
Additions	5,332	0	0	0	0	0	174,877	180,209
Disposals	0	(115)	0	(31)	0	0	0	(146)
Revaluation	809,819	23	685	0	0	0	0	810,527
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	246,266	0	0	0	0	0	0	246,266
Transfers and reclassifications	347,750	0	0	0	0	0	(347,750)	0
Transfers (to)/from assets held for sale	0	0	0	0	0	0	0	0
Balance at 31 March 2019	24,893,810	7,628	12,157	104	4,609	1,507	789,649	25,709,464

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

6 Property Plant and Equipment cont'd...

2018-19	Road Network £000's	Land £000's	Buildings £000's	Transport £000's	IT £000's	Leasehold Improvements £000's	Assets under Construction £000's	Total £000's
Depreciation								
At 1 April 2018	4,090,264	0	3,972	61	4,604	1,427	0	4,100,328
Detrunings	0	0	0	0	0	0	0	0
Charge for the year	88,179	0	605	15	2	27	0	88,828
Disposals	0	0	0	(31)	0	0	0	(31)
Revaluation	165,426	0	(308)	0	0	0	0	165,118
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	5,549	0	0	0	0	0	0	5,549
Transfers and reclassifications	0	0	0	0	0	0	0	0
Balance at 31 March 2019	4,349,418	0	4,269	45	4,606	1,454	0	4,359,792
Net Book Value at 31 March 2019	20,544,392	7,628	7,888	59	3	53	789,649	21,349,672
Net Book Value at 31 March 2018	19,394,379	7,720	7,500	74	5	80	962,522	20,372,280
Asset Financing								
Owned	17,643,025	7,628	7,785	59	3	0	390,194	18,048,694
Finance Leased	0	0	0	0	0	0	0	0
On Balance Sheet PFI	2,901,367	0	0	0	0	0	399,455	3,300,022
Donated	0	0	103	0	0	53	0	156
Net Book Value at 31 March 2019	20,544,392	7,628	7,888	59	3	53	789,649	21,349,672

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

6 Property Plant and Equipment cont'd...

2017-18	Road Network £000's	Land £000's	Buildings £000's	Transport £000's	IT £000's	Leasehold Improvements £000's	Assets under Construction £000's	Total £000's
Cost or Valuation								
At 1 April 2017	21,541,945	6,781	11,072	62	4,609	1,507	2,254,891	23,820,867
Detrunings	0	0	0	0	0	0	0	0
Additions	6,933	783	0	73	0	0	403,562	411,351
Disposals	(1,056)	(86)	0	0	0	0	0	(1,142)
Revaluation	250,172	242	400	0	0	0	0	250,814
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	(9,282)	0	0	0	0	0	0	(9,282)
Transfers and reclassifications	1,695,931	0	0	0	0	0	(1,695,931)	0
Transfers (to)/from assets held for sale	0	0	0	0	0	0	0	0
Balance at 31 March 2018	23,484,643	7,720	11,472	135	4,609	1,507	962,522	24,472,608

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

6 Property Plant and Equipment cont'd...

2017-18	Road Network £000's	Land £000's	Buildings £000's	Transport £000's	IT £000's	Leasehold Improvements £000's	Assets under Construction £000's	Total £000's
Depreciation								
At 1 April 2017	3,880,454	0	3,348	53	4,602	1,401	0	3,889,858
Detrunings	0	0	0	0	0	0	0	0
Charge for the year	51,840	0	487	8	2	26	0	52,363
Disposals	(357)	0	0	0	0	0	0	(357)
Revaluation	159,870	0	137	0	0	0	0	160,007
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	(1,543)	0	0	0	0	0	0	(1,543)
Transfers and reclassifications	0	0	0	0	0	0	0	0
Balance at 31 March 2018	4,090,264	0	3,972	61	4,604	1,427	0	4,100,328
Net Book Value at 31 March 2018	19,394,379	7,720	7,500	74	5	80	962,522	20,372,280
Net Book Value at 31 March 2017	17,661,491	6,781	7,724	9	7	106	2,254,891	19,931,009
Asset Financing								
Owned	16,797,551	7,720	7,341	74	5	0	116,338	16,929,029
Finance Leased	0	0	0	0	0	0	0	0
On Balance Sheet PFI	2,596,828	0	0	0	0	0	846,184	3,443,012
Donated	0	0	159	0	0	80	0	239
Net Book Value at 31 March 2018	19,394,379	7,720	7,500	74	5	80	962,522	20,372,280

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

7 Intangible Assets

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

	2018-19 £000's	2017-18 £000's
At replacement cost or valuation		
At 1 April	554	554
Additions	0	0
Disposals	0	0
Balance at 31 March	554	554
Accumulated amortisation		
At 1 April	495	468
Charge for the year	27	27
Revaluations	0	0
Disposals	0	0
Balance at 31 March	522	495
Net Book Value at 31 March	32	59

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

8 Assets Held For Sale

There were no land assets presented for sale by Transport Scotland in 2018-19. Assets classified as held for sale are measured at the lower of their carrying amount immediately prior to their classification as held for sale and their fair value less costs to sell. Assets held for sale are not subject to depreciation or amortisation.

Title

Contents

Performance Report
Overview**Objectives****Performance Report**
Performance Analysis**Accountability Report**
Corporate Governance**Accountability Report**
Remuneration & Staff Report**Annual Accounts****Annex**

Notes to the Accounts cont'd...

9 Financial Assets

Investments in entities that are not classified to central government are financial instruments within the scope of IFRS9, and for the comparative period, IAS39. (See Note 1.9)

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

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

These organisations are operated and managed independently of the Scottish Government, and do not fall within the Departmental Accounting boundary. The companies all publish an annual report and accounts. The net assets and results of the above bodies are summarised on page 106.

2018-19	Interests in Nationalised Industries & Limited Companies £000's	Voted Loans £000's	Other Funds £000's	Total £000's
Balance at 1 April 2018	20,550	184,178	56,144	260,872
Add element reported within current assets	0	3,900	297	4,197
Advances and repayments				
Cash advances	0	19,492	19,761	39,253
Repayments	0	(5,808)	(297)	(6,105)
Less impairments	0	0	(29,900)	(29,900)
Balance at 31 March 2019	20,550	201,762	46,005	268,317
Loans repayable within 12 months transferred to current assets	0	(7,672)	(585)	(8,257)
Balance at 31 March 2019	20,550	194,090	45,420	260,060

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

9 Financial Assets cont'd...

2017-18	Interests in Nationalised Industries & Limited Companies £000's	Voted Loans £000's	Other Funds £000's	Total £000's
Balance at 1 April 2017	20,550	128,650	42,464	191,664
Add element reported within current assets	0	4,077	0	4,077
Advances and repayments				
Cash advances	0	59,428	14,060	73,488
Repayments	0	(4,077)	(83)	(4,160)
Balance at 31 March 2018	20,550	188,078	56,441	265,069
Loans repayable within 12 months transferred to current assets	0	(3,900)	(297)	(4,197)
Balance at 31 March 2018	20,550	184,178	56,144	260,872

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

	Prestwick HoldCo Ltd £m	Highlands & Islands Airports Ltd £m	Caledonian Maritime Assets Ltd £m	David MacBrayne Ltd £m
Net assets / (liabilities) as at 31 March	(37.7)	(28.4)	85.3	35.3
Turnover	24.3	24.8	46.8	213.8
Profit / (loss) for the financial year	(3.6)	(2.7)	3.8	7.7

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

Highlands and Islands Airports Limited (HIAL)

Scottish Ministers are the sole shareholder in HIAL. The company's purpose is to maintain the safe operation of its airports to support economic and social development in the Highland and Islands. HIAL currently operates 11 airports; 10 in the Highlands and Islands and also Dundee, which it assumed responsibility for in December 2007 and now operates via a wholly owned subsidiary company, Dundee Airport Ltd.

Caledonian Maritime Assets Limited (CMAL)

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

David MacBrayne Limited

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

TS Prestwick HoldCo Limited

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

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

Voted Loans

Transport Scotland provides loans to CMAL to be used for the construction of new shipping and to HIAL to support airport infrastructure.

Other Funds

These represent loans that Transport Scotland provide to Prestwick Airport as noted above, and to the Energy Savings Trust to fund energy efficient transport initiatives.

In respect of IFRS12, it should be noted that both HIAL and David MacBrayne are classed as Non Departmental Public Bodies (NDPB's), and are treated in accordance with the HM Treasury Consolidated Budgeting guidance which can be found at:

<https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2018-to-2019>

Transport Scotland has taken account of these bodies forecast expenditure within its budget.

Transport Scotland provides funding to another public body (Scottish Canals) but does not own it. Scottish Canals is currently classed as an NDPB; however, HM Treasury have agreed not to apply the budgeting or accounting impact of this until the Office of National Statistics (ONS) complete a planned classification after which they will consider the position.

CMAL and Prestwick Airport are classed as Public Corporations.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

10 Trade Receivables and Other Assets

10a Analysis by classification	As at 31/03/19 £000's	As at 31/03/18 £000's
Amounts falling due within one year: Trade and other receivables		
Trade and other receivables	270	193
Damage claims	1,247	1,764
Prepayments and accrued income	38,177	31,757
	39,694	33,714
Amounts falling due after more than one year:		
Prepayments and other receivables	57,365	36,663
	57,365	36,663

10b Intra-Government balances	As at 31/03/19 £000's	As at 31/03/18 £000's
Amounts falling due within one year: Intra-Government balances		
Other Central Government bodies	6,912	116
Local Authorities	0	12
Public corporations and trading funds	0	6,229
	6,912	6,357
Balances with bodies external to Government	32,782	27,357
Total receivables	39,694	33,714
Amounts falling due after more than one year: Intra-Government balances		
Other Central Government bodies	460	0
Local Authorities	0	7,613
Public corporations and trading funds	0	0
	460	7,613
Balances with bodies external to Government	56,905	29,050
Total receivables	57,365	36,663

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

10 Trade Receivables and Other Assets cont'd...

Loans, trade receivables and accrued income are accounted for in accordance with IFRS9, and for the comparative year, IAS39 (See Note 1.8). Trade receivables are shown net of a provision for impairment as follows:

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
At 1 April	0	0
Charge for the year	0	0
Unused amount released	0	0
Utilised during the year	0	0
At 31 March	0	0

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

11 Trade Payables and Other Liabilities

Trade Payables and Other Liabilities are accounted for in accordance with IFRS9, and for the comparative year, IAS39 (See Note 1.10).

11a Analysis by classification	As at 31/03/19 £000's	As at 31/03/18 £000's
Amounts falling due within one year: Trade and other payables		
Trade payables	18,100	1,048
Accruals	164,190	154,378
Other payables	10,083	7,269
Financial liabilities - PFI	32,240	17,458
Deferred income	83	168
	224,696	180,321
Amounts falling due after more than one year:		
Other payables	767	943
Financial liabilities - PFI	1,200,772	1,237,375
	1,201,539	1,238,318
11b Intra-Government balances	As at 31/03/19 £000's	As at 31/03/18 £000's
Amounts falling due within one year: Intra-Government balances		
Other Central Government bodies	3,573	721
Local Authorities & Health Boards	38,145	23,021
Public corporations and trading funds	21	588
	41,739	24,330
Balances with bodies external to Government	182,957	155,991
Total payables	224,696	180,321
Amounts falling due after more than one year: Intra-Government balances		
Other Central Government bodies	0	0
Local Authorities & Health Boards	0	0
Public corporations and trading funds	0	0
	0	0
Balances with bodies external to Government	1,201,539	1,238,318
Total payables	1,201,539	1,238,318

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

12 Provisions for Liabilities and Charges

Provisions for liabilities and charges are accounted for in accordance with IAS37 (See Note 1.13).

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, it is often 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 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 on projects that have not yet been fully settled.

12a Provisions for liabilities and charges 2018-19	Land and Property Acquisition £000's	Major Projects £000's	Other £000's	Total £000's
Balance as at 1 April 2018	68,705	3,375	5,528	77,607
Provided in year	0	0	36	36
Provisions not required written back	(36)	0	(0)	(36)
Provisions utilised in year	(3,506)	(1,453)	(91)	(5,050)
Discount amortised	(3,547)	0	(3)	(3,549)
Balance as at 31 March 2019	61,616	1,922	5,469	69,008
2017-18				
Balance as at 1 April 2017	73,520	4,953	5,542	84,015
Provided in year	0	0	94	94
Provisions not required written back	0	0	(3)	(3)
Provisions utilised in year	(4,135)	(1,549)	(107)	(5,791)
Discount amortised	(680)	(29)	2	(707)
Balance as at 31 March 2018	68,705	3,375	5,528	77,608

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

12 Provisions for Liabilities and Charges cont'd...

Other

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

12b Analysis of expected timing of discounted flows	Land and Property Acquisition £000's	Major Projects £000's	Other £000's	Total £000's
In the remainder of the period to 2020	38,007	1,922	5,432	45,361
Between 2021 and 2024	23,610	0	37	23,647
Between 2025 and 2029	0	0	0	0
Thereafter	0	0	0	0
Balance as at 31 March 2019	61,616	1,922	5,470	69,008
In the remainder of the period to 2019	24,434	3,375	5,448	33,257
Between 2020 and 2023	44,271	0	81	44,352
Between 2024 and 2028	0	0	0	0
Thereafter	0	0	0	0
Balance as at 31 March 2018	68,705	3,375	5,528	77,608

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

13 Movement on Working Capital Balances

	Note	As at 31/03/19 £000's	As at 31/03/18 £000's	2018-19 Net Movement £000's	2017-18 Net Movement £000's
Receivables					
Due within one year	8/10	39,694	33,714	(5,980)	17,960
Due after more than one year	10	57,365	36,663	(20,702)	(20,998)
Net (increase) / decrease		97,059	70,377	(26,682)	(3,038)
Payables					
Due within one year	11	224,696	180,321	44,375	2,413
Due after more than one year	11	1,201,539	1,238,318	(36,779)	131,813
		1,426,235	1,418,639	7,596	134,226
Less: Lease and PFI creditors included in the above	11	1,233,012	1,254,833	(21,821)	138,193
Less: Capital accruals included in the above		59,526	4,996	54,530	(2,724)
Net increase / (decrease)		133,697	158,810	(25,113)	(1,243)
Provisions	12	69,008	77,608	(8,600)	(6,407)
Net increase / (decrease)		69,008	77,608	(8,600)	(6,407)
Net movement increase / (decrease)		299,764	306,795	7,031	(4,612)

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

14 Capital Commitments

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

	As at 31/03/19 £000's	As at 31/03/18 £000's
Property, plant and equipment	3,455,657	3,301,103
Total contracted capital commitments for which no provision has been made	3,455,657	3,301,103

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 to the right, analysed according to the period in which the lease expires.

Obligations under operating leases comprise:	As at 31/03/19 £000's	As at 31/03/18 £000's
Land & buildings		
Due within 1 year	1,290	1,290
Due after 1 year but not more than 5 years	1,290	2,579
Commitments thereafter	0	0
	2,580	3,869

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

16 Commitments under PFI Contracts

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

- a)** M6 (A74M) - the contract covers the design, construction and financing of 28.3km of new motorway, as well as the operation and maintenance of 90km of existing motorway. Payments are made under a shadow toll regime. The toll period began in July 1997 and expires in July 2027.
- b)** M77 - the contract is a Public Private Partnership (PPP) entered into with East Renfrewshire and South Lanarkshire Councils. The project covers the design, construction, financing and operation of 15km of motorway and 9km local road to the A726 trunk road. Payments are made under a shadow toll regime. The toll period began in April 2005 and expires in April 2035.

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

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

We also have the following design, build, finance and maintenance contracts.

The M8, M73, M74 Motorway Improvements Project upgrades the A8 Baillieston to Newhouse, completes the M8 between Glasgow and Edinburgh, and includes improvements to the M74 Raith Interchange and the widening of other key sections of the M8, M73 and M74. The NPD contract also incorporates the management, operation and maintenance of this section of the motorway for the next 30 years. The new improvements opened to traffic in April 2017. The unitary charge payments are committed and will cease in 2047.

AWPR / B-T - the project involves the construction of a new dual carriageway around the City of Aberdeen and upgrades the road between Balmedie and Tipperty to dual carriageway. The NPD contract also incorporates the management, operation and maintenance of these roads for the next 30 years. The unitary charge payments became committed in phases from Autumn 2016 and will cease in 2048. The final phase of the project opened to traffic in February 2019.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

16 Commitments under PFI Contracts cont'd...

Transport Scotland does not have any commitments under PFI contracts in respect of assets that are not reflected in the Statement of Financial Position. The figures in these tables reflect all of the projects previously discussed.

Imputed finance lease obligations under PFI contracts comprise:	As at 31/03/19 £000's	As at 31/03/18 £000's	As at 31/03/17 £000's
Rentals due within 1 year	40,407	40,407	40,407
Rentals due within 2 to 5 years	161,627	161,627	161,627
Rentals due thereafter	1,336,392	1,385,769	1,276,003
	1,538,426	1,587,803	1,478,037
Less: Interest element (finance cost)	(305,414)	(332,970)	(361,397)
Total capital cost	1,233,012	1,254,833	1,116,640

Imputed service charge obligations under PFI contracts comprise:	As at 31/03/19 £000's	As at 31/03/18 £000's	As at 31/03/17 £000's
Service charge due within 1 year	44,074	54,430	55,284
Service charge due within 2 to 5 years	114,525	145,483	178,612
Service charge due thereafter	279,737	292,854	314,155
Total service charge	438,336	492,767	548,051

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

17 Other Financial Commitments – Rail

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

Network Rail – Control Period 4 ran from April 2009 to March 2014, Control Period 5 ran from April 2015 to March 2019. The Determination for the current control period, CP6 from April 2019 to March 2024, was set by the Office of Rail and Road for the Deed of Grant and track access charges and is reflected below.

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of these schemes reflects the cessation of the Abellio ScotRail and Serco Caledonian Sleeper franchises.

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

	2018-19 £000's	2017-18 £000's
Network Rail	338,957	585,446
Abellio ScotRail	390,266	147,217
Serco Caledonian Sleeper Limited	25,072	22,532
Total	754,295	755,195

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

	Network Rail Deed of Grant £000's	Abellio ScotRail £000's	Serco Caledonian Sleeper Limited £000's	Total £000's
Expiry within 0-12 months	563,000	393,752	19,751	976,503
Expiry within 1 to 2 years	750,000	408,404	19,975	1,178,379
Expiry within 2 to 5 years	2,037,000	1,219,429	55,846	3,312,275
Total	3,350,000	2,021,585	95,572	5,467,157

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Notes to the Accounts cont'd...

18 Financial Instruments

18a Financial Instruments by Category 2018-19 Assets per Statement of Financial Position	Note	Total Financial Assets at Amortised Cost £000's
Trade and other receivables excluding prepayments, reimbursement of provisions and VAT recoverable		277,991
Balance as at 31 March 2019		277,991
Liabilities per Statement of Financial Position		
PFI liabilities	16	1,233,012
Trade and other payables excluding statutory liabilities (VAT, income tax and social security)		193,223
Balance as at 31 March 2019		1,426,235

18a Financial Instruments by Category 2017-18 Assets per Statement of Financial Position	Note	Total Loans & Receivables £000's
Trade and other receivables excluding prepayments, reimbursement of provisions and VAT recoverable		282,412
Balance as at 31 March 2018		282,412
Liabilities per Statement of Financial Position		
PFI liabilities	16	1,254,833
Trade and other payables excluding statutory liabilities (VAT, income tax and social security)		163,806
Balance as at 31 March 2018		1,418,639

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Notes to the Accounts cont'd...

18 Financial Instruments cont'd...

18b Financial Risk Factors Exposure to Risk

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

The table on the right analyses financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed 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.

2018-19	Carrying value £000's	0-12 months £000's	1-2 years £000's	3-5 years £000's	5-10 years £000's	>10 years £000's
Non-derivative liabilities	1,233,012	32,240	14,791	51,197	93,688	1,041,096
Derivative liabilities	0	0	0	0	0	0
Total financial liabilities	1,233,012	32,240	14,791	51,197	93,688	1,041,096

2017-18	Carrying value £000's	0-12 months £000's	1-2 years £000's	3-5 years £000's	5-10 years £000's	>10 years £000's
Non-derivative liabilities	1,254,833	12,850	13,785	47,700	96,353	1,084,145
Derivative liabilities	0	0	0	0	0	0
Total financial liabilities	1,254,833	12,850	13,785	47,700	96,353	1,084,145

Cash Flow and Fair Value Interest Rate Risk

Transport Scotland's loans to CMAL accrue interest at the rate set for the National Loans Fund and those to Prestwick at the rate specified by the European Commission.

Income, expenditure and cash flows are dependent on changes in market interest rates that affect this. Transport Scotland has interest bearing liabilities in respect of PFI schemes and minor lease rentals that are determined in the contracts entered in to and, as such, the related income, expenditure and cash flows are substantially independent of changes in market interest rates.

The adoption of IFRS 9 from 1 April 2018 resulted in no adjustments to the amounts recognised in the financial statements. On 1 April 2018, management assessed which business models applied to the financial assets held by Transport Scotland and classified them into the appropriate IFRS 9 categories. This has resulted in reclassifying investments previously classified as loans and receivables as financial assets held at amortised cost. This resulted in no impact on measurement of these financial assets. Financial assets at amortised cost are subject to IFRS 9 expected credit loss model and applying this resulted in no recognition of a loss on 1 April 2018.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

19 Contingent Liabilities

19a Contingent Liabilities disclosed under IAS37

- As part of Transport Scotland's normal course of business, the Forestry Commission grants the right to use a forestry track as an emergency diversion route on the A83 Rest and Be Thankful on the understanding that Transport Scotland has the 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 considered unlikely that any liability will occur.

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

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

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

- Operating agreements (ScotRail and Caledonian Sleeper Rail Franchise Agreements) with indemnities to Abellio ScotRail Ltd and Serco Caledonian Sleeper Ltd commencing 1 April 2015
- Indemnity clauses in roads contracts to compensate Network Rail for any damage or loss of access
- Liability agreement for any issues caused by the Glasgow Airport Rail Link (GARL) ground investigation work over next 3 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 the pension funds of Abellio ScotRail Ltd and Serco Caledonian Sleeper Ltd from 1 April 2015 in line with that provided to other train operators by the DfT.

iii. Other contingent liabilities held by Transport Scotland:

- Monklands Canal - maintenance of pipes under trunk roads.
- There is a contingent liability in respect of any further payment required to the Lothian Pension Fund in respect of employees transferred from the Forth Estuary Transport Authority (in excess of the agreed settlement amount for the value of the cessation deficit if it subsequently exceeds the prudent basis on which it was calculated). This is considered to be a remote possibility due to the assumptions made in the calculation of the deficit payment. This was calculated on a deliberately prudent basis to mitigate the risk of any requirement for a future additional payment. There is therefore a contingent liability in respect of any further payment required. It is however, not possible to predict what any subsequent valuation of the pension deficit will be to inform any further contribution required by Transport Scotland.
- Transport Scotland has received a claim in respect of damage to a commercial property, Oak Mall Shopping Centre Greenock, purported to be caused by rainwater passing from the bridge over the property that carries the A78 trunk road that Transport Scotland is responsible for maintaining. We are continuing to challenge this claim.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

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 Ltd, CMAL, TS Prestwick HoldCo Ltd and HIAL are wholly owned subsidiaries of the Scottish Government, with whom it also had various material transactions during the year. Transport Scotland also sponsors British Waterways Scotland, trading as Scottish Canals, under a framework agreement.

Loans were advanced to and repaid by CMAL to fund vessel construction, and to HIAL to support airports infrastructure. Grants were paid to HIAL to subsidise its operating and capital expenditure and also to CMAL to fund agreed pier and harbour infrastructure projects. David MacBrayne Ltd is the parent company of Calmac Ferries Ltd and Argyll Ferries Ltd who operated ferry services under contracts with Transport Scotland, and which Transport Scotland supported via the payment of subsidies.

TS Prestwick Holdco Limited is the parent company of the group of subsidiaries who own and operate Glasgow Prestwick Airport. Transport Scotland advanced loan funding to the Group to cover the cash deficit arising from its operating deficit and capital expenditure.

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

Transport Scotland also had significant transactions with Local Authorities, Strathclyde Partnership for Transport, Scottish Water and the Tay Road Bridge Joint Board 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.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

21 Segmental Reporting

21a Business Segments - Statement of Comprehensive Net Expenditure

2018-19 Total continuing segments	Resource £000's	Net Investment £000's	Income £000's	Non Cash £000's	AME £000's	ODEL £000's	Total £000's
Roads	114,153	128,947	(207)	88,179	0	121,561	452,633
Rail	420,680	338,853	0	0	0	0	759,533
Concessionary travel & bus services	264,278	35	(927)	27	0	0	263,413
Other public transport	18,206	0	0	750	0	0	18,956
Ferry services in Scotland	190,924	12,642	(5,983)	0	0	0	197,583
Air services in Scotland	41,106	7,045	(1,247)	0	29,900	0	76,804
Other transport directorate programmes	30,560	83,838	(368)	0	0	0	114,030
Scottish Futures Fund	0	43,478	0	0	0	0	43,478
Grants to Local Authorities	0	36,712	0	0	0	0	36,712
	1,079,907	651,550	(8,732)	88,956	29,900	121,561	1,963,142

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

21 Segmental Reporting cont'd...

21a Business Segments - Statement of Comprehensive Net Expenditure cont'd...

2017-18 Total continuing segments	Resource £000's	Net Investment £000's	Income £000's	Non Cash £000's	AME £000's	ODEL £000's	Total £000's
Roads	114,361	118,746	(2,981)	51,840	0	109,976	391,942
Rail	170,457	591,525	0	0	0	0	761,982
Concessionary travel & bus services	252,676	756	(672)	27	0	0	252,787
Other public transport	23,142	0	0	659	0	0	23,801
Ferry services in Scotland	180,985	6,492	(4,979)	0	0	0	182,498
Air services in Scotland	34,969	9,036	(989)	0	0	0	43,016
Other transport directorate programmes	28,332	110,261	(144)	0	0	0	138,449
Scottish Futures Fund	5	18,119	0	0	0	0	18,124
Grants to Local Authorities	0	27,236	0	0	0	0	27,236
	804,927	882,171	(9,765)	52,526	0	109,976	1,839,835

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex

Notes to the Accounts cont'd...

21 Segmental Reporting cont'd...

21b Business Segments – Capital Expenditure

2018-19 Total continuing segments	Trunk Road Maintenance £000's	Capital Projects £000's	Other Assets £000's	Voted Loans £000's	Total Capital Expenditure £000's
Roads	5,332	174,793	160	0	180,285
Rail	0	0	0	0	0
Other public transport	0	0	(31)	0	(31)
Ferry, aviation and other services in Scotland	0	0	0	33,148	33,148
	5,332	174,793	129	33,148	213,402

2017-18 Total continuing segments	Trunk Road Maintenance £000's	Capital Projects £000's	Other Assets £000's	Voted Loans £000's	Total Capital Expenditure £000's
Roads	6,933	402,777	856	0	410,566
Rail	0	0	0	0	0
Other public transport	0	0	0	0	0
Ferry, aviation and other services in Scotland	0	0	0	69,328	69,328
	6,933	402,777	856	69,328	479,894

Title

Contents

Performance
Report
Overview

Objectives

Performance
Report
Performance
AnalysisAccountability
Report
Corporate
GovernanceAccountability
Report
Remuneration &
Staff ReportAnnual
Accounts

Annex

Notes to the Accounts cont'd...

22 Notional Charges

The following notional charges have been included in the accounts:

	Note	2018-19 £000's	2017-18 £000's
Auditors' remuneration	3	178	173
		178	173

23 Losses and Special Payments

The costs of damage to the trunk road network due to road accidents are charged to Transport Scotland as part of the road maintenance programme. These costs are recovered from the party responsible through their insurance company wherever possible, except where there has been a fatal injury. The costs are held in a debtor account until the recovery is successful. There is continuous review of the costs held in the debtor account and those deemed recoverable are identified. Irrecoverable costs no longer being pursued amounted to £0.33 million in respect of 27 cases and these have now been written off. No individual case exceeded £300,000.

Imputed finance lease obligations under PFI contracts comprise:	Number of cases	2018-19 £000's	2017-18 £000's
Total cash losses	27	333	67
Details of cases over £250,000	0	0	0
Including – claims abandoned	27	333	67
– active claims	0	0	0

24 Events after the reporting period

Scottish Ministers have been considering options for the future of Glasgow Prestwick Airport. In June 2019 Glasgow Prestwick Airport was advertised for expressions of interest in the Official Journal of the European Union (OJEU). Offers will be considered, with any sale being subject to negotiation in 2019-20. A process has been commenced and it is currently anticipated that the process may lead to a sale over the coming months.

Title

Contents

Performance Report Overview

Objectives

Performance Report Performance Analysis

Accountability Report Corporate Governance

Accountability Report Remuneration & Staff Report

Annual Accounts

Annex



Annex

Title

Contents

Performance Report
Overview

Objectives

Performance Report
Performance Analysis

Accountability Report
Corporate Governance

Accountability Report
Remuneration & Staff Report

Annual Accounts

Annex

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 (FRM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority
of the Scottish Ministers
Dated 17 January 2006

Title

Contents

**Performance
Report
Overview**

Objectives

**Performance
Report
Performance
Analysis**

**Accountability
Report
Corporate
Governance**

**Accountability
Report
Remuneration &
Staff Report**

**Annual
Accounts**

Annex