



Annual Report & Accounts

For the year ended
31 March 2020

transport.gov.scot



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Our year in numbers

Transport Scotland’s aim is to help deliver the Scottish Government Strategy of creating a fairer, wealthier, safer, stronger and greener Scotland, with opportunities to flourish through increasing sustainable growth.

Operational Highlights

Financial Highlights



New National Transport Strategy published

1,221 responses received during the consultation period, lasting from July until October 2019.

Royal Assent received

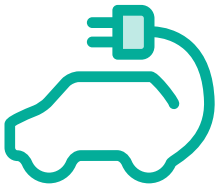
Our teams led the journey through Parliament of the new Transport (Scotland) Act, 2019.

£7.5 million

Strategic Partnerships set up, ensuring Scotland has access to a world-leading Electric Vehicle (EV) charging network.

£18 million

Invested in public, private and domestic charging installations across Scotland.



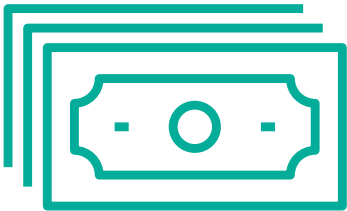
A further **£4 million** to support the uptake of Ultra-Low Emission Vehicles (ULEV's) across Scotland, and over **£11 million** to incentivise uptake across public and private fleets.



Net Operating Costs

£2.3 billion

Roads: **£533 million** Rail: **£996 million**
Bus & Concessionary Travel: **£275 million** Ferry: **£215 million**
Low Carbon and other Transport Initiatives: **£260 million**



DEL Underspend

£64 million

Total underspend

£94 million

Capital Expenditure

£238 million

Net Assets

£20.4 billion

Road Asset Base

£20.9 billion

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Case study 1:

A Transport Vision for Scotland

The new National Transport Strategy 2020



- The National Transport Strategy (NTS2) for Scotland, was published on 5 February 2020. This was the culmination of an extensive review of Scotland’s transport needs, and was based on significant collaborative work with partner bodies and engagement with stakeholders and communities. This work involved all Directorates of Transport Scotland and liaison with the wider Scottish Government.
- The Strategy serves as a catalyst for change, and sets out a compelling vision for transport in Scotland over the next twenty years. It was developed in the context of wider work on the Transport (Scotland) Act 2019 which, for the first time, placed the Strategy on a statutory footing.
- Our Teams worked with an extensive network of partners from urban, rural and island settings and reached out to groups and communities across the length and breadth of Scotland to hear the views of a wide range of users and non-users of the transport system.
- A comprehensive consultation exercise was undertaken on the draft Strategy in the summer of 2019, and our teams welcomed the responses received from individuals and organisations and incorporated these into the final Strategy.
- Our Policy Teams also gathered evidence and performed detailed analyses to demonstrate how we will address the challenges and achieve our Priorities. We set out our plans to establish a Transport Strategy Delivery Board and Transport Citizens’ Panels.
- We have developed a range of Policies to act as drivers of change and contribute to a range of cross-cutting themes such as ‘climate action’ and ‘health and wellbeing’.
- For our work on the National Transport Strategy we were commended in the Collaboration category at the CIHT Awards 2020.

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Case study 2:

Working Together The Solheim Cup

- In September 2019 Scotland hosted the Solheim Cup at Gleneagles and we played a pivotal role in its success, with initial planning discussions starting over 3 years in advance of the event.
- Our Events Resilience Team, supported by colleagues from all Directorates within Transport Scotland, created, tested and implemented the Transport Plan, designed to ensure safe, efficient and effective travel for over 90,000 attendees throughout the week, and over 30,000 attendees on the key competition days.
- We helped set up a Steering Group containing representatives from the Scottish Government, Perth & Kinross Council, Stirling Council, Police Scotland, British Transport Police, Stagecoach, ScotRail, Gleneagles Hotel, Traffic Scotland, BEAR and AMEY, which met to share information and ensure every mode of transport operated effectively.
- **Bus Park & Ride:** We secured the land and worked in partnership with Stagecoach East to provide this service from Stirling and from Perth for the duration of the event.
- **Rail:** We worked with ScotRail to provide travel by rail to Gleneagles Railway Station, making use of a bespoke temporary footbridge to cross the A9 directly into the venue within minutes.
- **Car:** We ensured temporary car parks were provided to allow attendees to drive directly to the venue.
- **Active Travel:** We ensured the venue was easily accessible by foot and provided locations to secure bicycles.
- The 2019 Solheim Cup was the best ever attended women's golf event in the UK and the long-term benefits to the area and to Scotland as a whole included the promotion and showcasing of Scotland as a leading event host; the economic benefits from 90,000 attendees and increased activity during the event; the promotion of the health benefits of playing a sport to a younger generation; and the promotion of equality by indirectly encouraging more females to play sport.



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Foreword by Chief Executive

I am pleased to present Transport Scotland’s Annual Report and Accounts for 2019-20, which sets out our performance against the objectives contained in our corporate plan for 2017-20. These reflect the key contribution we make to improving transport for the people of Scotland, in line with the Scottish Government strategic objectives, which were heavily influenced by the Climate Change Emergency declared during the year. This has consequently prioritised our contribution to Scotland’s transition to a low carbon economy.

Towards the end of this year, we responded to the impact of COVID-19. This dramatically changed our immediate priorities in supporting the public transport system, and indeed the way in which we were engaged in doing so. We are a key part of the Scottish Government COVID-19 support network and, like most of the rest of Scottish Government, many of our staff are working from home. This was possible due to our recent move to smarter working, with all staff using laptops and other mobile devices and further support to enable modifications to ensure health and safety is maintained in this new work environment. With the impact of the new working conditions and COVID-19 environment, the team have adapted and performed well.

The on-going challenges of this response are likely to be with us for some time as we move to transition and restart Scotland’s economy and re-focus our efforts in achieving our long term ambitions.

The new National Transport Strategy for Scotland I (NTS2) laid before the Scottish Parliament in February 2020, sets our vision for our transport system for the next 20 years, one which will protect our climate and improve the lives of the people of Scotland. Our work during the year has also included preparing for and supporting the passage of the Transport (Scotland) Bill 2019, which received Royal Assent in November 2019. The Act contains measures such as low emission zone schemes, changes to local authority powers in relation to bus and smart ticketing schemes, discretionary powers for a work place parking levy and pavement and double parking prohibitions, all of which will make a significant contribution to the global climate emergency.

During 2019-20, our focus has remained on supporting the development of a low carbon economy and this has been demonstrated in our efforts in the continuing development of rail electrification, bus prioritisation, accessibility and active travel and investment in low emission vehicles and charging networks.

The latter is now recognised as the UK’s most comprehensive network outside of London.

The past year has also seen the completion of a number of projects including the £220 million electrification of the railway between Stirling, Dunblane and Alloa, the £31 million A737 Dalry Bypass, which opened to traffic seven months ahead of schedule in May 2019, and the £5 million A737 Den Realignment which was also opened to traffic ahead of schedule in December 2019.

It’s been another challenging 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.



A handwritten signature in blue ink that reads "Roy Brannen".

Roy Brannen
Chief Executive
Transport Scotland

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Performance Report Overview

This Performance Report presents a review of our achievements during 2019-20. We set out, across a range of key indicators, our progress against our objectives and highlight our vision for the future of transport in Scotland and the risks and challenges faced during the year.



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Overview

We are an Agency of the Scottish Government, responsible for the policy and provision of transport in Scotland and accountable to Parliament and the Public through Scottish Ministers. We oversee the operation and improvement of the trunk road, ferry, canal and railway networks in Scotland; Highlands and Islands and Prestwick airports; the provision of rail and ferry services; and are responsible for securing air routes for Scotland, the national concessionary travel schemes and the provision of network traffic and travel information services.

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. Each director is delegated specific responsibilities for transport modes, corporate services and/or policy with responsibility delegated further to a range of teams supporting specific functions. We also support Scottish Ministers in prioritising future transport policy, strategy and investments and the delivery of a low carbon economy.



Our Business Model

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.

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Our Key Risks and Challenges

Our overarching risks relate to 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 2019-20 related to the wider political and economic uncertainties associated with the preparation for, and potential impact of, EU Exit and towards the end of the year, the impact of COVID-19. The latter changed our immediate priorities in supporting the public transport system and our method of engagement, and has had a massive impact on the transport sector. Reduced passenger numbers across all transport modes, consequential reductions in revenue, coupled with increased costs incurred to help make public transport safe, were accompanied by the financial and operational repercussions of a pause in all non-essential construction and road works. The pandemic also continues to present a significant challenge for the aviation industry and for Scotland's overall connectivity as we plan our economic recovery. The Transport Transition Plan, launched in May 2020 is a continuously evolving document that sets out our plan for the transition through, and recovery from, the COVID-19 pandemic.

These risks, and the principal risks, in relation to Rail, Ferries, Low Carbon and Climate Change, can also be seen in **Figure 1**.

Other 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 overall approach to Risk Management is also highlighted within the **Governance Statement**, and **Figure 1** summarises an example of the key risks faced during 2019-20, the mitigating actions taken and further actions planned.



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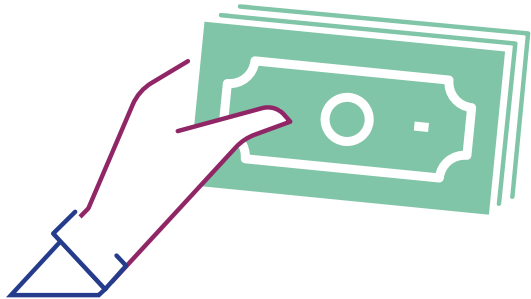
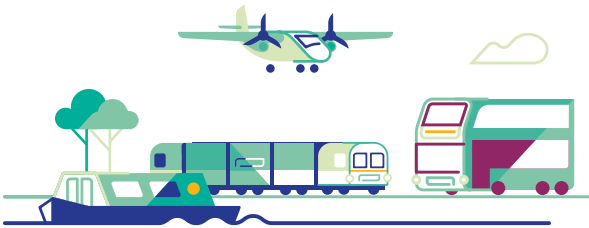
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Our Key Risks and Challenges

Figure 1: Key Risks and mitigations during 2019-20

| | Key Risk | Mitigating Actions |
|--|--|--|
|  | Failure to provide sufficient public transport capacity to safely meet demand during move to recovery from impact of COVID-19. | Engage with operators to support provision of public transport according to capacity required with on-going review of demand and impact of on-going restrictions. |
|  | Failure to achieve investment required to support economic recovery due to uncertainty of the on-going impact of restrictions. | Review proposals to ensure they continue to be achievable based on the latest modelling of the impact of restrictions and engage with Ministers and officials to secure funding. |
|  | Inability to meet all of the committed transport obligations within the budget allocated. | Detailed forecasting regularly updated and reviewed with appropriate action taken should issues arise. Regular dialogue with Ministers and SG colleagues regarding budget pressures. Engagement with DG Economy and Executive Team regarding staffing resource requirements. |

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Our Key Risks and Challenges

Figure 1: Key Risks and mitigations during 2019-20

| | Key Risk | Mitigating Actions |
|--|---|---|
|  | Delivery of the A96 and A9 Dualling Programmes to time & within environmental, statutory and financial constraints. | Continue to manage and monitor consultants performance against agreed objectives. Robust public engagement to resolve issues early. Ensure that design proposals offer VFM solutions. Continue to develop funding and procurement options, appoint specialist advisors, liaise with SG and Scottish Ministers on procurement strategy and key decisions. Ensure delivery planning team is sufficiently resourced with appropriate governance. |
|  | Achievement of Committed Obligations and Financial Performance by ScotRail Franchise. | Monitor ScotRail's forecasting, link with technical advisors, conduct due diligence. Franchise Management to identify potential measures within the Franchise Agreement to place the franchise on a more sustainable long-term footing. |
|  | Failure to deliver successful Northern Isles procurement exercise within required timescales. | Arrangements to extend the current contract to provide continuity of service provision and full connectivity to and from the Northern Isles. Work with Serco to ensure service commencement in June 2020. |

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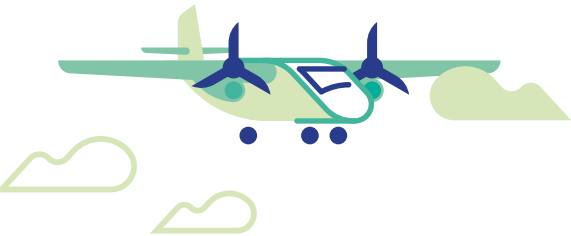

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Our Key Risks and Challenges

Figure 1: Key Risks and mitigations during 2019-20

| | Key Risk | Mitigating Actions |
|--|--|---|
|  | Climate Change Reputational risks associated with efforts to reduce emissions. | Engagement with Ministers to define nature and scale of challenge. Support Directors participation in Programme Boards and develop positive case studies that show demonstrable progress. Engagement with policy leads to develop measures to address issues identified. |
|  | 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. | Resilience Group response. Regular dialogue with UK Department for Transport (DfT) and Scottish and UK Government Resilience teams. EU Exit Action Plan development and execution. Contingency Planning reviewed, and Scottish Transport Logistics Intelligence Group established. |
|  | Financial and operational risk associated with the delivery of new vessels 801 and 802. | Regular communication regarding progress with Caledonian Maritime Asset Ltd (CMAL) and Ferguson Marine Engineering Ltd (FMEL), continued stakeholder engagement, advisor reviews and updates provided to ministers. Progress work plan to secure the most effective delivery of the public sector vessels currently under construction in the yard. |

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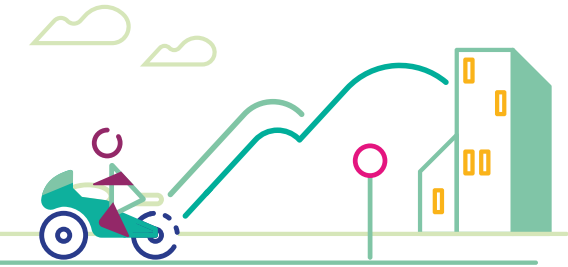
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Our Key Risks and Challenges

Figure 1: Key Risks and mitigations during 2019-20

| | Key Risk | Mitigating Actions |
|---|---|---|
|  | Programme for Government (PfG) commitments on air quality and low emission zones (LEZ's) not delivered. | Progression of LEZ's as part of Transport Act 2019, supported funding for local authorities and bus operators. Stakeholder engagement maintained, funding profiled, LEZ consultation prepared, integrated impact assessments, legal discussions and engagement with DVLA, Scottish Government and SEPA. Agreement on local authority enforcement, testing and timetabling. |
|  | Failure to achieve Scottish Minister's road casualty reduction targets. | Focused meetings with Road Safety Strategic Partnership Board and Operational Partnership Groups. Review of Road Safety performance and annual accident statistics. Review priority progress on 2020 casualty reduction targets. Focus on motorcyclists and roadside safety, revision of safety camera handbook criteria and engage with high level European Groups to share best practice. |

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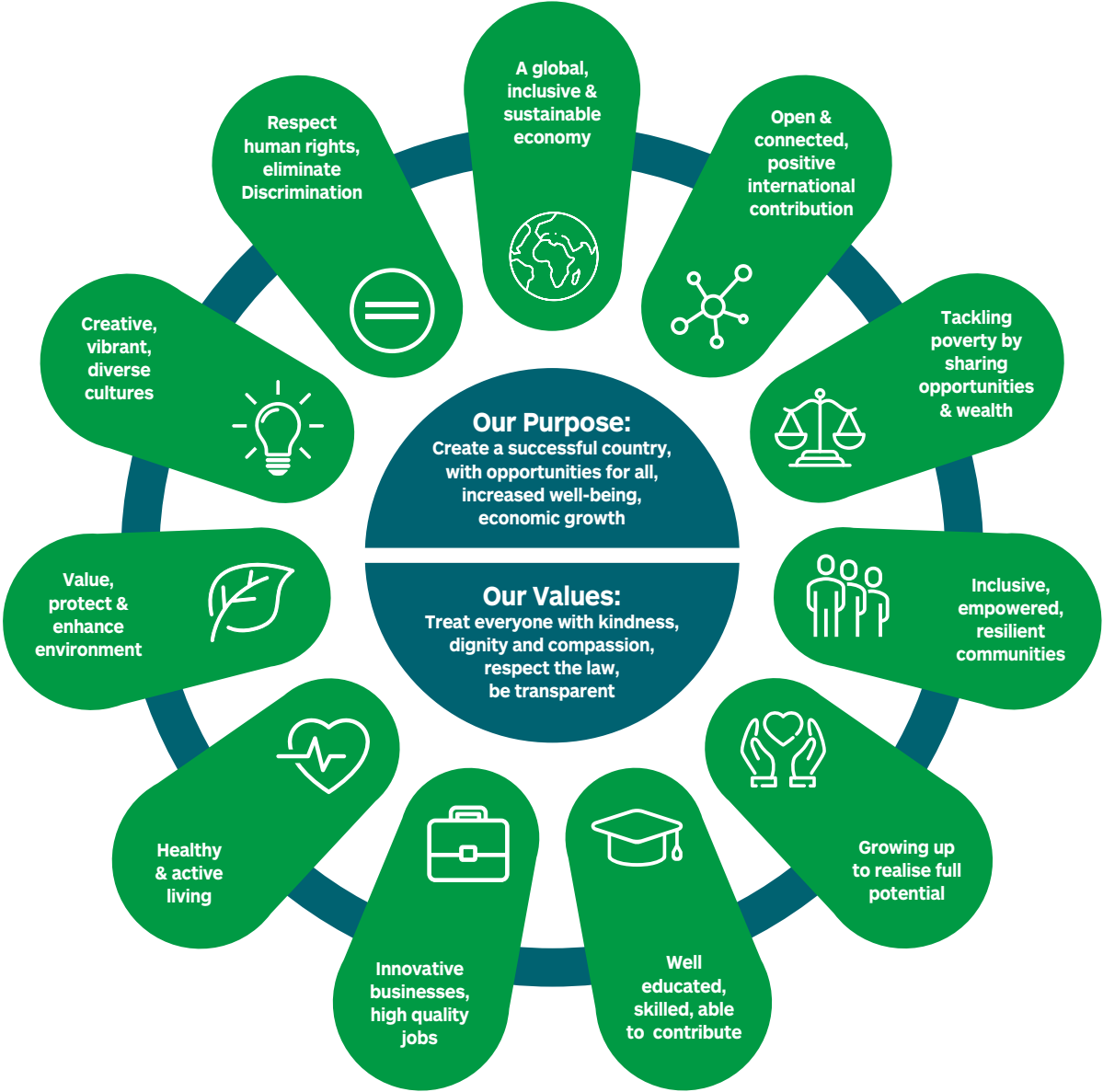
Performance Summary

Our 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.

A combined Corporate and Business Plan for 2020-21 is being prepared with Corporate Plan for 2021-24 to follow in spring 2021. These documents were subject to delays in the latter part of 2019-20 as a consequence of the COVID-19 pandemic.

The focus of our Corporate Planning continues to be on 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: The National Performance Framework



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The National Transport Strategy for Scotland 2020

The new National Transport Strategy, published in February 2020, was developed through an extensive collaborative approach involving a wide range of partners and stakeholders, including individuals, businesses and third sector organisations. It sets out a vision for the kind of transport system we all want for Scotland over the next twenty years - one that protects our climate and improves lives, delivering a sustainable, inclusive, safe and accessible transport system and a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.

The Strategy contributes to the Government's Purpose and has been mapped against the National Outcomes, contributing to 9 National Outcomes and to all of the 17 Key UN Sustainable Development Goals.

COVID-19 has had a significant immediate impact on transport, creating new opportunities as well as challenges. We remain cognisant that, in order to aid recovery, our future transport system will need to encompass all of the priorities in the National Transport Strategy within the new post-pandemic context. We also continue to actively pursue options to maintain the positive travel behavioural changes which have emanated from the pandemic.



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Our Vision and What We Do

Our Vision

Figure 3 demonstrates our Vision, which is underpinned by four Priorities, each with three associated Outcomes. These form the heart of the Strategy and will be the basis upon which we take decisions and evaluate the success of Scotland's transport policies going forward.

Our purpose is to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth. Inclusiveness and equality are key ingredients of our new Strategy.

Figure 3: Our Vision

We will have a sustainable, inclusive, safe and accessible transport system, helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.



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Our Vision and What We Do

What we do
Our Corporate Plan, and the supporting Annual Business Plans, set out our key priorities and how we will support the 11 national outcomes shown in **Figure 2**. Within our Corporate Plan, we identify nine delivery themes and key objectives, as shown in **Figure 4**.

The section on ‘Strategic Objectives’ shows how we performed against these objectives and the Performance Analysis section on pages 30-52 reports on progress as at the end of March 2020 on these Strategic objectives, and how we delivered them.

Figure 4: Strategic Objectives



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Strategic Objectives

The following pages detail our 2019/20 objectives and highlights actions on how we delivered them

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Strategic Transport Planning and Governance

Find out more on p30-31

Prepare for the implications for the transport sector in Scotland, of the UK's withdrawal from the EU.

- Development of communication protocols and planning models
- Contribution to Scottish Government's advisory publications on EU withdrawal for Scottish people and businesses
- Ensured Scottish Parliamentary scrutiny of seven UK EU Exit Statutory Instruments
- Set up and operated EU Exit resilience function and a Scottish Transport Logistics & Intelligence Group

Manage Parliamentary passage of the Transport Bill.

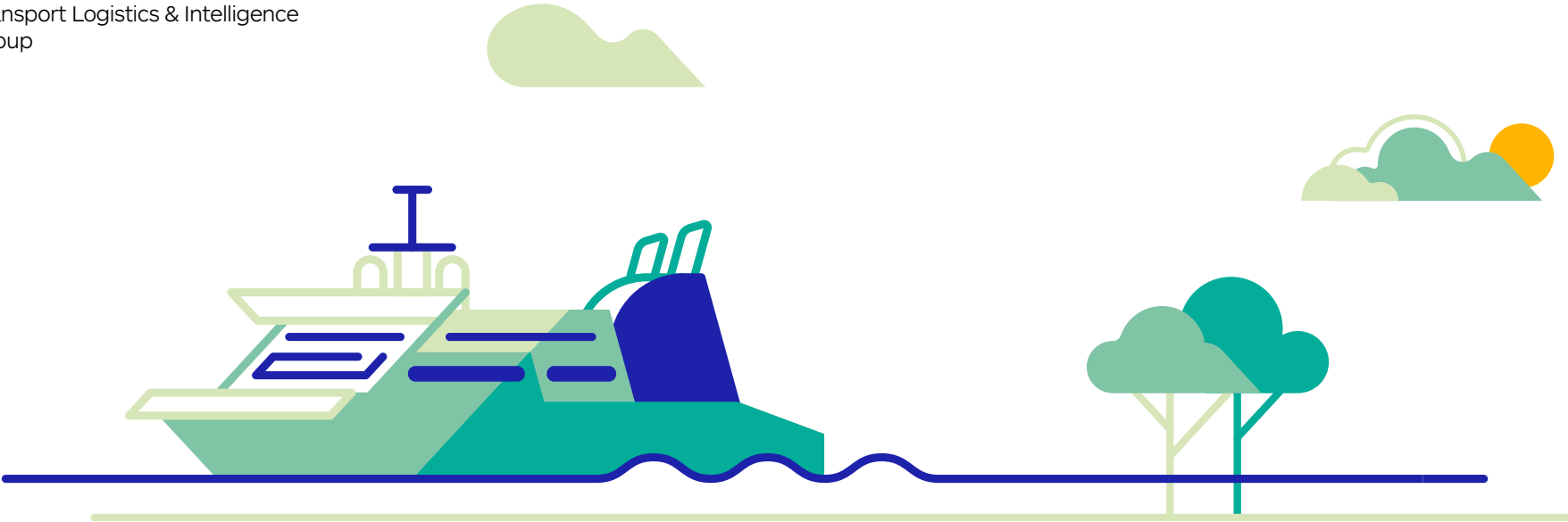
- Engagement with internal teams and external stakeholders
- Conducted impact assessments, drafted supporting documents and attended appropriate Parliamentary Committees to assist the Bill's passage

Continue to support the Maritime Sector in Scotland.

- Development of Scottish Maritime Strategy for 'Year of Coast and Waters'
- Engagement with industry bodies at numerous events, and in day to day business
- Supported Scottish Maritime Cluster (SMCat London International Shipping Week and at the Chamber of Shipping event in Edinburgh
- Supported British Ports Association and UK Chamber of Shipping

Consult on and publish a successor to the National Transport Strategy.

- New National Transport published in February 2020 and laid before the Scottish Parliament by the Scottish Ministers under section 3 (1) (b) of the Transport (Scotland) Act 2019



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Environmental Sustainability

Find out more on p32-33

Support sector transition toward a low carbon transport system, including through skills development, while minimising unnecessary disruption.

- New skills initiative with industry and Skills Development Scotland, and a new Safe Working with Electric Vehicles (EV) programme
- £0.164 million for 'Safe Working with EV' Project
- 8 EV training modules and training for 10 college staff, events to raise awareness of training opportunities for EV repair and maintenance
- Skills Baseline Project with Skills Development Scotland to assess the skills necessary to facilitate mass-EV uptake in Scotland

Incentivise the uptake of ULEVs while supporting wider sustainable transport outcomes and inclusive growth.

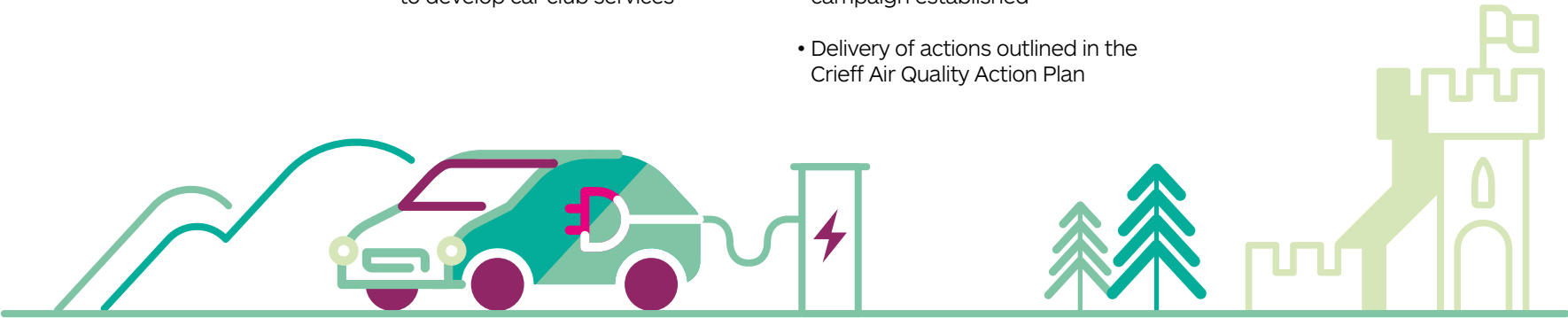
- £11 million for "Switched on Fleets"
- £4 million to aid the transition of Local Authority and Community Fleets
- £2 million to the emergency services to transition the blue light fleets by
- £1 million to support transition of other public sector fleets
- £2 million to local authorities for the transition of heavy fleet vehicles or equivalent heavy machinery
- £47 million for 1000 interest free low carbon loans
- £0.5 million to Housing Associations to develop car club services

Work with partners to put in place Low Emission Zones into the four biggest cities by 2020. Take forward actions to support the Scotland Climate Change Plan and support low carbon travel and transport.

- £8.8 million available to support bus operators retrofit buses to the Euro VI diesel standard
- £7.8 million available through the Public Transport Provision Fund, to local authorities and regional transport partnerships to establish LEZ related projects in their areas
- LEZ Support Fund focused on retrofit support for the taxi sector
- LEZ back-office enforcement regime, DVLA engagement on data sharing
- LEZ communications marketing campaign established
- Delivery of actions outlined in the Crieff Air Quality Action Plan

Grow Scotland's global reputation in low carbon mobility and establish distinctive propositions for trade and investment.

- Development of the Michelin Scotland Innovation Park to attract inward investment and creation of a globally significant hub for innovation in mobility
- The Transport Decarbonisation Alliance – December 2019 – to help develop a proposal for a Zero-Emission Vehicle Community



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Maintaining and Developing Scotland's Transport Networks

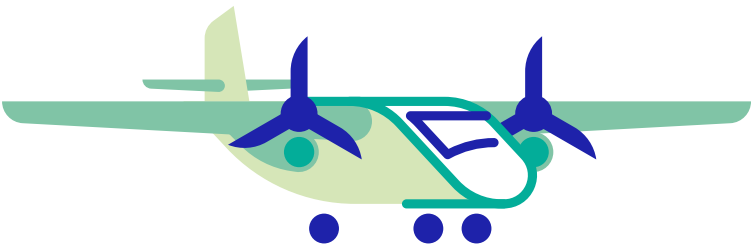
Find out more on p34-35

Continue to support the development of air services within Scotland. Continue to support the development of Scottish international air routes.

- New Delta Airlines route between Edinburgh and Boston
- New easyJet service from Glasgow to Barcelona
- Air Discount Scheme renewed until December 2020
- Four year £21 million contract with LoganAir to operate subsidised air services from Glasgow to Camletown, Tiree and Barra

Ensure Scottish EV owners benefit from one of Europe's most comprehensive and reliable charging network.

- £18 million for public, private and domestic charging installations
- £4 million to local authorities to contribute to delivery of 20 'electric towns' across Scotland by 2025



Develop our strategy and plans for reinvigorating and exploiting the potential of the Scottish rail network. Influence external relationships for the benefit of our railway.

- Participation in dialogue with all the bidders for the West Coast franchise, securing a 50% increase in calls at Motherwell station on services which operate between Glasgow and London Euston
- Supported TransPennine Express's introduction of train services between Glasgow/Edinburgh and Liverpool
- Engagement with Network Rail on route electrification, with an accelerated rolling programme of efficient electrification over the next 25 years, to contribute towards making Scotland's rail passenger services carbon free by 2035



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New Infrastructure

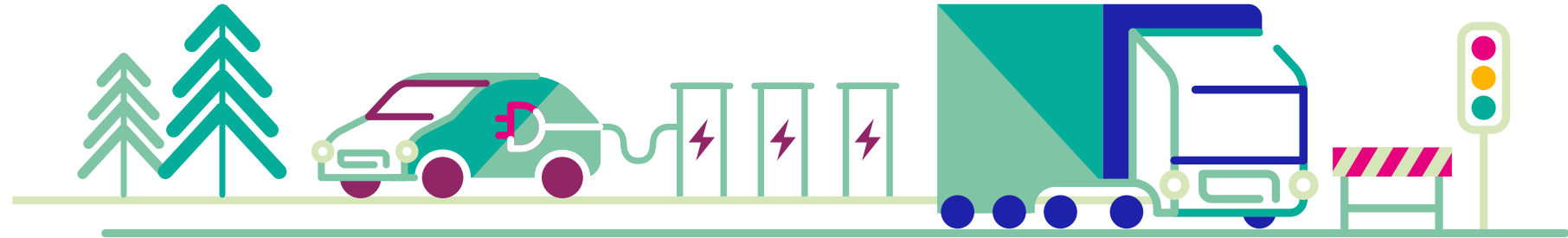
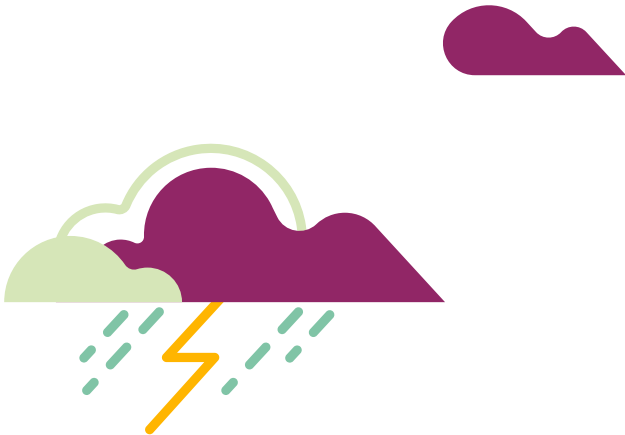
Find out more on p36

Coordinate strategic investment in the charging network that supports wider energy and transport system benefits.

- £7.5 million Strategic Partnership to ensure Scotland has access to a world-leading Electric Vehicle (EV) charging network
- Evidence led, accelerated model for co-ordinating EV charging and electricity network infrastructure
- Comprehensive analysis of data to inform investment decisions on future of the network

Take forward the construction of major road improvement projects, including the A737 Dalry Bypass, the A77 Maybole Bypass, the A9 Berriedale Braes, the A737 The Den, and the A92/A96 Haudagain Improvement project.

- A737 Dalry Bypass opened to traffic seven months ahead of schedule in May 2019
- A737 The Den opened to traffic ahead of schedule in December 2019
- A9 Berriedale Braes to open in August 2020
- A77 Maybole Bypass contract awarded and site works progressed
- A92/96 Haudagain Improvement Scheme progressing, expected to open 2021



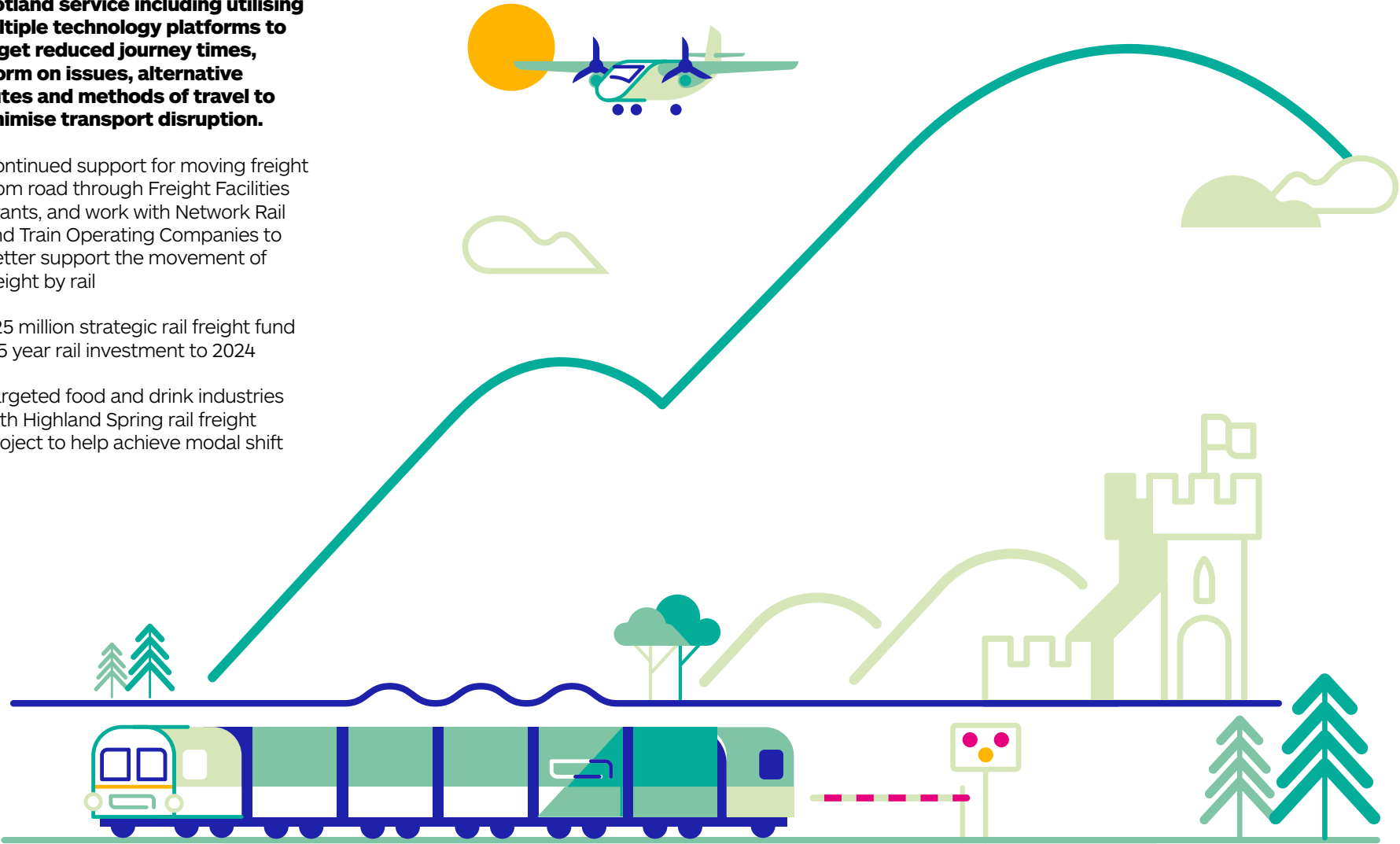
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Moving Freight

Find out more on p37

Continue delivering the Traffic Scotland service including utilising multiple technology platforms to target reduced journey times, inform on issues, alternative routes and methods of travel to minimise transport disruption.

- Continued support for moving freight from road through Freight Facilities grants, and work with Network Rail and Train Operating Companies to better support the movement of freight by rail
- £25 million strategic rail freight fund – 5 year rail investment to 2024
- Targeted food and drink industries with Highland Spring rail freight project to help achieve modal shift



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Moving People

Find out more on p38

Put active travel at the heart of our transport planning for all.

- £1.3 million to date for 'Bikeability Schemes' and Social Housing Projects
- Active Travel Outcomes Framework developed and published in December 2019. Active Travel Evaluation and Evidence group with TS and delivery partners set up
- Delivery Plan for the Active Travel Taskforce published in June 2019

Work with other public authorities and transport providers to deliver accessible travel for disabled people.

- Working with Sustrans and local authorities to agree new proposals and manage existing infrastructure plans through the Places for Everyone Programme
- £73 million to infrastructure place making projects

Continue to support Community Transport and the National Concessionary Travel Scheme, ensuring the NCTS' sustainability.

- Pilot Scheme for free bus travel for Modern Apprentices (in Shetland, Aberdeen and Aberdeenshire) concluded February 2020
- Fund and Support community transport providers. 49 new drivers supported to achieve the D1 driver qualification for minibuses for voluntary sector

- New Bus Low Emission Vehicle incentive system introduced April 2019
- £3 million Scottish Ultra Low Emission Bus Scheme launched February 2020 following engagement with bus operators and internal assurances
- Free bus travel element of the 2019 Young Carers Grant being progressed



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Improving Communications, Travel Choices, Resilience and Safety

Find out more on p39

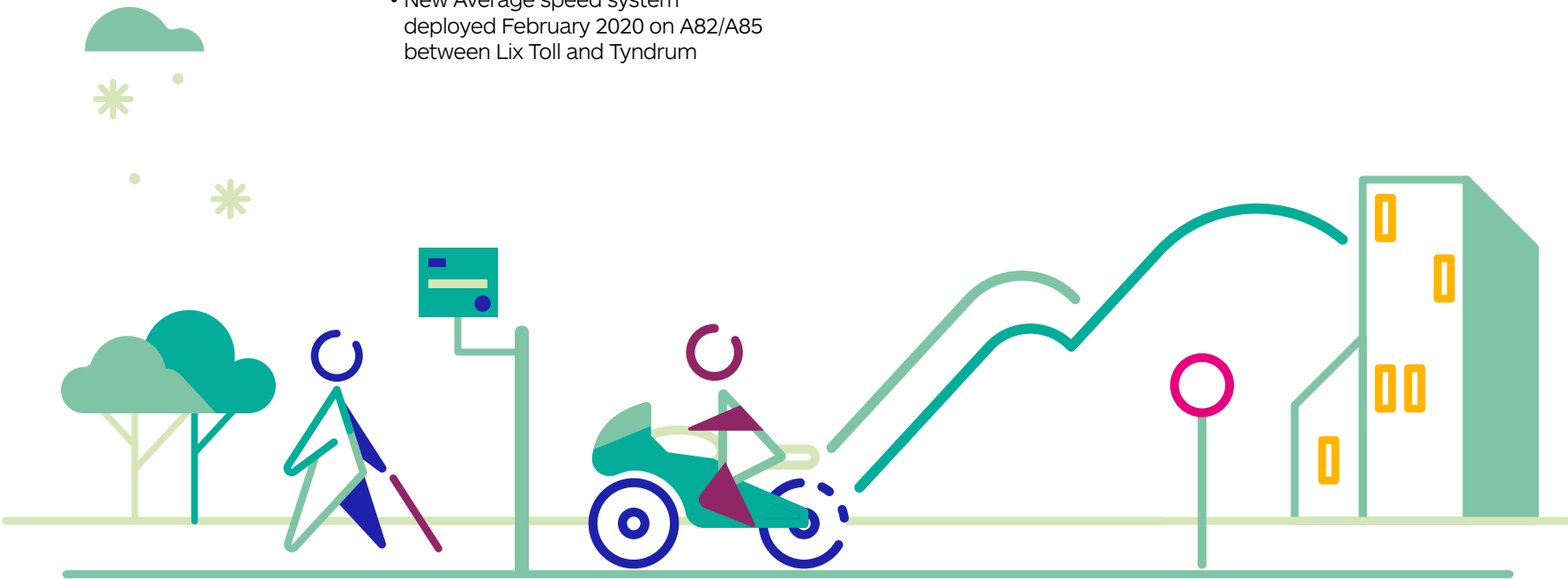
Improve Resilience across all transport Networks.

- Transport Resilience Teams continued to strengthen
- Additional Winter Service and Events enhancements

Work jointly with partners to achieve Scotland's casualty reduction milestones and take forward the action plan set out in Scotland's Road Safety Framework to 2020.

- Continued funding of the Scottish Safety Camera Programme
- Average speed camera systems across the A77, A9 and A90 Trunk sections of average speed cameras operating effectively
- New Average speed system deployed February 2020 on A82/A85 between Lix Toll and Tyndrum

- Progression of Road Safety Plan focussing on motorcycle safety, better integration of maintenance and casualty reduction investment and prioritised investment in casualty reduction schemes
- Road Safety Framework Annual Report published on Transport Scotland website in mid-2019. New Evaluation Fund launched mid-2019
- Developing with CoSLA a strategy to roll out more 20mph speed limits consistently across Scotland



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Procurement, Asset and Contract Management

Find out more on p40

Procure a new contract for the Northern Isles Ferry services, serving Orkney and Shetland.

- New contract awarded for the Northern Isles Ferry Services, serving Orkney and Shetland

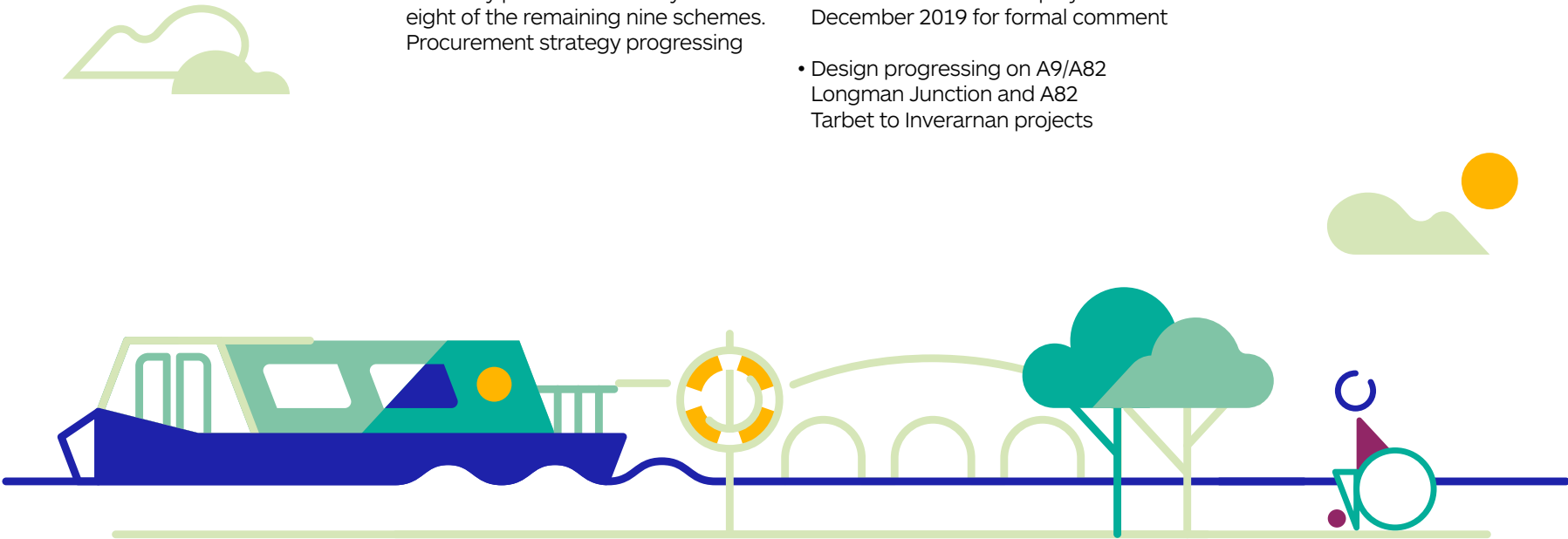
Progress design and development work on the A9 dualling between Perth and Inverness and the A96 dualling between Inverness and Aberdeen, and continue the construction of the A9 dualling Luncarty to Pass of Birnam project.

- Construction work progressing on the second section of the A9 Dualling Programme – Luncarty to Pass of Birnam. New bridges being constructed over the A9
- Design work progressing for A9 Dualling Perth to Inverness. Statutory process underway for eight of the remaining nine schemes. Procurement strategy progressing

Progress design and development work on a range of major road improvement projects including the A82 between Tarbet and Inverarnan, the grade separation of Sheriffhall Roundabout on the A720, Longman Roundabout on the A9/A82 and the junction at Laurencekirk on the A90.

- Draft Orders for the A9/A96 Inshes to Smithton scheme published in September 2019
- Draft Orders published for A90/A937 Laurencekirk Junction and A720 Sheriffhall Roundabout projects in December 2019 for formal comment
- Design progressing on A9/A82 Longman Junction and A82 Tarbet to Inverarnan projects

- £1 million ground investigation contract awarded in August 2019, to inform on the preferred option for the Longman Junction
- £31.2 million Design and Build contract for the A737 Dalry Bypass opened to traffic seven months ahead of schedule in May 2019
- £5 million A737 Den Realignment improvement opened to traffic ahead of schedule in December 2019



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Who We Are and How We Operate

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We will ensure that we have the knowledge, understanding, staff, skills, structure and controls in place to deliver and support our business.

- Awarded the highest score across central government for procurement activity
- Community Benefits delivered through sustainable procurement practices. Savings of £1 million by using collaborative frameworks
- Stakeholder engagement and knowledge sharing on project Bank Accounts

Invest and develop our people in line with SG2020 and our People Strategy.

- Continuing Development of Corporate systems and Smarter Working principles
- Improve video conferencing. New cloud-based audio and video conferencing solution
- New HR Online service was launched in February 2020
- Cyber Plus Accreditation and Cyber Resilience profile
- Actions from Staff Survey



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Strategic Transport Planning and Governance



Preparation for Impact of EU withdrawal

During 2019-20, we have placed significant focus on planning for the impact on Transport in Scotland of the UK's withdrawal from the European Union (EU). Our work has involved the continuing development of communication protocols and planning models to ensure that the transport network in Scotland continues to function efficiently and effectively. We have also sought to plan mitigating actions for potential critical and longer term adverse impacts of the withdrawal process. We made a significant contribution to the Scottish Government's advisory publication "Information on the UK's exit from the European Union (Brexit) and how it may affect people and businesses in Scotland", which was issued in October 2019.

Our work is continuing in order to ensure that Scottish transport legislation is operable on exit from the European Union. This involves laying Statutory Instruments in Parliament where necessary, and ensuring that the seven UK EU Exit Statutory Instruments, which involved devolved aspects of transport, were subject to the Scottish Parliament's scrutiny process.

We set up an EU Exit resilience function and established a Scottish Transport Logistics & Intelligence Group to engage and share information with transport stakeholders.

Transport Act

The Transport (Scotland) Act 2019, includes provisions on Low Emission Zone schemes (LEZs), changes to local authority powers to regulate the bus market and to set up smart ticketing schemes, work place parking levy, pavement and double parking prohibitions, a national transport strategy and new powers in relation to road works. Many of these measures will also contribute to addressing the global climate emergency.

Our work during the year has involved engaging with internal teams and external stakeholders, conducting impact assessments, drafted supporting documents and attending Parliamentary Committees to assist the Bill's passage.

The Act received Royal Assent in November 2019.

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Strategic Transport Planning and Governance

Maritime Strategy

We have been working to develop a Scottish Maritime Strategy, in line with the ‘Year of Coast and Waters’. This aims to support training and career development and explore opportunities in the industry so that the sector can continue to grow and to contribute to our economy. Our focus is on a variety of aspects of the maritime sector, including offshore energy, training, the cruise industry, ports and ship management. We have also engaged extensively with colleagues working on environmental issues, apprenticeship/skills development, Oil & Gas, Renewables, Tourism, Agriculture and Ports in a sustained effort to ensure our Strategy will adequately reflect the sector’s diversity.

Our Strategy will dovetail with other specific Scottish Government strategies such as the National Marine Plan and the Ferries Plan.

Our efforts have also continued in-year to engage with industry bodies and we have forged strong links with the Scottish Maritime Cluster (SMC), which brings together Scotland’s world-class shipping, ports, shipbuilding, equipment and maritime service enterprises to drive economic growth in the global maritime market. We provided support to the SMC at London International Shipping Week and at the Chamber of Shipping event in Edinburgh. We also provided support at the annual reception hosted by the British Ports Association and UK Chamber of Shipping, a long running event which recognises the major contribution of ports and shipping to the Scottish economy.



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Environmental Sustainability

Support transition to low carbon transport through skills development

We have provided £0.2 million of funding for the ‘Safe Working with Electric Vehicles (EV’s) Project’, which is being delivered by the Energy Skills Partnership. So far, this has facilitated the purchase of 8 training modules, which can be shared between colleges, and used to deliver training to students and college staff, along with three events, attended by 50 attendees to raise awareness of training opportunities for EV repair and maintenance to local automotive businesses.

We are also working with Skills Development Scotland to deliver a Skills Baselining Project, which will assess the skills necessary to facilitate mass-EV uptake in Scotland; and the extent to which these exist or are developing in the Scottish economy. The Project is considering EV repair and maintenance skills, EV sales skills, charge point repair and maintenance, emergency services skills, and roadside assistance and recovery.

Through the Project Steering Group, whose members include the Scottish Motor Trade Association, the Institute for Motor Industry, Skills Development Scotland, Scottish Enterprise, and ourselves, we continue to work with a range of partners to ensure we have input from industry and skills delivery partners.

Incentivise the uptake of Ultra Low Carbon Vehicles (ULEV’s) and support sustainable transport outcomes and inclusive growth

We have invested in excess of £11 million in our “Switched on Fleets” initiative, thus incentivising the uptake of ULEVs across public and private fleets while supporting wider sustainable transport outcomes. Over 6% of cars newly registered in Scotland this year were low carbon, and there has been a 40% growth in registrations of ultra-low emissions cars in Scotland over the past year, whilst petrol and diesel cars have decreased by 7%.

We have provided £3.6 million to aid the transition of Local Authority and Community Fleets and £1.9 million to the emergency services for the transition to blue light fleets. We have transformed the Scottish Government fleet through the allocation of £1.2 million and supported the transition of heavy fleet vehicles or equivalent heavy machinery through the allocation of £2.5 million to local authority and public sector areas.

In addition we have provided £47 million of funding to support transition in consumers, businesses and taxi fleets through the provision of over 1,000 interest-free low carbon transport loans.

We also delivered the second tranche of the “Plugged in Households” Programme, providing funding of £0.5 million to Housing Associations and third sector organisations to develop car club services which can be offered to tenants and residents in order to promote ULEV driving and uptake.

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Environmental Sustainability

Low Carbon Mobility and trade and investment

We have been working with Economic Development colleagues to develop the Michelin Scotland Innovation Park to attract inward investment and creation of a globally significant hub for innovation in mobility and we signed up to the Transport De-Carbonisation Alliance in December 2019. We have worked with the Under2 Coalition to develop a proposal for a Zero-Emission Vehicle Community which Scotland will lead. These activities continue to raise our global profile as a “front-runner” in low carbon mobility.

Developing a low carbon transport supply chain

We have established an Industry Advisory Group on the growth of Scotland’s automotive sector. Our aim is to develop an international specialism in supply chains for heavy vehicles, with emphasis on hydrogen fuel cells, and energy/transport system integration, and we are working with the Energy Technology Partnership to establish Scotland’s first specific academic network for sustainable transport. We are also working with Scotland’s electricity distribution network companies to identify how innovation and smarter management of our electricity networks can reduce the need for grid upgrade and reinforcement, and any associated costs and disruption.

Low Emission Zones (LEZ’s)

Planning for the introduction of LEZs into Scotland’s 4 major cities by the end of 2020 continues through the application of Traffic Regulation Conditions.

In 2019-20, we have also provided £4.5 million through the Public Transport Provision Fund, to local authorities and regional transport partnerships in order to establish LEZ related projects in their areas and provided £0.5 million to local authorities to progress their LEZ designs. The LEZ Support Fund also provided £0.2 million on retrofit support for the taxi sector during 2019/20.

We have also commenced discussions with local authorities on the development of a LEZ back-office enforcement regime and engaged with DVLA on the need for a data-sharing agreement between them, ourselves and local authorities in order to facilitate the use of DVLA data. A LEZ communications marketing campaign has also been established, with a pilot marketing scheme set up in Glasgow by Big Partnership, culminating in full roll out in March 2020. The low emission zones Scotland website has been improved, with a vehicle checker tool to better inform members of the public on future car buying decisions.

www.lowemissionzones.scot

The National Low Emission Framework appraisals of all Scottish Air Quality Management Areas have been undertaken by local authorities in 2019-20, with the results to be published in the summer of 2020.

We have continued to engage with Perth & Kinross Council around the delivery of actions outlined in the Crieff Air Quality Action Plan, and remote air quality monitors were deployed at locations on the trunk road network around Edinburgh during October 2019 and February 2020, with over 300,000 emission data points collected for analysis.

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Maintaining and Developing Scotland's Transport Networks

Aviation

We have continued to work in partnership with Scotland's airports to secure new routes that are important for business connectivity and/or inbound tourism. A number of new routes were launched in 2019-20 including Delta Air Lines service between Edinburgh and Boston, as well as easyJet's new service from Glasgow to Barcelona.

We are committed to the continuation of the Air Discount Scheme, which has been renewed until 31 December 2020, to ensure more affordable travel for those in remote and rural communities, whilst in October 2019 we awarded Loganair the contract to operate subsidised air services from Glasgow to Campbeltown, Tiree and Barra. The four year contract runs until 2023 and is worth £21 million.

Rail

We have continued to oversee ScotRail and Caledonian Sleeper services improvement in performance and passenger satisfaction. The moving annual average for the Public Performance Measure (PPM) for ScotRail, improved from 87.4% at the end of March 2019 to 88.5% at March 2020. We have also developed options for bringing the benefits of High Speed Rail investment to Scotland, including progressing initial business case development work and extensive engagement with DfT, HS2 Ltd, Network Rail and other stakeholders in the design of route options as well as providing evidence to the Oakervee Review, the UK Government's independent review on HS2.

The past year has also seen the significant expansion of the rolling stock fleet, including the introduction of Class 385 electric trains, the most reliable new train in Britain, and the complete renewal of Caledonian Sleeper rolling stock fleet.

We participated in extensive dialogue with all the bidders for the West Coast franchise and were successful in securing a 50% increase in calls at Motherwell station on services which operate between Glasgow and London Euston. We also supported TransPennine Express's introduction of train services between Glasgow/Edinburgh and Liverpool.

We have commissioned Network Rail to identify, develop and design a programme of seven Scottish routes to be electrified over the next 5-7 years and we have agreed to the development of an indicative rolling programme of efficient electrification over the next 25 years that will contribute towards our commitment to make Scotland's rail passenger services carbon free by 2035.

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Maintaining and Developing Scotland's Transport Networks

Investment in the Charging Network

With our partners, the Scottish Government, SP Energy Networks (SPEN) and Scottish and Southern Electricity Networks (SSEN), we are members of the £7.5 million Strategic Partnership, which was announced by the First Minister in August 2019. The Partnership will ensure Scotland has access to a world-leading Electric Vehicle (EV) charging network and the electricity infrastructure needed to support it.

We have undertaken a comprehensive analysis of ChargePlace Scotland (CPS) data to inform investment decisions and aid strategic decisions on the future of the network. During 2019-20 we invested £18 million in public, private and domestic charging installations.

Over 1,200 publicly available chargers are now on the CPS network, and this is recognised by the Department of Transport as the UK's most comprehensive network outside of London. Through the CPS network we also provide information on the location and status of charging points, a 24hr helpline to help diagnose and resolve faults and administration of public access to the network and payment methods.

Our "Switched on Towns and Cities Initiative" continues to support the uptake of Ultra-Low Emission Vehicles in Scotland's Towns and Cities, and we provided a further £4 million of funding to Local Authorities in 2019-20 with a view to achieving the delivery of 20 'electric towns' across Scotland by 2025. We have provided funding to over 1,600 Scottish households and almost 200 Scottish business to install charge points at home or at the workplace to encourage the uptake of low-emission vehicles in the public and private sector.



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New Infrastructure

Major Road Construction

Construction work has progressed well during the year on the second section of the A9 Dualling Programme, from Luncarty to Pass of Birnam. This project will widen the A9 over a length of 9.5km, to provide 15km of continuous dual carriageway between Inveralmond roundabout in Perth and the Pass of Birnam.

The £31.2 million Design and Build contract for the A737 Dalry Bypass opened to traffic seven months ahead of schedule in May 2019, and the £5 million A737 Den Realignment improvement was also opened to traffic ahead of schedule in December 2019.

Design work is continuing to progress on the A96 Dualling Programme. In October 2019 we awarded two ground investigation contracts on the scheme, each worth £1.2m, which will help inform the development of the preferred option on the section between Hardmuir and Fochabers. Route options assessment work is also well underway on the section between east of Huntly and Aberdeen.



Construction is also continuing on numerous other road infrastructure projects across the country. The £6 million A9 Berriedale Braes continues to provide better journey time reliability for motorists and HGV's. The £29 million A77 Maybole Bypass contract was also awarded and works are progressing on site. When complete this will improve key travel links in South Ayrshire, including to the port of Cairnryan, and beyond.

Construction works are also progressing on the A92/A96 Haudagain Improvements which will on completion, relieve congestion on the existing roundabout which is operating over capacity, thus improving journey time reliability and decreasing congestion in this area.

Draft Orders were issued during 2019 for the A9/A96 Inshes to Smithton, A90/A937 Laurencekirk Junction and A720 Sheriffhall Roundabout projects, and design work is on the A9/A82 Longman Junction and A82 Tarbet to Inverarnan projects.

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Moving Freight

Modal Shift

In May 2019, The Cabinet Secretary for Transport, Infrastructure and Connectivity announced a £25 million Strategic Rail Freight Fund, for the five year rail investment period to 2024. This fund will complement the broader pipeline projects and help to unlock opportunities for rail freight across the country. To date it has funded train trials on the Highland Main Line to test the infrastructure's capacity to run longer trains and freight enhancements at Craiginchies (Aberdeen) and Inverness.

We have targeted key markets capable of modal conversion, including the food and drink and timber industries. Highland Spring's rail freight project at Blackford sees ourselves, the rail industry and third party investors working together to achieve modal shift to rail.



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Moving People

Sustainable and Active Travel

We provided additional funding of £0.2 million in 2019-20 for the 'Bikeability Scheme', and an additional £0.3 million to Social Housing projects, bringing the totals so far to over £1 million for each project.

The Delivery Plan for the Active Travel Taskforce was published in June 2019 and owners have been identified for each of the actions. We have also developed the Active Travel Outcomes Framework, which was published in December 2019, with our active travel partners, and set up an Active Travel Evaluation and Evidence Group to develop and monitor appropriate performance indicators.

Our Active Travel Team have also led on supporting the Active Nation Commissioner in her first year in the role. The focus this year has been on stakeholder engagement across the health, climate, social justice and transport portfolios and on developing her priorities and objectives for 2020.

We continue to work closely with Sustrans and local authorities to agree new proposals and manage existing infrastructure plans through the 'Places for Everyone Programme', with £73.1 million allocated to infrastructure, place making projects and e-bike grants in 2019-20.

Bus and Community Transport

We delivered a three month pilot of free bus travel for Modern Apprentices (in Shetland, Aberdeen and Aberdeenshire), which concluded in February 2020 and evaluation is on-going. We are also working with Scottish Government colleagues on the commitment to free bus travel for Young Carers during the course of 2020-21.

The new Low Emission Vehicle incentive aspect of the Bus Services Operator Grant (BSOG) was introduced in April 2019, following significant work with colleagues in the bus industry; and a £3 million Rapid Scottish Ultra Low Emission Bus Scheme (SULEBS) launched in February 2020, following engagement with bus operators. This was not completed in 2019-20, as a consequence of the COVID-19 pandemic, but consideration and evaluation has been continued into 2020-21 as part of our support to the bus industry.

The Programme for Government announced over £500 million of long term capital investment in bus priority infrastructure, with £10 million allocated for 2020-21, and we will lead engagement with stakeholders around structuring of the Fund.



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Improving Communication, Travel Choices, Resilience and Safety

Scotland’s casualty reduction milestones and Road Safety Framework to 2020

We continue to fund the operations of the Scottish Safety Camera Programme which aims to reduce the number of casualties on Scotland’s roads by encouraging improved driver behaviour. The annual safety site selection process for 2019 was completed, leading to an approximate 10 fold increase in new site identification. A plan has been created to inform the delivery of these sites.

The average speed camera systems across the A77, A9 and A90 continue to operate effectively, and a new average speed system was deployed on a 16 mile stretch of the A82/A85 between Lix Toll and Tyndrum in February 2020. This technology is expected to deliver a range of benefits already experienced elsewhere on our road network.

Specific work is also being undertaken on active travel safety, speed management and roadside protection, and we continue to conduct research into improved speed management approaches, risk mapping and route scoring, all of which will support climate change and active travel outcomes.

We continue to monitor and report road safety casualty information to the Road Safety Framework 2020 governance bodies and to co-ordinate resultant agreed actions. Interim casualty and accident data is reported in June each year, followed by the publication of verified figures each October. We also continue to monitor and support the delivery of Road Safety Framework 2020 commitments, including those of our road safety partners.

We have supported CoSLA in developing a strategy for rolling out more 20mph speed limits consistently across Scotland, and promoting good road user behaviours by investing in education and publicity resources and undertaking social marketing in priority focus areas. As well as enhancing our suite of learning resources for 3-18 year-olds, we have made significant investment in promoting our Early Years Resource (‘Go Safe With Ziggy’).

We also promoted a variety of road safety issues, including ‘driving country roads’, ‘motorcycling’, ‘drink-driving’ and ‘in-car child safety’. A new strategy for young drivers – ‘Drive like Gran’s in the Car’, focused on speed, in-car distraction (“mobiles and mates”) and drug-driving. In addition, we worked with Police Scotland and major car rental companies in Scotland, to develop the ‘Drive on the Left’ campaign.



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Procurement, Asset and Contract Management

Procurement

The Scottish Government Procurement and Commercial Improvement Programme (PCIP) is designed to evaluate the performance of procurement activity within public sector organisations. In November 2019, we achieved an evaluation score of 92%, the highest score across all central government bodies who participated, thus providing assurance that our procurement activity is robust and compliant with European and Scottish procurement legislation.

Our project procurement strategies incorporate sustainable practices and facilitate the delivery of significant community benefits and opportunities for small medium enterprises, supported businesses and social enterprises. We also use collaborative frameworks to secure a range of benefits and savings, where feasible, and in 2019-20 we achieved savings in excess of £1 million by following these collaborative practices and working with supply chains to identify savings and incorporating contract clauses to deliver value for money for the public purse.

Ferry Services

The contract to provide ferry services to the Northern Isles has been awarded to Serco NorthLink Limited. The ferry services provide essential lifeline connections from the mainland to Orkney and Shetland. They support all aspects of island life, including the healthcare, fishing, aquaculture, tourism, agriculture, and oil and gas sectors, thereby ensuring the socio-economic sustainability of the islands.



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Who We Are and How We Operate

Developing our Corporate Processes, Skills and People

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 2019-20 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, including a new cloud-based audio and video conferencing solution – Vscene – which connects people who are using different devices and conferencing systems, both inside and outside of the Scottish Government.

These advancements are facilitating our drive to reduce non-essential travel and lower our own carbon footprint.

The increased use of technology was also at the forefront of our response to the COVID-19 pandemic, and significant work was undertaken to ensure all networks and systems were able to cope with increased usage in order to guarantee that staff remained connected whilst working from home.

We continue to raise awareness around mental health, and a significant number of our staff have now completed training as mental health first aiders, and we now have a team of 25 across the organisation. We have our own Mental Health Action Plan, which we monitor during the year and feed into wider Scottish Government programmes such as ‘Project You’, which encourages people to take steps to improve their wellbeing and resilience and make changes to lead healthier lives in the longer term. This area also increased in prominence with the onset of the pandemic, and we continue to ensure that staff welfare remains a priority.

We have 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.



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Our Social and Community Issues

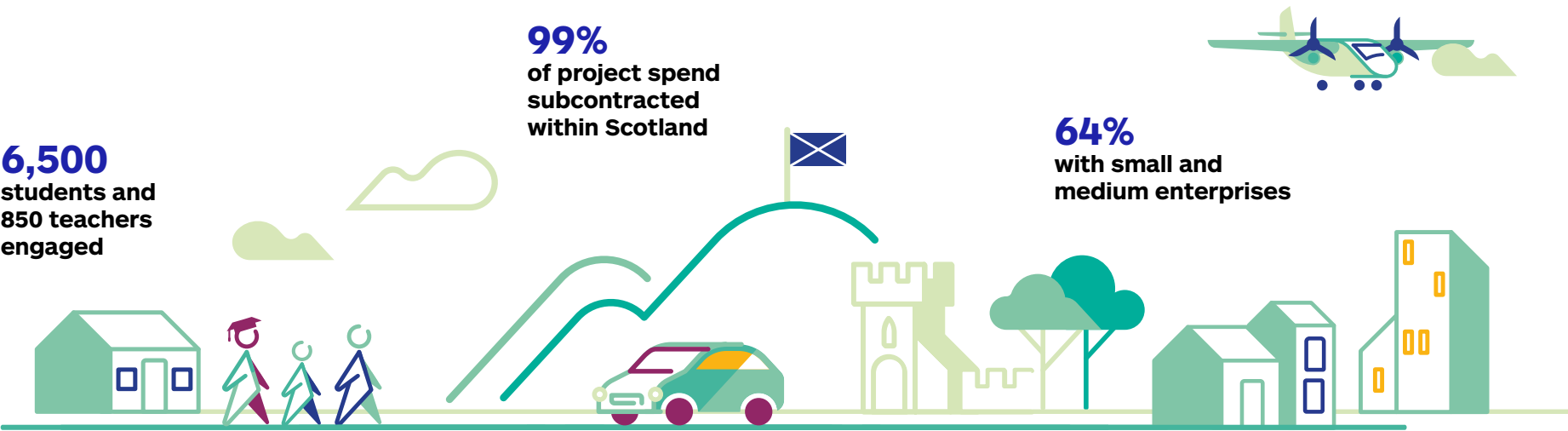
We aim to work in partnership with communities and to deliver social benefits across Scotland as a consequence of our work. We have been able to demonstrate this in a number of ways during 2019-20:

Supported Businesses

- We held 2 events in Glasgow - in June and October 2019 with a view to the promoting the use of Supported Businesses in our procurement activities. These events were attended by a range of organisations who provide goods and services to us.

- We have continued to work with partners to ensure the provision of a strong skills base for the maintenance and repair of electric vehicles.
- Our Academy9 programme seeks to prepare pupils for local jobs which the A9 Dualling programme will create. We have now engaged with over 6,500 students and over 850 teachers to raise awareness of civil engineering careers while promoting STEM subjects.

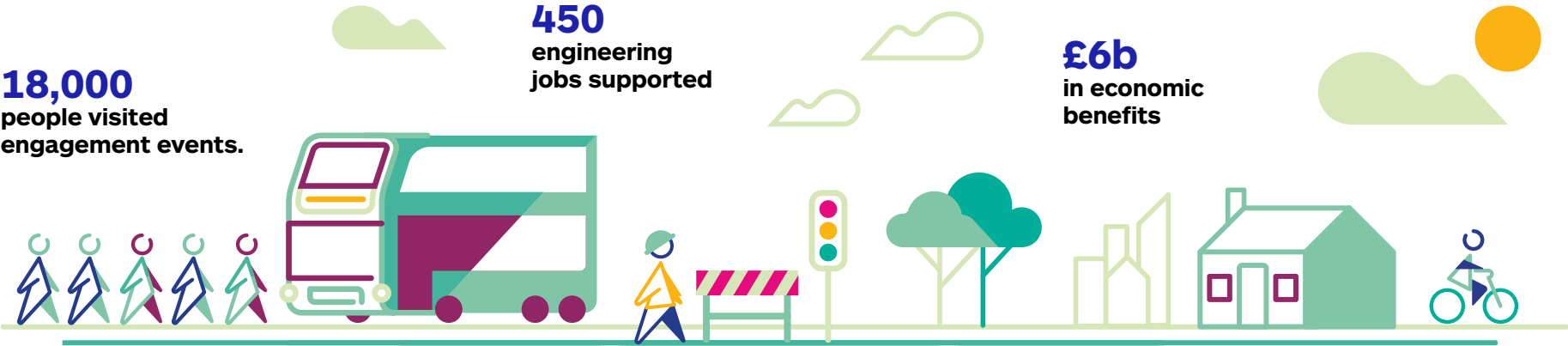
- Through our work on the A9 Dualling: Luncarty to Pass of Birnam project, we are well on the way to achieving our target of creating 30 new jobs over the anticipated two-year duration of the works, and we are working to ensure that the majority of the opportunities created by this project are filled by workers from the local area. To date, 99% of project spend has been on subcontracts within Scotland and 64% of this with Small and Medium Enterprises (SMEs).



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Our Social and Community Issues

- The A9 Dualling: Luncarty to Pass of Birnam project is being delivered with an unprecedented focus on community benefits and a commitment to bring meaningful and measurable change to the communities surrounding the project. These have included; 4,000 pupils and students engaged; 7 work placements for secondary school pupils; 2 foundation apprentices; 44 new jobs created and 4 jobs created through Surestart; 6 placements for rehabilitated offenders and in excess of £5,000 of monetary donations and over £4,000 of benefit-in-kind donations to local charities/groups.
- The design work on the A96 Dualling continues to support over 450 engineering related jobs in Scotland, including over 110 graduate and apprentice jobs. Nearly 18,000 people have visited engagement events.
<https://www.transport.gov.scot/media/9501/interim-stag-report.pdf>
- The A737 Dalry project awarded 32 of the 36 sub-contracts to SMEs and provided employment for 130 people at the peak of construction. It has supported the provision of at least 2 vocational and 2 professional, site-based training opportunities. The A737 saw 16 sub-contracts valued at £575,000, being awarded to SME's.
- 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.



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Forward Look

As a delivery agency of the Scottish Government we make a key contribution to its Programme for Government, which sets out the progressive actions which seek to make Scotland a good place to grow up, learn, work and live. The focus will be on supporting Scotland's journey to net zero emissions as part of the climate change emergency. Our actions will include continued investment in improved bus priority infrastructure to tackle the impacts of congestion on bus services and raise bus usage, and the reduction of emissions from Scotland's railways to zero by 2035 through the continued electrification of the network, the procurement of electric and dual fuel battery trains and exploration of the potential of hydrogen-powered trains in Scotland. We are also providing significant support for ultra-low emission vehicles (ULEVs) through our Low Carbon Transport Loan scheme, while expanding the scheme to include used electric vehicles.

Our new National Transport Strategy announces our ambitions for the future, linking with our work to develop our second Strategic Transport Projects Review (STPR2), and our Aviation Strategy, and Islands Connectivity Plan. Ministers have given commitment to improving connectivity between our cities through the dualling of the A9 and A96. 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.

Clearly the impact of COVID-19 has given us further challenges to deal with, in particular continuing to support the operation of public transport in a safe and sustainable way. We are also continuing to consider the extent to which infrastructure investment can help Scotland's economic recovery from this crisis and the work continues on the preparation of the Infrastructure Investment Plan and Capital Spending Review. Our long term aspirations remain the same as those set out in our National Transport Strategy.

Additional funding to support public transport remobilisation and increased service levels during 2020-21 is expected to fund additional costs of operating increased services and severely reduced farebox income due to reduced demand and capacity constraints. This is anticipated as additional Consequential Funding related to further funding provided to Whitehall departments for similar measures adopted in respect of devolved functions.



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Our Financials

The financial statements for the year ended 31 March 2020 have been prepared in accordance with the Accounts Direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000, and in accordance with The HM Treasury Financial Reporting Manual (FReM). The financial statements are consolidated within the Scottish Government Consolidated Resource Accounts.

The accountable officer authorised these financial statements for issue on 20 November 2020.

The Scottish Government Consolidated Resource Accounts are published at <https://www.gov.scot/policies/government-finance/financial-reports-and-accounts/#scottish-government-consolidated-accounts>

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 expenditure incurred.

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Our Financials

Public Private Partnerships (PPP)

We have five Public Private Partnerships (PPP) agreements: three 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.

The remaining two PPP agreements are in the form of Non-Profit Distributing (NPD) contracts for the M8/M73/M74 Motorway Improvements Project, with Scottish Roads Partnership (SRP) and with Aberdeen Roads Limited (ARL) for 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 rail franchises we are responsible for, agreeing the projected expenditure and securing the funding required to support this.

Network Rail outputs and associated funding for Control Period 6 from 1 April 2019 to 31 March 2024 was determined by the Office of Rail and Road (ORR). Transport Scotland manage 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 funding for these activities is payable directly to Network Rail by Transport Scotland under the terms of a Network Grant. The major projects specified by Scottish Ministers for Network Rail to undertake are determined by Transport Scotland. The funding for these activities is payable directly to Network Rail by Transport Scotland under the terms of an Enhancement Grant.



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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 2019-20. 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 2019-20. 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 2019-20 budget is to maximise investment by utilising all available forms of finance (whilst working within a 5% affordability envelope for revenue financed schemes) in light of significant capital constraints.

A total of £2,486 million of budget cover was allocated from the Scottish Government Departmental Expenditure Limit (DEL) budget (2018-19: £2,222 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.

The £127 million ODEL budget (2018-19: £154 million) funds expenditure in respect of PPP projects. This is scored against resource and includes payments for the AWPR/BT, M8/73/74, M77, M80 and M6 schemes. These form part of the overall budget of the Scottish Government.

| | Original Budget 2019-20 £000's | ABR Adjust £000's | SBR Adjust £000's | Revised Budget 2019-20 £000's | Outturn 2019-20 £000's | Variance £000's |
|---|-----------------------------------|----------------------|----------------------|----------------------------------|---------------------------|--------------------|
| Rail Services | 990,880 | - | (1,700) | 989,180 | 996,734 | (7,554) |
| Concessionary Travel | 272,860 | - | 7,630 | 280,490 | 275,689 | 4,801 |
| Motorways & Trunk Roads | 669,083 | 500 | 90 | 669,673 | 599,963 | 69,710 |
| Ferries | 233,138 | - | (1,500) | 231,638 | 245,074 | (13,436) |
| Air | 58,156 | - | 10,000 | 68,156 | 63,573 | 4,583 |
| Other Sustainable Transport | 183,950 | 12,636 | 8,150 | 204,736 | 198,799 | 5,937 |
| Local Authority Grants (RTP and Cycling) / Support for Active Travel / Inter Island Ferries | 42,500 | - | - | 42,500 | 42,138 | 362 |
| Total DEL | 2,450,567 | 13,136 | 22,670 | 2,486,373 | 2,421,970 | 64,403 |
| AME Resource | - | - | - | - | - | - |
| AME Capital | - | - | - | - | (20,799) | 20,799 |
| ODEL PFI Resource | 146,200 | - | (18,650) | 127,550 | 121,490 | 6,060 |
| ODEL PFI Capital | - | - | - | - | (2,977) | 2,977 |
| Total | 2,596,767 | 13,136 | 4,020 | 2,613,923 | 2,519,684 | 94,239 |

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Outturn Analysis

The DEL underspend of £64.4 million, comprises a cash underspend of £18.4 million and a non-cash underspend of £46 million. 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 Rail franchise, where additional revenue support of some £31 million was provided in response to COVID-19; Ferries, in relation to a vessel purchase (£37 million); compensation claims in relation to AWPR (£65 million) and increased payments to HIAL, to fund a budget shortfall in year (£4 million).

These pressures have been offset in year by lower expenditure on Major Projects Capital Land and Works (£58 million); Network Rail enhancement grant (£50 million); LEZs (£20 million); PPP ODEL classed as resource in the HM Treasury budget (£6 million); Ferries - Piers and Harbours (£4 million); Bus Services (£4 million); Clyde and Hebrides Ferry Services (£5 million); low carbon loans (£6 million); and other minor underspends (£2 million).

The underspend on 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 Tipperty (AWPR/B-T) Projects, coupled with changes in the forecast lifecycle maintenance on the M77, M80 and M6 projects.

| Transport Scotland 2019-20 | Budget £000's | Actual £000's | Variance £000's |
|----------------------------------|------------------|------------------|--------------------|
| Resource – Operating Costs | 812,833 | 839,935 | (27,102) |
| Resource – Investment | 1,213,438 | 1,220,085 | (6,647) |
| Resource Depreciation (non-cash) | 146,100 | 100,140 | 45,960 |
| Capital | 314,002 | 261,810 | 52,192 |
| Total DEL | 2,486,373 | 2,421,970 | 64,403 |
| AME Capital | 0 | (20,799) | 20,799 |
| PFI Resource (ODEL) | 127,550 | 121,490 | 6,060 |
| PFI Capital (ODEL) | 0 | (2,977) | 2,977 |
| Total | 2,613,923 | 2,519,684 | 94,239 |

| | £000's |
|--|------------------|
| Net Operating Costs per SoCNE | 2,281,650 |
| Add: Additions to Intangible Assets (note 7) | - |
| Add: Additions to PPE (note 6) | 165,820 |
| Add: Additions to Investments (note 9) | 83,124 |
| Less: Disposals of PPE (note 6) | (1,449) |
| Less: Repayments of Investments (note 9) | (9,384) |
| Less: Disposals on Assets held for Sale (note 8) | (77) |
| Outturn per Management Commentary | 2,519,684 |

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Outturn Analysis

The total underspend of £94 million (2018-19: £235.8 million) represents approximately 4% (2018-19: 9%) of the overall budget.

The Statement of Comprehensive Net Expenditure (SoCNE) on page 82 identifies net operating costs of £2,282 million. Capital expenditure is not accounted within the SoCNE, but the following table provides a reconciliation of overall outturn to SoCNE.

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

The total asset base is £21.8 billion, the majority of which relates to the trunk road network. Additions to the value of the asset include historic revaluations of Aberdeen Western Peripheral Route, M8, Dalry Bypass and A9 dualling from KinCraig to Dalraddy.



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Outturn Analysis

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 95% of invoices within this timescale (2018-19: 96%). The amount owed to trade creditors at the year-end as a proportion of the aggregate amount invoiced during the year, represented 10.1 days in proportion to the total number of days in 2019-20 (2018-19: 18.2 days).

Fraud Detection and Prevention

Transport Scotland has a dedicated Fraud Prevention Officer who is responsible for reporting prevention and detection of fraud, engaging with the Scottish Government Fraud Prevention Team. Our fraud prevention plan is updated with relevant legislative changes as they occur, and provides clear guidance on our approach to, and methodology for, anti-corruption, bribery, whistle blowing and cyber-crime. Additional information can be found at <https://www.gov.scot/publications/scottish-public-finance-manual>

Future Spending Plans

The Scottish Draft Budget 2020-21, 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.

| | 2020-21* £000's |
|----------------------------|--------------------|
| Resource – Operating Costs | 1,173,150 |
| Resource – Investment | 1,518,968 |
| Non-Cash | 100,900 |
| Capital | 287,244 |
| Total | 3,080,262 |
| ODEL | 131,026 |
| Total | 3,211,288 |

*Source – Scottish Draft Budget 2019-20

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Sustainability

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

The financial year 2019/20 was the final year of our current Carbon Management Plan - 3rd Edition (CMP). This section of the report focuses on our carbon reduction performance against the baseline set in the CMP (2015/16).

The CMP set two targets to reduce our operational emissions by 20% on a baseline of 2015/16 and reduce our Network Energy emissions by 25% on a baseline of 2015/16. Annual progress towards these targets have been reported via the mandatory Public Bodies Climate Change Duties Reporting.

During the course of the financial year 2019/20 our combined emission have decreased by 23% when compared to the previous year.

When compared to the baseline year, Network Energy emissions have been reduced by 70%, surpassing the target by 45%. Operational Emissions reduced by 29%, surpassing the target by 9%.

This equates to an overall combined emissions reduction of 67% compared to the baseline.



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Sustainability

| Corporate Carbon Emissions (2019/20) | | | | | | |
|--------------------------------------|-----------------|--------|----------------------------------|--------------------------------|--------------------------------|------------------------------------|
| Element | | Metric | Baseline in 2015/16 ¹ | Actual in 2018/19 ¹ | Actual in 2019/20 ¹ | % change compared to previous year |
| Total Emissions | - | tCO2e | 22,222 | 9,389.9 | 7,222.8 | -23% |
| Network Energy | Electricity | tCO2e | 20,847 | 8,319 | 6,247 | -24% |
| Energy (Scope 1&2 GHG emissions) | Electricity | tCO2e | 764.98 | 481.7 | 447 | -7% |
| | Gas | tCO2e | 265.26 | 256.9 | 250 | -2.6% |
| Travel (Scope 3 GHG emissions) | Business Travel | tCO2e | 187.72 | 249.2 | 169.952 | -31% |
| Travel (Scope 3 GHG emissions) | Commute Travel | tCO2e | 154.5 | 74 | 101 | 36% |
| Water | Water | tCO2e | 3.13 | 3.1 | 2.6 | -16% |
| Waste | Waste (BH) | tCO2e | 2.02 | 5.6 | 5.3 | -5% |

¹: tCO2e figures are based on the UK Department for Business and Industrial Strategy GHG conversion factors, figures from 2019/20 have been calculated using the 2019 GHG conversion factors, 2018/19 use the 2018 factor and the CMP 3rd Edition (2016) used the 2015 GHG conversion factors.

Energy: In the last financial year emissions associated with electricity at our offices have decreased by 7%. Gas consumption emissions have decreased by 2.6%.

Water: Consumption emissions have decreased by 16%.

Waste: Emissions from waste disposal have decreased by 45%.

Commute Travel: Emissions associated with commute travel have increased by 36%.

Business Travel: Emissions attributed to business travel have decreased by 31% when compared to the previous year.



Roy Brannen
Chief Executive
20 November 2020

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Accountability Report

This demonstrates how we meet accountability requirements to Parliament. Our auditors have reviewed it for consistency with the information contained in the financial statements for 2019-20 and their opinion, provided on pages 76-80 covers these disclosures.

Corporate Governance Report

This explains our composition and governance structure and how that supports the achievement of our objectives.



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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 continued to review our governance structure to ensure it 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.

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 2019-20.

Current Directors

- Roy Brannen; Chief Executive
- Michael Baxter; Finance and Corporate Services (left 3 January 2020)
- Lee Shedden; Temporary Appointment – Finance (from 5 January 2020)
- Donald Carmichael; Low Carbon Economy (left 6 January 2020)
- Stuart Greig; Low Carbon Economy (from 17 February 2020)
- Hugh Gillies; Roads
- Alison Irvine; Transport Strategy and Analysis
- Laura Murdoch; Bus, Accessibility and Active Travel
- Frances Pacitti; Aviation, Maritime, Freight and Canals
- Chris Wilcock; Aviation, Maritime, Freight and Canals (from 21 January 2019 until 31 December 2019)
- Bill Reeve; Rail
- Michelle Rennie; Major Projects (seconded to COP26 from 31 January 2020)
- Alasdair Graham; Temporary Appointment – Major Projects (from 3 February 2020)

Directors and Non-Executive Members Interests

Directors' and Audit & Risk Committee Non Executive Members' interests are recorded on the electronic HR system. The 2019-20 statements of assurance completed by Directors in post as at 31 March 2020 also confirmed that no conflict of interest arose in the exercise of their duties. Details of Directors interests are published on our website together with disclosures required under the Public Sector Reform Act.

Appointed Auditors

The financial statements for 2019-20 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 £181,630, which related solely to the provision of the statutory audit service. There were no payments made for non-audit work in the year.

Personal Data Related Incidents

There were no personal data related incidents in the 2019-20 (2018-19: none).

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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 to these financial statements.

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

In preparing the accounts, the Agency is required to:

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

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

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

The annual report and accounts as a whole are fair, balanced and understandable, 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.

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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.

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Governance Statement

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; and
- its view of its own effectiveness.

Principles of Corporate Governance in Transport Scotland

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

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

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

Performance Review

All members of the Senior Management Team are subject to annual objectives and year end performance appraisals, which are both formally recorded. These are focussed on Transport Scotland’s delivery priorities, which are closely linked to the Government’s 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 achievement of forecast outturn where those are required to support the overall SG financial position.

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

Delegated Authority

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

Sponsored Bodies

Our sponsored bodies each have their own governance arrangements, management boards, auditors and Audit and Risk Committees. Sponsor team officials attend board meetings to retain an awareness of governance issues and report annually to me on the sponsorship position of these bodies and highlight any issues. I report this annually to our own Audit and Risk Committee to inform of any audit issues in sponsored bodies and advise on how they are managing risks.

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, including monthly reports to DG Economy.

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.

Directors within Transport Scotland 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.

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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 2020 and up to the date of approval of the Annual Report and Accounts. It is in accordance with the guidance from Scottish Ministers.

Review of Effectiveness

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

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

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Internal Audit Reports 2019-20

| Audit Area & Scope | Outcome |
|---|--|
| 1. Grant Funding Arrangements | Assurance Provided: Reasonable |
| 2. Team Scotland Governance Arrangements | Assurance Provided: Substantial |
| 3. Contract Monitoring for Scottish Trunk Road Network Management Contracts | Assurance Provided: Substantial |
| 4. Response to Climate Change Emergency Declaration | Assurance Provided: Reasonable |

The overall work undertaken in 2019-20 and the 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 TS management approach and engagement, has resulted in Internal Audit providing **‘Substantial’ Assurance** in respect of Transport Scotland’s risk management, control and governance arrangements.

Best Value

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

A Best Value review on Performance Management was undertaken in 2019-20, which demonstrated a robust and forward looking approach to the area and made a number of key recommendations for further improvement. These related to the continuous review and improvement of performance reporting tools, the development of key performance indicators and the continued enhancement of colleagues Learning and Development plans. All of this will be progressed further in 2020-21.

Follow up reviews were also conducted on Challenge and Improvement and Risk Management. Significant progress continues to be made in these areas and all actions from previous reviews have been taken forward. We continue to demonstrate Best Value in these areas.

In 2020-21, it is the intention to conduct a further Best Value review, utilising the toolkit on Vision and Strategic Direction.

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 TS 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.

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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 provides oversight of the Agency’s risk management processes and strategy and Corporate Risk Register throughout the year;
- managers identify and evaluate risks to successfully deliver the Agency’s objectives when they prepare and monitor directorate and business management plans; and
- I, as Chief Executive, hold regular meetings with Ministers where both strategic and operational risks are discussed.

Our overall Risk Strategy sets out a consistent approach to the implementation of risk management at strategic, programme and project levels. The Risk Management Framework continues to be reviewed and enhanced (in line with 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 systematic approach is in place to help colleagues identify risks and to link them to Corporate Planning and Objectives. The Risk Framework provides additional guidance on assessing risks and their impact, with a scoring system weighted towards impact. Colleagues are also provided with advice on how to assess risk appetite and review mitigating actions. Awareness sessions continue to be held for both management and staff and all Risk Registers continue to be reviewed and revised to ensure they consistently comply with guidance.

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 risks currently identified by the Agency include the impact of COVID-19 on Transport Provision, including the ability to meet obligations within budget and achieve investment in economic recovery, the preparation for EU exit, the 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. These are also highlighted in Figure 1 on pages 11-14.

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.

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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.

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 includes guidance on Cyber Resilience, which reflects its increasing importance. The Cyber Resilience Team review and develop best practice, improve staff awareness and monitor our information systems. The Cyber Steering Group oversees the Cyber Resilience Plan. We achieved Cyber Essentials accreditation once again in February 2020, followed by Cyber Essentials Plus accreditation in May 2020.

We continued to increase the level and profile of training on Fraud identification and prevention, and encourage 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 (one in 2019-20 (2018-19: nil)) are reported within the Fraud Log and reported to the Audit and Risk Committee, together with the response and any further mitigation.

There are no specific outstanding concerns to highlight. 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.

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Business Continuity

Our Business Continuity Plan has been reviewed during 2019-20. The objectives of the plan are:

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

Transport Scotland's Resilience Team continue to work on preparation for the impact of EU withdrawal, with the focus 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.

Towards the end of 2019-20, the focus of resilience efforts became the response to the Coronavirus pandemic. A framework of resilience and business continuity responsibility was implemented, with individual Directorates forming support cells to take forward emergency planning measures, to support the continued provision of transport services across Scotland and to deal with the impact of the pandemic on these services, but also to support staff through the crisis. These cells report to the Transport Hub that provides information to the Economy Hub as part of the SG framework of reporting within the Scottish Government Resilience Response arrangements. Our Business Continuity Corporate Plan and Directorate Plans were successfully deployed and demonstrated to operate effectively, with lessons learned reflected in updated plans.

Most staff have been working at home since March 2020. To ensure good financial and governance arrangements were maintained during this period, we reviewed our control processes to ensure they were operating well on a remote basis. We also followed specific processes for Accountable Officers to obtain Scottish Government approval and funding for additional measures proposed to respond to the impact of COVID-19. Our Senior Management Team also met virtually on a daily basis to review the latest position and agree the development of our response. The Audit and Risk Committee also met virtually in Spring and maintained regular contact by correspondence on the emerging position and completion of Internal Audit reports. Our Internal Auditors will provide advice on our resilience arrangements and recommendations for management and the Audit and Risk Committee members to consider. These arrangements have allowed us to respond to the initial and transition phases and agree measures required to ensure sufficient public transport services and infrastructure were provided throughout.

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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 structures, staff composition and policies and details on staff numbers and staff related expenditure.



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Equal opportunities and diversity

Our equal opportunities and diversity policy aims 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.

The table below identifies the gender split within Transport Scotland for the year 2019-20.

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 opportunities are all regularly reviewed, content checked and updated to reflect valued staff feedback.

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 2019-20 an average of 9.0 working days (2018-19: 7.9) were lost due to sickness absence per staff year for Transport Scotland.

| Gender | 2019-20 | | | 2018-19 | | |
|--------|-------------------------------|-----------|-------|-------------------------------|-----------|-------|
| | Chief Executive and Directors | Employees | Total | Chief Executive and Directors | Employees | Total |
| Female | 3 | 244 | 247 | 4 | 214 | 218 |
| Male | 6 | 345 | 351 | 6 | 346 | 352 |

Figures based on Agency numbers at the end of March 2020.

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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 positive health and safety climates and culture, seeking continuous improvement through relevant and compulsory training and e-learning, with the support of the Health & Safety Adviser and Health & Safety Liaison Officers. Our health and safety management system and health and safety policy manual are in alignment with Scottish Government Occupational Health & Safety strategies.

Staff Side Partnership Working

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.

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 2020 who had declared a disability employed by Transport Scotland was 51 (2018-19: 46).

Staff Costs

Details of Agency staff numbers and costs for the year are contained within Note 2 to the Accounts. We incurred £23.7 million in staff costs (2018-19: £21.3 million). Of this, £22.4 million was in relation to permanent staff, who are civil servants with an employment contract with Transport Scotland (2018-19: £20.3 million). The balance of £1.3 million related to agency staff (2018-19: £1.0 million).

In addition we incurred £8.7 million in professional consultancy costs in 2019-20 (2018-19: £7.1 million) in relation to specialist services required in the procurement of key projects and the delivery of specific objectives.

At the end of financial year 2019-20 our headcount totalled 598, analysed in the following table. The full time equivalent (FTE) figure of Permanent staff was 462.2.

| Staff Category | Headcount at 31 March 2020 | Headcount at 31 March 2019 |
|----------------------|----------------------------|----------------------------|
| Permanent Staff | 479 | 459 |
| Agency Staff | 33 | 29 |
| Consultants employed | 86 | 82 |
| Total | 598 | 570 |

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.

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Remuneration Policy

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

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

Performance based pay awards are based on an assessment of performance against objectives agreed between the individual and line manager at the start of the reporting year. Performance will also have an effect on any bonus element awarded. 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: <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

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.co.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).

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Remuneration Group

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

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

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

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

Directors Remuneration (Salary, benefits in kind and pensions)

The single total figure of remuneration, comprising the salary, the value of any bonuses or taxable benefits in kind and the pension benefits of the directors for the year 2019-20, along with comparative figures are shown in the table overleaf.

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Single total figure of remuneration

| Directors | Salary | | Bonus Payments | | Benefits In Kind (To Nearest £100) | | Pension Benefits (To Nearest £1,000) | | Total | |
|--------------------------------|---------|---------|----------------|---------|---------------------------------------|---------|---|---------|---------|---------|
| | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 |
| Mike Baxter ¹ | 55-60 | 75-80 | - | - | - | - | 31,000 | 27,000 | 85-90 | 105-110 |
| Roy Brannen | 95-100 | 95-100 | - | - | - | - | 54,000 | 28,000 | 150-155 | 120-125 |
| Donald Carmichael ² | 55-60 | 75-80 | - | - | - | - | 27,000 | 17,000 | 80-85 | 90-95 |
| Hugh Gilles | 75-80 | 75-80 | - | - | - | - | 42,000 | 29,000 | 115-120 | 100-105 |
| Alasdair Graham ³ | 10-15 | - | - | - | - | - | 8,000 | - | 20-25 | - |
| Stuart Greig ⁴ | 5-10 | - | - | - | - | - | 4,000 | - | 10-15 | - |
| Alison Irvine | 75-80 | 50-55 | - | - | - | - | 30,000 | 20,000 | 105-110 | 70-75 |
| Laura Murdoch | 75-80 | 40-45 | - | - | - | - | 46,000 | 19,000 | 120-125 | 60-65 |
| John Nicholls ⁵ | - | 30-35 | - | - | - | - | - | 0 | - | 30-35 |
| Frances Pacitti | 70-75 | 45-50 | - | - | - | - | 30,000 | 20,000 | 100-105 | 65-70 |
| Bill Reeve | 105-110 | 110-115 | - | - | - | - | 47,000 | 51,000 | 155-160 | 160-165 |
| Michelle Rennie ⁶ | 60-65 | 75-80 | - | - | - | - | 28,000 | 31,000 | 85-90 | 105-110 |
| Lee Shedden ⁷ | 15-20 | - | - | - | - | - | 7,000 | - | 25-30 | - |
| Chris Wilcock ⁸ | 55-60 | 10-15 | - | - | - | - | 52,000 | 11,000 | 105-110 | 20-25 |

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 Mike Baxter left post as Director of Financial and Corporate Services on 3 January 2020. The £55k-£60k represents salary to this date. Full year equivalent banding £75k - £80k.
2 Donald Carmichael left post as Director of Low Carbon Economy on 5 January 2020. The £55k-£60k represents salary to this date. Full year equivalent banding £75k - £80k.
3 Alasdair Graham took up post as Acting Director of Major Projects on 3 February 2020. The £10k-£15k represents salary from this date. Full year equivalent banding £75k - £80k.
4 Stuart Greig took up post as Director of Low Carbon Economy on 17 February 2020. The £5k-£10k represents salary from this date. Full year equivalent banding £75k- £80k.
5 John Nicholls left post as Director of Aviation, Maritime, Freight and Canals on 31 July 2018. The £30k-£35k represents 2018-2019 salary to this date. Full year equivalent banding £70k- £75k.
6 Michelle Rennie temporarily left post as Director of Major Projects on 31 January 2020. The £60k-£65k represents salary to this date. Full year equivalent banding £70k- £75k.
7 Lee Shedden took up post as Acting Director of Finance on 6 January 2020. The £15k-£20k represents salary from this date. Full year equivalent banding £75k- £80k.
8 Chris Wilcock took up post on Temporary Promoted appointment to Director of Aviation, Maritime, Freight and Canals on 21 January 2019 and left the post on 31 December 2019, covering for Frances Pacitti who was on maternity leave at the time. Frances Pacitti returned from maternity leave in September 2019, however Chris retained Temporary SCS status until December 2019, as he still held SCS duties until this time. The £10k-£15k for year 2018-2019 represents salary from date of appointment to 31 March 2019. 2018-2019 full year equivalent banding £65k-£70k. The £55k-£60k for year 2019-2020 represents salary from 01 April 2019 to 31 December 2019. 2019-2020 full year equivalent banding £75k- £80k.

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Remuneration Report

Salary

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

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

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

Fees

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

The fees which the external members of the Audit and Risk Committee were entitled to for 2019-20 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.

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 £105k - £110k (2018-19: £110k - £115k). This was 2.8 times (2018-19: 2.8 times) the median remuneration of the workforce, which was £38,507 (2018-19: £40,305).

In 2019-20, one (18-19: nil) employee received remuneration in excess of the highest paid director. Remuneration across Transport Scotland ranged from £19k - £110k (2018-19: £18k - £111k).

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 2019-20. 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 2019-20.

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| 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 2020. 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. | <p>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.</p> <p>The real increase in CETV quoted in the table below represents the increase that is funded by the employer. It does not include the increase in accrued pension due to inflation, or contributions paid by employees (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.</p> | <p>Transport Scotland's contributions to the scheme in respect of the Senior Management Team amounted to £230,392 for the year to 31 March 2020. The external members of the Audit and Risk Committee do not participate in the Civil Service pension scheme.</p> <p>Further details on the different schemes available to employees can be found in Note 2 to the accounts.</p> |
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The pension entitlements of the Executive Directors of Transport Scotland are shown in the following table:

| | Lump Sum at NRA as at 31 March 2020 | Real Increase in Lump Sum at age NRA | Accrued Pension at age NRA as at 31 March 2020 | Real Increase in Pension at age NRA | CETV as at 31 March 2020 | CETV as at 31 March 2019 | Real Increase in CETV in 2019-20 |
|-------------------|-------------------------------------|--------------------------------------|--|-------------------------------------|--------------------------|--------------------------|----------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Mike Baxter | 5-10 | 0-2.5 | 35-40 | 0-2.5 | 657 | 610 | 20 |
| Roy Brannen | 90-95 | 0-2.5 | 40-45 | 2.5-5.0 | 799 | 725 | 37 |
| Donald Carmichael | 100-105 | 2.5-5.0 | 35-40 | 0-2.5 | 845 | 820 | 28 |
| Hugh Gillies | 0 | 0 | 25-30 | 0-2.5 | 452 | 401 | 28 |
| Alison Irvine | 0 | 0 | 10-15 | 0-2.5 | 165 | 137 | 16 |
| Laura Murdoch | 0 | 0 | 20-25 | 2.5-5.0 | 274 | 236 | 22 |
| Bill Reeve | 65-70 | 2.5-5.0 | 50-55 | 0-2.5 | 1426 | 1296 | 88 |
| Michelle Rennie | 0 | 0 | 15-20 | 0-2.5 | 258 | 229 | 15 |
| Frances Pacitti | 0 | 0 | 5-10 | 0-2.5 | 76 | 58 | 10 |
| Alasdair Graham | 0 | 0 | 20-25 | 0-2.5 | 275 | 269 | 5 |
| Stuart Grieg | 0 | 0 | 10-15 | 0-2.5 | 160 | 158 | 2 |
| Lee Shedden | 0 | 0 | 15-20 | 0-2.5 | 225 | 219 | 4 |
| Chris Wilcock | 0 | 0 | 20-25 | 2.5-5.0 | 311 | 268 | 29 |

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.

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, refer to both schemes for affected Directors – Mike Baxter, Roy Brannen and Hugh Gillies.

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

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Parliamentary Accountability Report

The report summarises our key Parliamentary Accountabilities, 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 (b) to the Annual Accounts.

Losses and Special Payments

A full and final commercial settlement of £65 million was paid to Aberdeen Roads Limited (ARL) in connection with the construction phase of the AWPR project. This is identified within Note 23 of the Financial Statements. The settlement was reached on a commercial basis and without any admission of liability by any party. The details of the settlement agreement are commercially sensitive and confidential.

Gifts

There were none.

Scottish Parliament Committee Appearances

Details of appearances before Scottish Parliament committees by Transport Scotland officials for the year were as follows.

Rural Economy and Connectivity Committee

- 15 May 2019 – Transport update
- 11 September 2019 – Transport update
- 01 October 2020 **[officials only]** – pre-budget scrutiny on roads maintenance
- 8 January 2020 **[officials only]** – Queensferry crossing public transport strategy
- 19 February 2020 – Queensferry Crossing Safety and Budget Scrutiny
- 4 March 2020 **[officials only]** – Construction and procurement of ferry vessels in Scotland
- 18 March 2020 – SSI and COVID-19 work
- 13 May 2020 – Response to COVID-19
- 26 August 2020 – Construction and procurement of ferry vessels in Scotland
- 02 September 2020 – Transport update

Public Petitions Committee

- 05 March 2020 – PE1540 on a Permanent Solution for the A83



Roy Brannen
Chief Executive

20 November 2020

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Independent Auditor’s Report

Independent Auditor’s report to Transport Scotland, the Auditor General for Scotland and the Scottish Parliament.

Report on the audit of the financial statements

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 2020 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 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

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 Transport Scotland’s affairs as at 31 March 2020 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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.

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Report on the audit of the financial statements

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 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 four years. I am independent of Transport Scotland 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 Transport Scotland. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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
- Transport Scotland 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 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.

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Report on the audit of the financial statements

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 www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor’s report.

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.

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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.

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.

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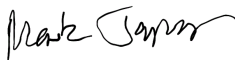
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Use of my report

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
4th Floor
102 West Port
Edinburgh
EH3 9DN

20 November 2020

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Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

| | Note | £000's Staff Costs | £000's Other Costs | £000's Income | 2019-20 £000's Total | 2018-19 £000's Total |
|---|------|-----------------------|-----------------------|------------------|----------------------------|----------------------------|
| Administration costs | | | | | | |
| Staff costs | 2 | 12,082 | | | 12,082 | 10,580 |
| Other administration costs | 3 | | 5,526 | | 5,526 | 5,676 |
| Total administration costs | | | | | 17,608 | 16,256 |
| Programme costs | | | | | | |
| Staff costs | 2 | 11,633 | | | 11,633 | 10,758 |
| Other programme costs | 4 | | 2,261,634 | | 2,261,634 | 1,944,861 |
| Income | 5 | | | (9,224) | (9,224) | (8,733) |
| Total programme costs | | | | | 2,264,043 | 1,946,886 |
| Total | | 23,715 | 2,267,160 | (9,224) | 2,281,651 | 1,963,142 |
| Net operating costs for the year ended 31 March 2020 | | | | | 2,281,651 | 1,963,142 |

Other Comprehensive Net Expenditure

| | Note | 2019-20 £000's | 2018-19 £000's |
|---|------|-------------------|-------------------|
| Items that will not be reclassified to net operating costs: | | | |
| Net (gain) / loss on: | | | |
| - revaluation of property, plant and equipment | 6 | (78,888) | (645,409) |
| - revaluation of intangibles | | 0 | 0 |
| | | (78,888) | (645,409) |
| 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 2020 | | 2,202,763 | 1,317,733 |

All income and expenditure is derived from continuing activities.

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Statement of Financial Position as at 31 March 2020

| | Note | £000's | 31 March 2020 £000's | £000's | 31 March 2019 £000's |
|--|------|------------|----------------------------|------------|----------------------------|
| Non-current assets | | | | | |
| Property, plant & equipment | 6 | 21,333,172 | | 21,349,672 | |
| Intangible assets | 7 | 6 | | 32 | |
| Financial assets | 9 | 327,411 | | 260,060 | |
| Other receivables | 10 | 52,552 | | 57,365 | |
| Total non-current assets | | | 21,713,141 | | 21,667,130 |
| Current assets | | | | | |
| Assets held for sale | 8 | 0 | | 0 | |
| Financial assets | 9 | 10,341 | | 8,257 | |
| Trade and other receivables | 10 | 51,810 | | 39,694 | |
| Cash & cash equivalents | | 0 | | 0 | |
| Total current assets | | | 62,151 | | 47,952 |
| Total assets | | | 21,775,292 | | 21,715,082 |
| Current liabilities | | | | | |
| Trade and other payables | 11 | (230,319) | | (224,696) | |
| Provisions | 12 | (26,792) | | (45,360) | |
| Total current liabilities | | | (257,111) | | (270,056) |
| Total assets less current liabilities | | | 21,518,181 | | 21,445,025 |

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Statement of Financial Position as at 31 March 2020 cont'd...


Roy Brannen
Chief Executive
20 November 2020
The notes on pages 89-131
form part of these accounts.

| | Note | £000's | 31 March 2020 £000's | £000's | 31 March 2019 £000's |
|--|-------|-------------|----------------------------|-------------|----------------------------|
| Non-current liabilities | | | | | |
| Other payables and financial liabilities | 11 | (1,147,985) | | (1,201,539) | |
| Provisions | 12 | (19,631) | | (23,647) | |
| Total non-current liabilities | | | (1,167,616) | | (1,225,186) |
| Assets less liabilities | | | 20,350,565 | | 20,219,839 |
| Taxpayers' equity | | | | | |
| General fund | SoCTE | | 12,111,517 | | 12,001,716 |
| Revaluation reserve | SoCTE | | 8,239,048 | | 8,218,123 |
| Total taxpayers' equity | | | 20,350,565 | | 20,219,839 |

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Cash Flow Statement for the year ended 31 March 2020

| | Note | 2019-20 £000's | 2018-19 £000's |
|--|-------|--------------------|--------------------|
| (A) Cash flows from operating activities | | | |
| Net operating cost | SoCNE | (2,281,651) | (1,963,142) |
| Adjustments for non-cash transactions | 3/4 | 100,322 | 88,974 |
| Decrease / (increase) in trade and other receivables | 13 | (7,303) | (26,682) |
| Adjustment for the revaluation element of assets held for sale | 8 | 2 | 0 |
| Increase / (decrease) in trade and other payables | 13 | 11,631 | (25,113) |
| Increase / (decrease) in provisions | 13 | (22,585) | (8,600) |
| Adjustment for interest element of PFI contracts | 4 | 65,816 | 60,977 |
| Net cash outflow from operating activities | | (2,133,769) | (1,873,586) |
| (B) Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 6 | (165,820) | (180,209) |
| Disposal of property, plant and equipment | 6 | 1,318 | 128 |
| Increase / (decrease) in capital accruals | 13 | (10,584) | 54,530 |
| Voted loans and Other Funds | 9 | (69,435) | (3,248) |
| Net cash outflow from investing activities | | (244,520) | (128,799) |

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Cash Flow Statement for the year ended 31 March 2020 cont'd...

| | Note | 2019-20 £000's | 2018-19 £000's |
|---|-------|-------------------|-------------------|
| (C) Cash flows from financing activities | | | |
| Funding from the Scottish Government | SoCTE | 2,549,721 | 2,142,276 |
| Inter Entity transfers | SoCTE | (56,637) | (57,093) |
| Capital element of payments - finance leases and On Balance Sheet PFI contracts | 13 | (48,978) | (21,821) |
| Interest element of PFI contracts | 4 | (65,816) | (60,977) |
| Net Financing | | 2,378,290 | 2,002,385 |
| 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 |

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Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

| | Note | General Fund £000's | Revaluation Reserve £000's | Total Reserves £000's |
|---|-------|------------------------|-------------------------------|--------------------------|
| Balance at 31 March 2018 | | 11,329,833 | 7,881,705 | 19,211,538 |
| 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 |

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Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

cont'd...

| | Note | General Fund £000's | Revaluation Reserve £000's | Total Reserves £000's |
|---|-------|------------------------|-------------------------------|--------------------------|
| Changes in taxpayers' equity for 2019-20 | | | | |
| Net gain / (loss) on revaluation of property, plant and equipment | 6 | 0 | 78,888 | 78,888 |
| Non-current assets adjustments | | | (165) | (165) |
| Roads trunkings / de-trunkings | 6 | (235,254) | 0 | (235,254) |
| Roads historic value adjustment | 6 | 75,493 | 0 | 75,493 |
| Transfers to Scottish Government | 6 | 0 | 0 | 0 |
| Realised element of the revaluation reserve | | 57,947 | (57,798) | 149 |
| Inter Entity transfers | | (56,637) | 0 | (56,637) |
| Non-cash charges - auditors remuneration | 3 | 182 | 0 | 182 |
| Net operating costs for the year | SoCNE | (2,281,651) | 0 | (2,281,651) |
| Total recognised income and expense for 2019-20 | | (2,439,920) | 20,925 | (2,418,995) |
| Funding from Scottish Government | | 2,549,721 | 0 | 2,549,721 |
| Balance at 31 March 2020 | | 12,111,517 | 8,239,048 | 20,350,565 |

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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 was 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. Amendments to IFRS 9 during 2019, effective from 1 January 2020, referred to specific prepayment features, which allowed more assets to be measured at amortised cost than previously, in particular some prepayable financial assets. This amendment has been evaluated and 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 2021-22. 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 significant.
- Amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’. The amendments clarify the meaning of materiality and the definition of users of financial information. This has been reviewed and will have minimal impact for Transport Scotland.
 - Other Standards issued, not yet effective, include IFRS17 (effective for accounting periods after 1 January 2021). This is currently being reviewed and the impact considered, although it is anticipated that it will have minimal relevance to Transport Scotland.

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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.

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.

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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, now merged with the Department of Energy and Climate Change to form the Department for Business, Energy and Industrial Strategy (BEIS). |
| Communications | Traffic Scotland provide new gross and calculated depreciated values each year. |
| 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.

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1.5 Depreciation
Infrastructure assets - the road network

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

Table with 2 columns: Asset Type, Life in years. Rows include 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:

Table with 2 columns: Asset Type, Life in years. Rows include 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. 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 we aim to hold them to collect the cash flows and where the cash flows are solely payments of principal and interest on the outstanding principal.

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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.

1.9 Investment in Equities

Investments in entities that are not classified to central government are financial instruments within the scope of IFRS 9. 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. 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 our 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 are valued 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.

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 five such arrangements, three PFI schemes and two Non Profit Distributing (NPD) schemes (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.

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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 2021-22, 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 are 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 and 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 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 programme has been reviewed in year, together with the re-structure of Transport Scotland Directorates. This has resulted in a reallocation 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.

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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 outstanding claims under the Concessionary Travel Scheme and for the valuation of assets and liabilities under Private Finance arrangements. These are detailed in the section on Significant Accounting Policies contained within the Performance Report.

There is a possibility that the valuation of land, including the element that forms part of the trunk road valuation, may have varied as a result of the impact of COVID-19 but it is not possible to apply any estimates to that, as it is likely to vary in relation to the location of the land.

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2. Staff Numbers and Costs

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 overleaf 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 on the right, include the costs in year and also continuing payments in relation to previous years packages.

Staff costs comprise

| | 2019-20 Permanently Employed Staff £000's | Others £000's | Total £000's | 2018-19 Permanently Employed Staff £000's | Others £000's | Total £000's |
|--|---|------------------|-----------------|---|------------------|-----------------|
| Administration: | | | | | | |
| Wages and salaries costs | 8,486 | 556 | 9,042 | 7,649 | 579 | 8,228 |
| Social security costs | 860 | 0 | 860 | 786 | 0 | 786 |
| Other pension costs | 2,154 | 0 | 2,154 | 1,525 | 0 | 1,525 |
| Early retirement costs | 26 | 0 | 26 | 41 | 0 | 41 |
| | 11,526 | 556 | 12,082 | 10,001 | 579 | 10,580 |
| Programme: | | | | | | |
| Wages and salaries costs | 7,888 | 720 | 8,608 | 7,788 | 441 | 8,229 |
| Social security costs | 893 | 0 | 893 | 886 | 0 | 886 |
| Other pension costs | 2,132 | 0 | 2,132 | 1,643 | 0 | 1,643 |
| | 10,913 | 720 | 11,633 | 10,317 | 441 | 10,758 |
| Total staff costs to be charged to Comprehensive Net Expenditure | 22,439 | 1,276 | 23,715 | 20,318 | 1,020 | 21,338 |

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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...

| | 2019-20 Permanently Employed Staff £000's | Others £000's | Total £000's | 2018-19 Permanently Employed Staff £000's | Others £000's | Total £000's |
|--|---|------------------|-----------------|---|------------------|-----------------|
| Capitalised Programme: | | | | | | |
| Wages and salaries costs | 2,971 | 59 | 3,030 | 2,557 | 34 | 2,591 |
| Social security costs | 261 | 0 | 261 | 262 | 0 | 262 |
| Other pension costs | 658 | 0 | 658 | 515 | 0 | 515 |
| | 3,890 | 59 | 3,949 | 3,334 | 34 | 3,368 |
| Total staff costs charged to capital expenditure | 3,890 | 59 | 3,949 | 3,334 | 34 | 3,368 |
| | | | | | | |
| Total Staff Costs | 26,329 | 1,335 | 27,664 | 23,652 | 1,054 | 24,706 |

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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.

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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 <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha>

Average numbers of persons employed

| | 2019-20 Permanent Staff | Others | Total | 2018-19 Permanent Staff | Others | Total |
|--------------------------------------|-------------------------------|--------|-------|-------------------------------|--------|-------|
| Aviation, Maritime, Freight & Canals | 34 | 1 | 35 | 33 | 1 | 34 |
| Bus, Accessibility and Active Travel | 63 | 3 | 66 | 64 | 1 | 65 |
| Finance and Other (CEO) | 52 | 2 | 54 | 49 | 5 | 54 |
| Low Carbon Economy | 19 | 7 | 26 | 14 | 1 | 15 |
| Major Projects | 63 | 6 | 69 | 63 | 5 | 68 |
| Rail | 70 | 2 | 72 | 60 | 2 | 61 |
| Roads | 97 | 7 | 104 | 97 | 9 | 106 |
| Transport Strategy & Analysis | 52 | 2 | 54 | 37 | 2 | 40 |
| Total average staff numbers | 450 | 30 | 480 | 417 | 26 | 443 |

For 2019-20, employers' contributions of £4,944k (2018-19, £3,683k) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% 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 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

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3. Other Administration Costs

| | Note | 2019-20 £000's | 2018-19 £000's |
|--|------|-------------------|-------------------|
| Rentals under operating leases | | 1,052 | 1,056 |
| Accommodation | | 1,287 | 1,479 |
| Office costs and supplies | | 1,475 | 1,338 |
| Hospitality | | 46 | 59 |
| Travel | | 484 | 469 |
| Training | | 93 | 72 |
| Consultancy | | 154 | 275 |
| Non-cash items | | | |
| Depreciation | 6/7 | 753 | 750 |
| Auditors' remuneration and expenses – external | 22 | 182 | 178 |
| Total administration costs | | 5,526 | 5,676 |

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4. Programme Costs

| Other programme expenditure | Note | 2019-20 £000's | 2018-19 £000's |
|--|------|-------------------|-------------------|
| Roads | | | |
| Capital maintenance | | 184,372 | 108,959 |
| Current maintenance | | 123,882 | 130,028 |
| Other | | 0 | 0 |
| PFI interest charges | | 65,816 | 60,977 |
| PFI service charges | | 55,674 | 60,583 |
| Rail | | | |
| ScotRail franchise* | | 476,934 | 415,379 |
| Rail infrastructure in Scotland** | | 353,706 | 338,957 |
| Other | | 1,353 | 2,101 |
| Concessionary travel | | | |
| Smartcard applications | | 3,767 | 2,102 |
| Concessionary travel schemes | | 218,705 | 204,922 |
| Other public transport | | | |
| Major public transport projects - rail*** | | 161,937 | (104) |
| Transport information | | 769 | 771 |
| Ferry services in Scotland | | 221,539 | 203,333 |
| Air services in Scotland | | 59,239 | 78,052 |
| Bus services in Scotland | | 52,210 | 55,566 |
| Other transport directorate programmes | | 95,329 | 114,840 |
| Low Carbon and Active Travel | | 44,877 | 43,477 |
| Central Government grants to Local Authorities | | 42,138 | 36,712 |
| Non-cash items | | | |
| Depreciation | 6/7 | 99,387 | 88,206 |
| Total other programme costs | | 2,261,634 | 1,944,861 |

* Payments to Abellio (£463m including Fixed Track Access Charges of £297m) and Serco (£13m) totalled £476m.

** The Rail Infrastructure in Scotland Capital Figure of £353m was paid directly to Network Rail.

*** The significant variance within Major Projects is due to the change in the funding arrangements for Network Rail, with most of the funding previously provided under the RAB funding mechanism. This now reflects the Grant for Enhancements. The prior year negative number represents unpaid accruals against other specific projects that were previously directly funded.

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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;
- ESF funding.

| | 2019-20 £000's | 2018-19 £000's |
|---------------------------------------|-------------------|-------------------|
| Programme income | | |
| Interest receivable - loans | (6,571) | (7,230) |
| Rental income - land & properties | (9) | (11) |
| Other income | (77) | (76) |
| European Structural Fund (ESF) income | (1,989) | (1,295) |
| Ports income | 0 | 0 |
| Land sales | 0 | 0 |
| Profit on disposal of land | (578) | (121) |
| Borders roof tax income | 0 | 0 |
| Total operating income | (9,224) | (8,733) |

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6. Property Plant and Equipment

Detrunings reflect the transfer of road assets to Local Authority control, with the corresponding entry in 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).

| 2019-20 | 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 2019 | 24,893,650 | 7,788 | 12,157 | 104 | 4,609 | 1,507 | 789,649 | 25,709,464 |
| Detrunings | (268,098) | 0 | 0 | 0 | 0 | 0 | 0 | (268,098) |
| Additions | 7,866 | 0 | 0 | 0 | 0 | 0 | 157,954 | 165,820 |
| Disposals | 0 | (1,449) | 0 | (20) | 0 | 0 | 0 | (1,469) |
| Revaluation | 96,821 | 302 | (1,270) | 0 | 0 | 0 | 0 | 95,854 |
| Current valuation adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Historic valuation adjustments | 86,491 | 0 | 0 | 0 | 0 | 0 | 0 | 86,491 |
| Transfers and reclassifications | 480,065 | 0 | 0 | 0 | 0 | 0 | (479,958) | 108 |
| Transfers (to)/from assets held for sale | 0 | (75) | 0 | 0 | 0 | 0 | 0 | (75) |
| Balance at 31 March 2020 | 25,296,796 | 6,566 | 10,887 | 84 | 4,609 | 1,507 | 467,645 | 25,788,095 |

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6. Property Plant and Equipment cont'd...

| 2019-20 | 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 2019 | 4,349,418 | 0 | 4,269 | 45 | 4,606 | 1,454 | 0 | 4,359,792 |
| Detrunckings | (32,844) | 0 | 0 | 0 | 0 | 0 | 0 | (32,844) |
| Charge for the year | 99,361 | 0 | 628 | 15 | 2 | 26 | 0 | 100,031 |
| Disposals | 0 | 0 | 0 | (20) | 0 | 0 | 0 | (20) |
| Revaluation | 18,343 | 0 | (1,376) | 0 | 0 | 0 | 0 | 16,966 |
| Current valuation adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Historic valuation adjustments | 10,998 | 0 | 0 | 0 | 0 | 0 | 0 | 10,998 |
| Transfers and reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2020 | 4,445,275 | 0 | 3,520 | 40 | 4,608 | 1,480 | 0 | 4,454,923 |
| Net Book Value at 31 March 2020 | 20,851,521 | 6,566 | 7,367 | 44 | 1 | 27 | 467,645 | 21,333,172 |
| Net Book Value at 31 March 2019 | 20,544,232 | 7,788 | 7,888 | 59 | 3 | 53 | 789,649 | 21,349,672 |
| Asset Financing | | | | | | | | |
| Owned | 17,867,157 | 6,566 | 7,285 | 44 | 1 | 0 | 467,645 | 18,348,699 |
| Finance Leased | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| On Balance Sheet PFI | 2,984,364 | 0 | 0 | 0 | 0 | 0 | 0 | 2,984,364 |
| Donated | 0 | 0 | 82 | 0 | 0 | 27 | 0 | 109 |
| Net Book Value at 31 March 2020 | 20,851,521 | 6,566 | 7,367 | 44 | 1 | 27 | 467,645 | 21,333,172 |

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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 |
|--|------------------------|----------------|---------------------|---------------------|--------------|----------------------------------|-------------------------------------|-----------------|
| Cost or Valuation | | | | | | | | |
| At 1 April 2018 | 23,484,643 | 7,720 | 11,472 | 135 | 4,609 | 1,507 | 962,522 | 24,472,608 |
| Detrunings | 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 |
| Balances at 31 March 2019 | 24,893,810 | 7,628 | 12,157 | 104 | 4,609 | 1,507 | 789,649 | 25,709,464 |

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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 |
| Detrunckings | 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 |
| Balances 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 | 3,300,822 |
| 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 |

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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.

| | 2019-20 £000's | 2018-19 £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 | 522 | 495 |
| Charge for the year | 26 | 27 |
| Revaluations | 0 | 0 |
| Disposals | 0 | 0 |
| Balance at 31 March | 548 | 522 |
| Net Book Value at 31 March | 6 | 32 |

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8. Assets Classified as Held for Sale

There were three assets held for sale by Transport Scotland in 2019-20. 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.

The change arising on revaluation was a timing issue due to the sale of one asset and the application of indexation overlapping.

| | 2019-20 £000's | 2018-19 £000's |
|-----------------------------------|-------------------|-------------------|
| Balance at 1 April | 0 | 0 |
| Transfers to non-current assets | 0 | 0 |
| Transfers from non-current assets | 75 | 0 |
| Disposals | (77) | 0 |
| Change arising on revaluation | 2 | 0 |
| Balance at 31 March | 0 | 0 |

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9. Financial Assets

Investments in entities that are not classified to central government are financial instruments within the scope of IFRS9. (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 111.

| 2019-20 | Interests in Nationalised Industries & Limited Companies £000's | Voted Loans £000's | Other Funds £000's | Total £000's |
|--|--|-----------------------|-----------------------|-----------------|
| Balance at 1 April 2019 | 20,550 | 194,090 | 45,420 | 260,060 |
| Add element reported within current assets | 0 | 7,672 | 585 | 8,257 |
| Advances and repayments | | | | |
| Cash advances | 0 | 37,957 | 45,166 | 83,123 |
| Repayments | 0 | (8,212) | (1,173) | (9,385) |
| Less | | | | |
| Impairments/ Write-offs | 0 | 0 | (4,303) | (4,303) |
| Balance at 31 March 2020 | 20,550 | 231,507 | 85,695 | 337,752 |
| Loans repayable within 12 months transferred to current assets | 0 | (8,772) | (1,569) | (10,341) |
| Balance at 31 March 2020 | 20,550 | 222,735 | 84,126 | 327,411 |

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9. Financial Assets cont'd...

| 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/ Write-offs | 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 |

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| | TS Prestwick HoldCo Ltd | Highlands & Islands Airports Ltd | Caledonian Maritime Assets Ltd | David MacBrayne Ltd |
|---|----------------------------|--|--------------------------------------|---------------------------|
| | £m | £m | £m | £m |
| Net assets / (liabilities) as at 31 March | (28.9) | (29.1) | 56.6 | 23.5 |
| Turnover | 35.9 | 24.3 | 48.8 | 224.0 |
| Profit / (loss) for the financial year | 5.4 | (3.9) | 7.6 | 1.4 |

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 operates via a wholly owned subsidiary company, Dundee Airport Ltd.

Caledonian Maritime Assets Limited (CMAL)

Scottish Ministers are the sole shareholder in Caledonian MacBrayne Ltd, which became known as Caledonian Maritime Assets Ltd (CMAL) following a restructure in 2006, and retained ownership of the vessels and ports, which it leases to the operator of the Clyde & Hebrides Ferry services.

David MacBrayne Limited

Scottish Ministers are the sole shareholder in David MacBrayne Ltd, which became the holding company for CalMac Ferries Ltd following the restructuring in 2006. CalMac Ferries Ltd provides the Clyde & Hebrides Ferry Services under a subsidised public service contract with Scottish Ministers.

TS Prestwick HoldCo Limited

Scottish Ministers are the sole shareholder in TS Prestwick Holdco Ltd, which became the holding company of Glasgow Prestwick Airport in 2013 purchased through Transport Scotland. Transport Scotland advanced loan funding to the Group to cover the cash deficit arising from its operating deficit and capital expenditure.

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Voted Loans

These represent loans that Transport Scotland provides to CMAL for the procurement of new shipping and to HIAL to renew and improve commercial 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-2019-to-2020>

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

Transport Scotland is also the sole sponsor of British Waterways and provides funding to subsidise its residual operation as Scottish Canals. British Waterways is a statutory body and is classed as an NDPB but HM Treasury agreed not to apply the budgeting treatment of that until after 31 March 2020.

CMAL and Prestwick Airport are classed as Public Corporations.

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10. Trade Receivables and Other Assets

| 10a Analysis by classification | As at 31/03/20 £000's | As at 31/03/19 £000's |
|--|--------------------------|--------------------------|
| Amounts falling due within one year: Trade and other receivables | | |
| Trade and other receivables | 60 | 270 |
| Damage claims | 1,063 | 1,247 |
| Prepayments and accrued income | 50,687 | 38,177 |
| | 51,810 | 39,694 |
| Amounts falling due after more than one year: | | |
| Prepayments and other receivables | 52,552 | 57,365 |
| | 52,552 | 57,365 |

| 10b Intra-Government balances | As at 31/03/20 £000's | As at 31/03/19 £000's |
|---|--------------------------|--------------------------|
| Amounts falling due within one year: Intra-Government balances | | |
| Other Central Government bodies | 10,201 | 6,912 |
| Local Authorities | 104 | 0 |
| Public corporations and trading funds | 0 | 0 |
| | 10,305 | 6,912 |
| Balances with bodies external to Government | 41,505 | 32,782 |
| Total receivables | 51,810 | 39,694 |
| Amounts falling due after more than one year: Intra-Government balances | | |
| Other Central Government bodies | 0 | 460 |
| Local Authorities | 0 | 0 |
| Public corporations and trading funds | 0 | 0 |
| | 0 | 460 |
| Balances with bodies external to Government | 52,552 | 56,905 |
| Total receivables | 52,552 | 57,365 |

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10. Trade Receivables and Other Assets
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Trade receivables are shown net of a provision for impairment as follows:
Loans, trade receivables and accrued income are accounted for in accordance with IFRS9 (See Note1.8).

| | As at 31/03/20 £'000 | As at 31/03/19 £'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 |

| | As at 31/03/19 £'000 | As at 31/03/18 £'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 |

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11. Trade Payables and Other Liabilities

Trade Payables and Other Liabilities are accounted for in accordance with IFRS9, (See Note 1.10)

| 11a Analysis by classification | As at 31/03/20 £000's | As at 31/03/19 £000's |
|---|--------------------------|--------------------------|
| Amounts falling due within one year: Trade and other payables | | |
| Trade payables | 1,201 | 18,100 |
| Accruals | 141,890 | 164,190 |
| Other payables | 50,706 | 10,083 |
| Financial liabilities – PFI | 36,439 | 32,240 |
| Deferred income | 83 | 83 |
| | 230,319 | 224,696 |
| Amounts falling due after more than one year: | | |
| Other payables | 390 | 767 |
| Financial liabilities – PFI | 1,147,595 | 1,200,772 |
| | 1,147,985 | 1,201,539 |

| 11b Intra-Government balances | As at 31/03/20 £000's | As at 31/03/19 £000's |
|---|--------------------------|--------------------------|
| Amounts falling due within one year: Intra-Government balances | | |
| Other Central Government bodies | 5,885 | 3,573 |
| Local Authorities & Health Boards | 44,468 | 38,145 |
| Public corporations and trading funds | 13,642 | 21 |
| | 63,995 | 41,739 |
| Balances with bodies external to Government | 166,324 | 182,957 |
| Total payables | 230,319 | 224,696 |
| 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 | 1,147,985 | 1,201,539 |
| Total payables | 1,147,985 | 1,201,539 |

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12. Provisions for Liabilities and Charges

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 2019-20 | Land and Property Acquisition £000's | Major Projects £000's | Other £000's | Total £000's |
|--|--------------------------------------|-----------------------|--------------|--------------|
| Balance as at 1 April 2019 | 61,616 | 1,922 | 5,469 | 69,008 |
| Provided in year | 0 | 0 | 38 | 38 |
| Provisions not required written back | (19,954) | 0 | 0 | (19,954) |
| Provisions utilised in year | (878) | (1,922) | (69) | (2,870) |
| Discount amortised | 201 | 0 | 0 | 201 |
| Balance as at 31 March 2020 | 40,985 | 0 | 5,438 | 46,423 |
| 2018-19 | | | | |
| Balance as at 1 April 2018 | 68,705 | 3,375 | 5,528 | 77,608 |
| 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 |

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12. Provisions for Liabilities and Charges
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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.

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

| 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 2021 | 21,379 | 0 | 5,413 | 26,792 |
| Between 2022 and 2025 | 19,606 | 0 | 25 | 19,631 |
| Between 2026 and 2030 | 0 | 0 | 0 | 0 |
| Thereafter | 0 | 0 | 0 | 0 |
| Balance as at 31 March 2020 | 40,985 | 0 | 5,438 | 46,423 |
| In the remainder of the period to 2020 | 38,006 | 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 |

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13. Movement on Working Capital Balances

| | Note | As at 31/03/20 £000's | As at 31/03/19 £000's | 2019-20 Net Movement £000's | 2018-19 Net Movement £000's |
|---|------|-----------------------------|-----------------------------|--------------------------------------|--------------------------------------|
| Receivables | | | | | |
| Due within one year | 8/10 | 51,810 | 39,694 | (12,116) | (5,980) |
| Due after more than one year | 10 | 52,552 | 57,365 | 4,813 | (20,702) |
| Net (increase) / decrease | | 104,362 | 97,059 | (7,303) | (26,682) |
| Payables | | | | | |
| Due within one year | 11 | 230,319 | 224,696 | 5,623 | 44,375 |
| Due after more than one year | 11 | 1,147,985 | 1,201,539 | (53,554) | (36,779) |
| | | 1,378,304 | 1,426,235 | (47,931) | 7,596 |
| Less: Lease and PFI creditors included in above | 11 | 1,184,034 | 1,233,012 | (48,978) | (21,821) |
| Less: Capital accruals included in the above | | 48,942 | 59,526 | (10,584) | 54,530 |
| Net increase / (decrease) | | 145,328 | 133,697 | 11,631 | (25,113) |
| Provisions | 12 | 46,423 | 69,008 | (22,585) | (8,600) |
| Net increase / (decrease) | | 46,423 | 69,008 | (22,585) | (8,600) |
| Net movement increase / (decrease) | | 296,113 | 299,764 | (3,651) | (7,031) |

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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 31/03/20 £000's | As at 31/03/19 £000's |
|---|--------------------------|--------------------------|
| Property, plant and equipment | 4,328,800 | 3,455,657 |
| Total contracted capital commitments for which no provision has been made | 4,328,800 | 3,455,657 |

15. Commitments under Operating Leases

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

| Obligations under operating leases comprise: | As at 31/03/20 £000's | As at 31/03/19 £000's |
|--|--------------------------|--------------------------|
| Land & buildings | | |
| Due within 1 year | 1,290 | 1,290 |
| Due after 1 year but not more than 5 years | 0 | 1,290 |
| Commitments thereafter | 0 | 0 |
| | 1,290 | 2,580 |

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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 involved upgrades to the A8 Baillieston to Newhouse, completion of the M8 between Glasgow and Edinburgh, and included 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 involved the construction of a new dual carriageway around the City of Aberdeen and upgrading of the road between Balmedie and Tippetty 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.

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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.

| Imputed finance lease obligations under PFI contracts comprise: | As at 31/03/20 £000's | As at 31/03/19 £000's | As at 31/03/18 £000's |
|---|--------------------------|--------------------------|--------------------------|
| Rentals due within 1 year | 62,055 | 40,407 | 40,407 |
| Rentals due within 2 to 5 years | 247,497 | 161,627 | 161,627 |
| Rentals due thereafter | 1,153,274 | 1,336,392 | 1,385,769 |
| | 1,462,826 | 1,538,426 | 1,587,803 |
| Less: Interest element (finance cost) | (278,792) | (305,414) | (332,970) |
| Total capital cost | 1,184,034 | 1,233,012 | 1,254,833 |

| Imputed service charge obligations under PFI contracts comprise: | As at 31/03/20 £000's | As at 31/03/19 £000's | As at 31/03/18 £000's |
|--|--------------------------|--------------------------|--------------------------|
| Service charge due within 1 year | 40,652 | 44,074 | 54,430 |
| Service charge due within 2 to 5 years | 89,854 | 114,525 | 145,483 |
| Service charge due thereafter | 263,756 | 279,737 | 292,854 |
| Total service charge | 394,262 | 438,336 | 492,767 |

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17. Other Financial Commitments – Rail

Transport Scotland is committed to pay grant funding to Network Rail in accordance with the Grant Agreements and to Abellio ScotRail Ltd and Serco Caledonian Sleeper Ltd under the Franchise Agreements.

Network Rail funding for operation, maintenance and renewals is determined by the Office of Rail and Road (ORR) for each rail Control Period. The Determination for the current control period, CP6 from April 2019 to March 2024 is reflected below. The overall funding available for the control period, including Enhancement Grant, was published in the Statement of Funds Available.

The total amount charged to the Statement of Comprehensive Net Expenditure reflects the grants paid to Network Rail and the Abellio ScotRail and Serco Caledonian Sleeper franchise obligations.

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:

| | 2019-20 £000's | 2018-19 £000's |
|----------------------------------|-------------------|-------------------|
| Network Rail | 353,706 | 338,957 |
| Abellio ScotRail | 463,681 | 390,266 |
| Serco Caledonian Sleeper Limited | 13,253 | 25,072 |
| Total | 830,640 | 754,295 |

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 | 750,000 | 798,517 | 37,898 | 1,586,415 |
| Expiry within 1 to 2 years | 762,000 | 619,348 | 28,811 | 1,410,159 |
| Expiry within 2 to 5 years | 1,275,000 | 1,290,141 | 56,908 | 2,622,048 |
| Total | 2,787,000 | 2,708,006 | 123,617 | 5,618,622 |

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18. Financial Instruments

18a Financial Instruments by Category

| 18a Financial Instruments by Category 2019-20 Assets per Statement of Financial Position | Note | Total Financial Assets at Amortised Cost £000's | Total £000's |
|---|------|---|-----------------|
| Trade and other receivables excluding prepayments, reimbursement of provisions and VAT recoverable | | 369,162 | 369,162 |
| Balance as at 31 March 2020 | | 369,162 | 369,162 |
| Liabilities per Statement of Financial Position | Note | Other Financial Liabilities £000's | Total £000's |
| PFI liabilities | 16 | 1,184,034 | 1,184,034 |
| Trade and other payables excluding statutory liabilities (VAT, income tax and social security) | | 194,270 | 194,270 |
| Balance as at 31 March 2020 | | 1,378,304 | 1,378,304 |
| 18a Financial Instruments by Category 2018-19 Assets per Statement of Financial Position | Note | Total Loans & Receivables £000's | Total £000's |
| Trade and other receivables excluding prepayments, reimbursement of provisions and VAT recoverable | | 311,625 | 311,625 |
| Balance as at 31 March 2019 | | 311,625 | 311,625 |
| Liabilities per Statement of Financial Position | Note | Other Financial Liabilities £000's | Total £000's |
| PFI liabilities | 16 | 1,233,012 | 1,233,012 |
| Trade and other payables excluding statutory liabilities (VAT, income tax and social security) | | 249,553 | 249,553 |
| Balance as at 31 March 2019 | | 1,482,565 | 1,482,565 |

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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.

| 2019-20 | 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 | 1,184,034 | 36,439 | 35,593 | 121,110 | 203,706 | 787,186 |
| Derivative liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Total financial liabilities | 1,184,034 | 36,439 | 35,593 | 121,110 | 203,706 | 787,186 |

| 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 |

The table below 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.

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.

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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 the next 2 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;
- Commitment towards the continued funding of the pension obligations of Abellio ScotRail Ltd and Serco Caledonian Sleeper Ltd through the Franchise Agreements.

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.

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- 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.
- Transport Scotland has received a claim in respect of delays to construction of a car park extension at Central Car Auctions in Baillieston. It is claimed delays were caused by water percolation from the adjacent Monklands Canal that Transport Scotland is responsible for maintaining. We are continuing to challenge their loss & expense and nuisance claims.

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.

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21. Segmental Reporting

21a Business Segments –
Statement of Comprehensive
Net Expenditure

| 2019-20 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 | 111,895 | 201,299 | (663) | 99,361 | 0 | 121,490 | 533,382 |
| Rail | 184,091 | 812,643 | 0 | 0 | 0 | 0 | 996,734 |
| Concessionary travel & bus services | 274,317 | 1,869 | (523) | 26 | 0 | 0 | 275,689 |
| Other public transport | 19,271 | 0 | 0 | 753 | 0 | 0 | 20,024 |
| Ferry services in Scotland | 178,122 | 43,778 | (6,571) | 0 | 0 | 0 | 215,329 |
| Air services in Scotland | 46,673 | 12,568 | 0 | 0 | 0 | 0 | 59,241 |
| Other transport directorate programmes | 34,790 | 60,914 | (1,466) | 0 | 0 | 0 | 94,238 |
| Scottish Futures Fund | 0 | 44,876 | 0 | 0 | 0 | 0 | 44,876 |
| Grants to Local Authorities | 0 | 42,138 | 0 | 0 | 0 | 0 | 42,138 |
| | 849,159 | 1,220,085 | (9,223) | 100,140 | 0 | 121,490 | 2,281,651 |

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21. Segmental Reporting cont'd...

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

| 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 |

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21. Segmental Reporting cont'd...

21b Business Segments – Capital Expenditure

| 2019-20 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 | 7,866 | 156,525 | 0 | 0 | 164,391 |
| Rail | 0 | 0 | 0 | 0 | 0 |
| Other public transport | 0 | 0 | (97) | 0 | (97) |
| Ferry, aviation and other services in Scotland | 0 | 0 | 0 | 73,738 | 73,738 |
| | 7,866 | 156,525 | (97) | 73,738 | 238,032 |

| 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 |

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22. Notional Charges

The following notional charges have been included in the accounts:

| | Note | 2019-20 £000's | 2018-19 £000's |
|------------------------|------|-------------------|-------------------|
| Auditors' remuneration | 3 | 182 | 178 |
| | | 182 | 178 |

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 £0.151 million in respect of 14 cases and these have now been written off. No individual case exceeded £250,000.

A full and final commercial settlement of £65 million was paid to Aberdeen Roads Limited (ARL) in connection with the construction phase of the AWPR project. The settlement was reached on a commercial basis and without any admission of liability by any party.

| Imputed finance lease obligations under PFI contracts comprise: | Number of cases | 2019-20 £000's | 2018-19 £000's |
|---|-----------------|-------------------|-------------------|
| Total cash losses | 14 | 151 | 333 |
| Details of cases over £250,000 | 0 | 0 | 0 |
| Including – claims abandoned | 14 | 151 | 333 |
| – active claims | 0 | 0 | 0 |

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24. Events after reporting period

Following the end of the financial year the proposed arrangement for the sale of Prestwick airport was unable to be completed as originally planned. We have been advised that the company previously selected as Preferred Bidder does not wish to complete the purchase of the business at this time. The withdrawal from the process by the Preferred Bidder means that the business can engage with other interested parties and that engagement is now under way. This has no impact on the financial statements.

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Transport Scotland Direction by The Scottish Ministers

In accordance with section 19(4) of the
Public Finance and Accountability
(Scotland) Act 2000

- 1 The statement of accounts for the financial year ended 31 March 2007 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
- 2 The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
- 3 This direction shall be reproduced as an appendix to the statement of accounts.



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

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Glossary

Abbreviations as they appear

| Abbreviation | Detail |
|--------------|---|
| ULEV, EV | Ultra Low Emission Vehicles, Electric Vehicles |
| NTS | National Transport Strategy |
| CIHT | Chartered Institute of Highways and Transportation |
| Dft | Department for Transport |
| CMAL | Caledonian Maritime Assets Ltd |
| HIAL | Highlands and Island Airports Ltd |
| FMEL | Ferguson Marine Engineering Ltd |
| LEZ | Low Emission Zone |
| PfG | Programme for Government |
| NPF | National Performance Framework |
| STPR2 | Strategic Transport Projects Review (2) |
| SMC | Scottish Maritime Cluster |
| BSOG | Bus Services Operator Grant |
| AWPR – B/T | Aberdeen Western Peripheral Route – Balmedie Tippetty |
| SULEB | Scottish Ultra Low Emission Bus Scheme |
| PCIP | Procurement and Commercial Improvement Programme |
| SOCNE | Statement of Consolidated Net Expenditure |
| SFP | Statement of Financial Position |
| ABR / SBR | Autumn / Spring Budget Review |
| FREM | Financial Reporting Manual |
| RAVS | Roads Asset Valuation System |
| PPP | Public Private Partnership |
| PFI | Private Finance Initiative |
| DEL | Departmental Expenditure Limit |
| ODEL | Outside Departmental Expenditure Limit |

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