TRANSPORT SCOTLAND
CÒMHDHAIL ALBA

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Annual Report and Accounts 2025-26

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1. Performance report



Performance Overview

The performance overview section of this report provides an overview of Transport Scotland, its purpose, and activities. This section also includes information on key risks and issues for the organisation and a high-level summary of performance in 2025-26.

1.1 Chief Executive's Foreword



I am pleased, as Chief Executive of Transport Scotland, to present our 2025-26 Annual Report and Accounts.

2026 marks the twentieth anniversary of Transport Scotland. While the organisation has evolved significantly over the past two decades, our focus remains firmly on the priorities that underpin our vision for a sustainable, inclusive, safe and accessible transport system, helping to deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors alike.

Transport plays a vital role in everyday life. Every journey, whether for work, education, connecting with family and friends, accessing essential services, or conducting business, depends on a transport system that can respond to the changing needs of our people, communities and economy. As Scotland continues to evolve, so too must the networks and services that support these connections, ensuring they remain resilient, efficient and accessible for all.

The past year has marked another significant stride towards delivering the Scottish Government's priorities, and I am incredibly proud of the dedication, professionalism and expertise of our people, whose efforts continue to make a positive difference to communities across Scotland.

This report highlights a number of key achievements from the year, including progress on the A9 dualling programme, completion of the East Kilbride electrification project, removal of peak rail fares from the ScotRail network, the introduction of the MV Isle of Islay into the service, and the acquisition of Ardrossan Harbour into public ownership. It also reflects our response to significant unplanned events impacting the transport

network, including the Union Corner fire in Glasgow, and Storm Amy, where our robust response ensured the safe operation and restoration as soon as possible to mitigate disruption as far as possible. These achievements were delivered in a challenging fiscal environment, requiring careful prioritisation of resources and a continued focus on value for money while maintaining our commitment to investing in transport services and infrastructure to support Scotland's long term economic, social and environmental ambitions.

Underpinning this delivery has been a continued focus on strengthening how we operate as an Agency of the Scottish Government. Through our Transforming Transport Together programme, we have progressed organisational change to improve resilience, align resources more closely to our strategic priorities and strengthen collaboration across Transport Scotland. These changes have enhanced our ability to respond to an increasingly complex operating environment and enhance our ability to deliver a more integrated, efficient and user-focused system.

As we look ahead, Transport Scotland will continue to play a vital role in delivering the Scottish Government's priorities and shaping the future of transport in Scotland. I look forward to working alongside our talented colleagues and partners across the sector to build on the progress made to date and continue delivering a sustainable, inclusive, safe and accessible transport system for the people and communities of Scotland.

Alison Irvine

Chief Executive, Transport Scotland

1.2 Our vision and purpose

Transport Scotland was established on 1 January 2006 as the national transport agency for Scotland (the 'Agency') and is part of the Scottish Government. We support businesses, communities, and public services, improving connections across Scotland, and beyond, through the development of transport projects and policies.

Transport Scotland is responsible for delivering a safe, efficient, and sustainable transport system that supports economic growth and improves quality of life across the country. Our work plays a vital role in connecting communities, enabling businesses to thrive, and helping Scotland move toward its net-zero carbon target.

Our purpose is to deliver the Scottish Government's vision for transport. We do this by focusing on the priorities set out in the National Transport Strategy (NTS2), aligning with the National Performance Framework (NPF) and the Programme for Government (PfG). The National Transport Strategy provides the framework for future investment decisions, supported by delivery plans that set out the actions being taken by the Scottish Government to achieve its four priorities.



1.3 Our organisation

The Chief Executive, appointed by the Permanent Secretary to the Scottish Government, serves as the Agency's Accountable Officer. She is supported by a team of ten Directors, whose responsibilities span the organisation's transport modes, policy and delivery functions, as well as corporate and cross-cutting areas including finance, strategy, investment, climate change and sustainability.

In response to financial pressures, ambitious environmental targets and evolving passenger behaviours, the Transforming Transport Together programme restructured directorates to better align resources with organisational priorities. The revised structure was implemented in December 2025, strengthening the Agency's ability to deliver its strategic objectives and respond effectively to future challenges. Key changes to director responsibilities included:

- Creation of the new **Transport Integration and Connectivity Directorate,** established to drive integration and connectivity across Scotland's transport system, aligning with national priorities and the National Transport Strategy (NTS2). Its vision is to deliver a seamless, accessible, and sustainable public transport network that supports economic growth, social inclusion, and environmental goals.
- Refocus of **Bus, Accessibility and Active Travel** to **Bus, Concessionary and Active Travel** to reflect the importance of concessionary travel schemes and affordability measures in reducing inequalities, while maintaining a focus on active and sustainable local transport options.
- Split of **Rail** into **Rail Delivery** and **Rail Reform** to enable a clearer distinction between operational delivery of Scotland's railway and the significant programme of rail reform arising from UK legislation and the development of Great British Railways, ensuring sufficient focus on both priorities.
- Renaming of **Major Projects** to **Infrastructure Projects** to better reflect the full scope of responsibilities extending beyond individual major projects to encompass wider transport infrastructure planning, development and delivery.
- Expansion of **Ferries** to **Ferries and Ports** to reflect the critical role ports play in supporting resilient ferry services and island connectivity.
- Renaming of **Roads** to **Roads Delivery and Operations** to provide greater clarity on the directorate's dual role in both maintaining and operating the trunk road network.
- Refocus of **Transport Strategy and Analysis** to **Strategy, Performance and Analysis** to strengthen organisational focus on performance management, outcomes monitoring and evidence-based decision-making, alongside strategic policy development and analytical capability.

The Directors in place over the period of this report were:

- Chief Executive (Accountable Officer) – Alison Irvine
- Director of Bus, Concessionary and Active Travel – Mary Docherty
- Director of Environment, Climate and Sustainability – Morna Cannon
- Director of Ferries and Ports – Chris Wilcock
- Director of Finance and Corporate Services – Kerry Twyman to August 2025, followed by the interim appointment of Catherine Jess-Gibson from August 2025 to May 2026. Sarah Caldwell was appointed permanently in April 2026.
- Director of Infrastructure Projects – Lawrence Shackman
- Director of Rail Delivery – Graeme Cook
- Director of Rail Reform – Bill Reeve
- Director of Roads Delivery and Operations – Hugh Gillies
- Director of Strategy, Performance and Analysis – Fiona Brown
- Director of Transport Integration and Connectivity – Bettina Sizeland



*Catherine Jess-Gibson
(Interim)
Director of Finance and Corporate Services



Bill Reeve
Director of Rail Reform



Graeme Cook
Director of Rail Delivery



Hugh Gillies
Director of Roads Delivery and Operations



Lawrence Shackman
Director of Infrastructure Projects



Alison Irvine
Chief Executive (Accounbtable Officer)



Bettina Sizeland
Director of Transport Integration and Connectivity



Fiona Brown
Director of Strategy, Performance and Analysis



Mary Docherty
Director of Bus, Concessionary and Active Travel



Chris Wilcock
Director of Ferries and Ports



Morna Cannon
Director of Environment, Climate and Sustainability

*Kerry Twyman was the Director of Finance and Corporate Services to August 2025, followed by the interim appointment of Catherine Jess-Gibson from August 2025 to May 2026. Sarah Caldwell was appointed permanently in April 2026.

Bus, Concessionary and Active Travel

This directorate is responsible for the Scottish Government's policy on bus services and active travel. It works to enable local authorities, operators and delivery partners to improve sustainable and accessible local transport options, with the aim of increasing bus usage. It promotes walking, cycling and wheeling through national infrastructure and regional behaviour change programmes, while leading the development and implementation of active travel policy across Scotland.

The directorate operates the National Concessionary Travel Bus Scheme, providing free bus travel to older, disabled and young people, and oversees the delivery and administration of concessionary schemes across bus, rail and ferry services. It also administers the Network Support Grant to bus operators and leads on wider bus policy, including regulatory frameworks, community transport, issues affecting asylum seekers, anti-social behaviour, and the decarbonisation of bus travel. In addition, it supports improvements to bus services through the infrastructure that underpins them.



Environment, Climate and Sustainability

This directorate works across government and with external partners to protect the environment, address climate change and promote sustainability within Scotland's transport system. It leads the delivery of road transport climate change targets and supports the implementation of Low Emission Zones in Scottish cities. The directorate collaborates with partners to strengthen the resilience of the transport sector and support adaptation to climate impacts, while also driving the transition to zero-emission vehicles through legislation, regulation, research and stakeholder engagement.

It is responsible for delivering Scotland's vision for public electric vehicle charging, working with local authorities and the private sector to accelerate investment and expansion. In addition, it explores the long-term implications of transport electrification on the energy grid, contributes to economic and workforce planning through the Transport Just Transition Plan, and supports environmental protection, biodiversity and landscape considerations across the trunk road network. Engagement with the haulage sector is also a key focus, promoting efficient and sustainable freight movement.



Ferries and Ports

This directorate supports vital transport links for Scotland's island and remote communities and oversees legislation, policy and guidance relating to ferries and ports. Its responsibilities include the management and future development of the Clyde and Hebrides and Northern Isles ferry contracts, as well as vessel and infrastructure replacement programmes. It leads the Islands Connectivity Plan and develops both operational policies, such as fares, timetabling and accessibility, and broader strategic policies that intersect with other ministerial portfolios, including energy, environment and rural economies.

The directorate engages with a wide range of stakeholders, including island communities, small and medium-sized enterprises, local authorities and essential services. It also administers Scottish Government funding for local authority ferries, supports task forces and engagement activities, and is responsible for wider maritime policy, including ports, harbours, shipping and harbour orders under the Harbours Act 1964.



CalMac Oban by Tommy McPhelim

Finance and Corporate Services

This directorate plays a central role in ensuring Transport Scotland is effectively governed, financially sustainable and equipped to deliver the Scottish Government's transport priorities. It provides leadership and support across a broad range of corporate functions, including finance, human resources, learning and development, information and communication technology, facilities management, health and safety, information governance, and the sponsorship of transport delivery bodies.

The directorate underpins the effective operation of the organisation through robust financial management, governance, risk management and internal communications. It provides strategic and specialist support across Transport Scotland, promoting best practice, compliance and value for money, while overseeing financial accounting, reporting, budgeting, forecasting and accounts payable services.

In addition, the directorate leads engagement with the Scottish Government on financial and corporate matters and provides strategic advice to Ministers, the Chief Executive and the Audit and Risk Committee. It also oversees sponsorship arrangements for Transport Scotland's public bodies, helping to ensure they are well governed, financially sustainable and aligned with Scottish Government priorities.



Infrastructure Projects

This directorate is responsible for the design, development, procurement and construction of major trunk road improvement projects across Scotland. It oversees the planning and delivery of large-scale infrastructure projects, including road upgrades, bypasses and bridge construction, ensuring alignment with national transport objectives.

The directorate works closely with a wide range of stakeholders, including government agencies, local authorities, contractors and consultants, to ensure successful project delivery. It undertakes feasibility studies, risk assessments and environmental impact assessments to inform decision-making, while monitoring project progress, budgets and quality standards. It also provides leadership and expertise in procurement and contract management, maintaining Transport Scotland's reputation as a centre of excellence in delivering major infrastructure projects.



Rail Delivery

The directorate is responsible for Scotland's rail policy and its implementation, including strategic planning aligned with wider social and economic priorities. It oversees the delivery of major rail projects in partnership with industry, supports the development of sustainable rail freight, manages economic regulation and monitors the affordability of the rail programme. It also sets service standards for Scotland's railway and holds delivery partners accountable.

Rail Reform

The newly created Rail Reform directorate addresses forthcoming changes to the rail industry from UK legislation, assessing the opportunities and risks for Scotland. It leads engagement with the UK Government and Scottish Parliament and evaluates structural options to determine the most effective future model for Scotland's railway.



Train in Rannoch Moor by Tommy McPhelim

Roads Delivery and Operations

The directorate is responsible for the safe, efficient and sustainable operation and maintenance of Scotland’s trunk road network. Its responsibilities include asset management, technical standards, procurement and contract management, roads policy and the implementation of Intelligent Transport Systems. The directorate also leads efforts to improve road safety and reduce casualties, while ensuring network resilience through winter service provision, incident response and major event planning. In addition, it oversees the development and maintenance of road and bridge design standards to support the long-term performance of Scotland's strategic road network.



Strategy, Performance and Analysis

This directorate provides strategic leadership for Transport Scotland, supported by robust evidence, analysis and performance management. It oversees delivery of the National Transport Strategy and the transport sector's contribution to wider government priorities, while providing expertise in research, statistics, economics, appraisal and evaluation to inform policy and investment decisions.

The directorate coordinates transport portfolio performance reporting at Cabinet level, leads external communications and stakeholder engagement, and manages corporate correspondence. It also maintains strategic relationships with regional transport partnerships, local authorities, and UK and international partners to support effective collaboration and policy alignment.



Transport Integration and Connectivity

This newly established directorate leads the integration of transport modes across Scotland's network, supporting a seamless, accessible and sustainable travel experience. It is responsible for developing and delivering the Integrated Public Transport Strategy, coordinating major programmes and targeted interventions, and advancing transport governance reform. The directorate also promotes integrated fares and ticketing, digital passenger information and accessibility, while leading aviation policy including connectivity and decarbonisation.



Forth Road Bridge from the air by Jason Connelly

1.4 Performance summary



Kingston Bridge, by Tommy McPhelim

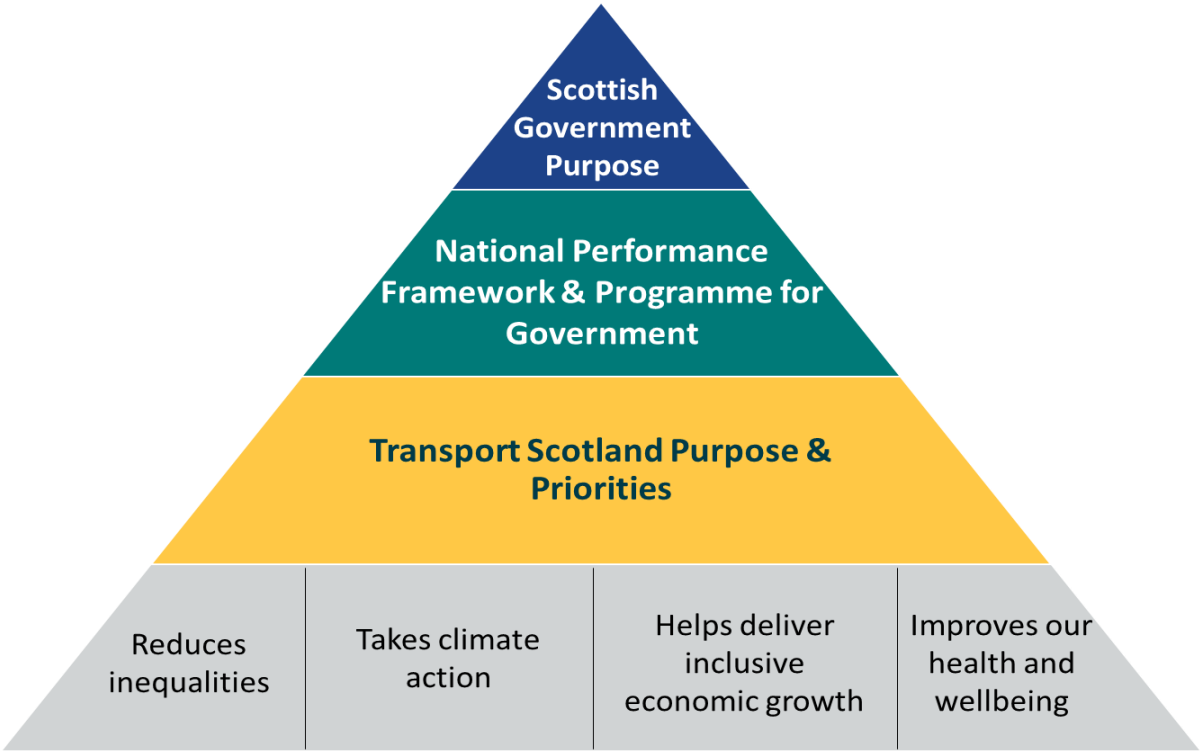
This section summarises Transport Scotland's performance against its 2025-26 Business Plan, which is aligned with the National Transport Strategy (NTS2). Further information on performance and progress is provided in Section 2: Performance Analysis.

Our contribution to the National Performance Framework

Our organisational focus continues to be on delivering the National Transport Strategy (NTS2) and supporting the achievement of transport-related national outcomes within the National Performance Framework (NPF), while contributing to the priorities set out in the Scottish Government's annual Programme for Government (PfG).

The PfG is guided by the long-term vision set out in the National Performance Framework and outlines the actions to deliver national outcomes. In 2025-26, the Scottish Government focused its efforts and resources on four priorities: eradicating child poverty, growing the economy, tackling the climate emergency, and ensuring high quality and sustainable public services.

NTS2 supports nine National Outcomes within the NPF and contributes to all 17 United Nations Sustainable Development Goals. The links between the Strategy, National Outcomes and Sustainable Development Goals are set out in the NTS2 Monitoring and Evaluation document.



National Transport Strategy - Contribution Story



The National Outcomes will help to achieve
Our Purpose:
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.

Key achievements

Transport Scotland has continued to make strong progress in delivering the National Transport Strategy, maintaining the safe and effective operation of Scotland's transport system while advancing targeted improvements to infrastructure, services and the user experience. Alongside this, we have progressed significant policy development in support of wider Scottish Government priorities, including delivery of the Climate Change Plan and Bringing Hope, Building Futures: Tackling child poverty delivery plan.

The Performance Analysis section provides further detail on how these activities have contributed to positive outcomes for communities, businesses and the environment. Highlights of our key achievements against strategic priorities during 2025-26 are set out below.

Reducing inequalities

Over the past year, Transport Scotland has continued to reduce inequalities by improving the affordability, accessibility and integration of transport. Key achievements include surpassing 250 million free bus journeys for under-22s, permanently removing ScotRail peak fares, freezing rail fares for 2026-27, introducing permanent free companion rail travel for blind and partially sighted passengers, and enhancing ferry concessions for island communities. Investment in smart ticketing, accessibility and bus infrastructure has further supported access to education, employment and essential services, while contributing to a more sustainable transport system.



Tackling climate change

We have continued to make progress in decarbonising Scotland's transport system and improving network resilience. Key achievements include completion of the East Kilbride rail electrification project, investment of £6.3 million to support 1,770 electric vehicle charging points, publication of a renewed car use reduction policy, and continued support for freight modal shift and Low Emission Zones. We also published the Trunk Road Adaptation Plan, setting out actions to strengthen resilience to climate change across Scotland's trunk road network, and awarded £3.4 million through the Freight Facilities Grant to encourage the movement of freight from road to rail and water.



Improving health and wellbeing

Continued investment in active travel infrastructure and behaviour change programmes has achieved sustained growth in cycling across Scotland with an 83% rise in cycling on Edinburgh's City Centre West to East Link compared to 2024. Alongside this, we have committed record levels of road safety funding (£48 million), supporting over 200 safety schemes and national casualty reduction measures. While there will always be more to do on road safety, the latest figures represent the lowest number of deaths on Scotland's roads in a non-pandemic year.



Supporting economic growth

We continue to strengthen the role of transport in supporting sustainable economic growth across Scotland. This includes the publication of Connecting Scotland – The Value of Transport, which highlights the critical contribution transport makes to achieving Scotland's social, economic and environmental ambitions. Alongside this, we have continued to invest in the maintenance and upgrade of key infrastructure such as A9 dualling and progress on major rail and ferry investments.

We have also strengthened public ownership of key transport services and assets, including the direct award of the Clyde and Hebrides Ferry Services contract to CalMac Ferries Ltd and the public acquisition of Ardrossan Harbour. These measures

support the long-term resilience and sustainability of Scotland's transport network while helping to improve connectivity for communities and businesses.

Furthermore, improvements have been made to digital travel information and transport integration to enhance customer experience and support more efficient journeys. Public Ownership of Scotland's passenger rail services has also continued to deliver benefits, with ScotRail and Caledonian Sleeper operating under public ownership since 2022 and 2023 respectively. In 2025-26, 89.5% of ScotRail services arrived at their destination within five minutes of their scheduled time, outperforming the Great Britain average of 85.6%, demonstrating the strong performance and reliability of Scotland's railway.



View from Bothwell Street, Glasgow by Joanne Demarco

Corporate focus

We have maintained a strong corporate focus on organisational transformation, workforce development, and improvements to working environments, with particular emphasis on leadership capability and staff experience. As set out in section 1.3, the *Transforming Transport Together* programme has delivered a restructuring of directorates to better align resources to priorities, with changes implemented from December 2025.

Key facts and stats

There were 57,452 kilometres of public road in Scotland in 2024. Seven per cent of this (3,746 kms) was trunk road, which is managed centrally by Transport Scotland; the remaining roads are the responsibility of Local Authorities.

There was a total of 8 million passengers and 3 million vehicles carried on ferry routes within Scotland in 2024. 52 million tonnes of freight was handled by ports in Scotland in 2024.

ScotRail operates over 2,000 daily services, serving over 360 stations across Scotland. The total route length of the railway network in Scotland is over 2,734 kilometres, of which around a third is electrified.

334 million journeys were made by bus in 2024-25. Over half of these were made under the National Concessionary Travel Scheme. There were 2.4 million people with National Concessionary Travel cards in Scotland in 2025.

As of 2024, Scotland has over 7,400 public EV charge points. Over 2,500 of those public charge points are part of the ChargePlace Scotland (CPS) network, with the rest belonging to commercial charging networks.

Footways and cycle paths are a key part of the road network. Walking is the most popular way to travel to school, and the 2nd most for travel to work.



1.5 Our key risks and challenges

The management of risk is an integral part of Transport Scotland's strategy, operations and decision making. A risk is anything that can impede or enhance our ability to meet our current or future objectives and the achievement of the Transport Scotland's priorities, responsibilities, and outcomes.

The Transport Scotland Senior Management Team review risks monthly, supported by the Transport Scotland Risk Management Group, which includes representatives of each directorate. The risk register is also reviewed quarterly by the Transport Scotland Audit and Risk Committee.

Our work and responses to identified risks are underpinned by a programme management approach which encourages cross directorate working to cut across traditional team boundaries and bring together a variety of skills, professions, and knowledge. Risks are reported and escalated to Ministers, Director-General Net Zero as Portfolio Accountable Officer, and Scottish Government Executive Team, as appropriate. Transport Scotland's risk management is fully integrated with the Scottish Government process, with key risks feeding directly into the Director-General Net Zero Risk Register. In addition, the Chief Executive and Director of Finance and Corporate Services are members of the Director-General's Senior Management Team.

Key Risks

Transport Scotland categorises risk in line with the Orange Book: Management of risk – Principles and Concepts. The corporate risks below are grouped by category and reflect those considered for escalation to the Portfolio Accountable Officer.

Commercial

During the year, risks relating to ferry service provision were updated to reflect the commencement of the directly awarded Clyde and Hebrides Ferry Services contract with CalMac in October 2025 and the ongoing procurement of the next Northern Isles Ferry Services contract, due to commence in 2028. These developments provided greater certainty over future service arrangements and reduced risks to continuity of service.

Financial

Throughout 2025-26, Transport Scotland continued to operate within a challenging fiscal environment, reflecting wider pressures on public finances and the need to prioritise expenditure within constrained budgets. Demand-led services, particularly concessionary travel schemes, remain sensitive to fluctuations in passenger numbers, while inflation, adverse weather, supply chain disruption and wider economic uncertainty continue to pose risks to transport services and infrastructure programmes.

Robust financial management enabled Transport Scotland to support the Scottish Government's savings objectives and maintain expenditure within available budgets. However, there remains a risk that future funding may not fully meet operational requirements, statutory obligations and Ministerial priorities. This risk is managed through rigorous financial planning, regular forecasting and monitoring, prioritisation of expenditure, and a continued focus on public service reform, efficiency and value for money.

Operational

The trunk road network is a vital national asset that must be maintained to support its safe operation and Scotland's economic wellbeing. During 2025-26, Transport Scotland worked closely with the Scottish Government and Ministers to prioritise investment in assets with the greatest potential to cause network disruption and continued to develop its Asset Management Plan to inform long-term investment decisions. This was supported by ongoing review of transport resilience arrangements across all transport modes, delivery of maintenance interventions identified through the Strategic Transport Projects Review 2 (STPR2) and the development of maintenance programmes aligned with statutory duties and Ministerial priorities.

A prompt and effective response to significant incidents remains essential to minimising disruption across Scotland's transport network. Multi-agency contingency plans are in place across all transport modes to manage both anticipated and unforeseen events, with key freight routes and lifeline services prioritised. Lessons learned from incidents, including severe weather events, are incorporated into future planning and response arrangements. Oversight of Transport Scotland's resilience framework is provided by the Transport Scotland Resilience Board, chaired by the Chief Executive and supported by a cross-organisational Resilience Operational Group.

Climate Change

Transport Scotland's responsibilities in this area encompass climate change mitigation, climate adaptation and support for a just transition, reflecting both Scottish Ministers' and the Agency's statutory duties. This includes working with partners to reduce transport emissions, improve the resilience of Scotland's transport network and support adaptation to the impacts of climate change. The Agency also delivers its public body climate change duties through corporate carbon management, driving emissions reductions across its operations, maintenance activities and workforce behaviours.

Transport Scotland also leads on the transport sector contribution to the Climate Change Plan (CCP). In November 2025, the Scottish Government published the draft CCP, and in March 2026 the final CCP which includes 28 actions for the transport sector to support meeting Scotland's new statutory Carbon Budgets.

Transport Scotland continues to be represented on the Scottish Government Global Climate Emergency (GCE) Board and has its own sector board, the Transport Scotland Climate Change Board (CCB), with a remit covering climate adaptation, mitigation and just transition, which reports to the GCE Board. Transport Scotland Directors are Senior Responsible Officers for oversight of their climate change outcomes and risk mitigation, reporting to the Climate Change Board as required. The Approach to Climate Change Adaptation and Resilience (ACCAR) outlines the key climate risks affecting Scotland's transport system and sets out our strategic outcomes for Road, Rail, Aviation and Maritime transport networks.

Cyber Security

The increasing threat of cyber-attacks requires proactive management to protect Transport Scotland's systems, data and services. Working closely with the Scottish Government, we maintain a range of cyber resilience policies, controls and incident response arrangements, supported by staff training and awareness to reduce risk. During 2025-26, both the Scottish Government and Traffic Scotland achieved Cyber Essentials Plus certification, demonstrating continued commitment to strengthening cyber resilience and safeguarding critical services.

People

Our people are central to Transport Scotland's success and critical to achieving our strategic objectives. Ensuring the wellbeing, engagement and development of our workforce is essential to maintaining the capability and capacity needed to deliver for

Scotland. The Senior Management Team regularly reviews workforce information and considers issues affecting staff, enabling timely action to support employee wellbeing, organisational effectiveness and business performance.

In addition, we are progressing a programme of organisational transformation through our *Transforming Transport Together* Programme. This programme is strengthening Transport Scotland's ability to deliver for Ministers and the people of Scotland, ensuring we are well positioned to respond to future challenges and opportunities. It is helping shape how we operate, align resources to priorities and develop the culture, capability and ways of working required to become an organisation where:

- we are resilient – we have the tools we need to do our job, workload expectations are clear, balanced with capacity and we have collective and transparent controls in place.
- we are delivery and outcomes focused.
- we understand our purpose and can effectively prioritise our work.
- we can efficiently use our available working time.
- we are empowered to work broadly and flexibly across teams.
- we work in a way that aligns with our values, and we have capacity to do that.

Over the last 12 months we have delivered on several areas under our six transformation workstreams:

1. **Organisation purpose** - Developed and embedded a clear and concise internal narrative for our organisation to strengthen understanding of our purpose, vision and values to create a shared sense of direction across Transport Scotland.
2. **Prioritisation exercise** - Identified a set of high-level priorities to help support strategic decision-making and resource allocation aligned with organisational goals.
3. **Wellbeing** - Our mental health first aiders continued to focus on supporting the wellbeing needs of all colleagues across our organisation, with various wellbeing events, staff-led mindfulness support and held a wellbeing week in October.
4. **Organisational design** - Implemented organisational restructuring to ensure resources are better aligned to strategic priorities and business need.
5. **Leadership and managing change** - Designed and launched a line manager development programme as well as co-designed and developed a leadership charter with our senior managers from across the organisation.
6. **Learning and development** - Delivered colleague development sessions as part of our All-Staff calls and held a staff conference for colleagues who came together for the day to learn, network and connect on a wider range of topics.

2. Performance analysis



The purpose of this section is to provide a detailed analysis of the performance of the organisation in 2025-26.

Performance

Transport Scotland produces an annual Business Plan that sets out objectives for each directorate, aligned with the priorities of the National Transport Strategy (NTS) and our corporate commitment to put people at the heart of delivery. Performance against these objectives is monitored on a regular basis to track progress and support delivery. We continue to strengthen our approach to programme and portfolio management through the development and refinement of key performance indicators and milestones, supported by the Strategy, Performance and Analysis Directorate.

The NTS has a Monitoring and Evaluation framework, which highlights headline and secondary indicators that we routinely monitor and report on. Baseline figures were published in 2022 and, in 2024, we published our report, providing an update on the baseline position. The Strategy continues to be monitored with progress reports delivered every 3 years along with an update to the Scottish Parliament on the progress of the Strategy which is due by end of calendar year 2026.

There are also a number of annual statistical publications, such as Transport and Travel in Scotland, which include some of the Strategy's monitoring and evaluation indicators as well as providing statistics on many other issues related to transport.

The fifth NTS Delivery Plan was published on 18 March 2026. This outlined progress across a range of commitments under the four priorities of the National Transport Strategy, as well as contributions from Regional Transport Partnerships and local authorities.

The following pages detail the actions that have been taken to deliver commitments made in the National Transport Strategy.

Reduces Inequalities

Commitments and actions

- Support delivery of concessionary travel and bus sector support by providing a managed payment service.

> **Action: We supported delivery of concessionary travel and the National Concessionary Travel Schemes for those groups who currently benefit, carrying out further policy development to consider better targeting of public funds towards supporting access to public transport for those who need it most.**

- Work with local authorities to ensure as many children as possible can access their free bus entitlement – cutting travel costs and making sustainable travel a more attractive option.

Action: As of 1 March 2026, over 289 million journeys had been made through Scotland's free bus travel scheme for under-22s, introduced four years ago. More than 80% of eligible young people now hold a National or Young Scot Entitlement Card.

- Deliver a £2 million national pilot to support free bus travel for people seeking asylum.

Action: The Scotland-wide pilot launched on 1 December 2025. During the pilot between 1 December 2025 and 31 March 2026, over 3,900 National Entitlement Cards were issued to people seeking asylum and over 332,000 journeys were made.

- Deliver a pilot scheme for a £2 bus fare cap in one of Scotland's transport regions, backed by £3 million in this financial year.

Action: We introduced a £2 bus fare cap pilot in the ZetTrans (Shetland Islands) and HITRANS (Eilean Siar (Western Isles), Orkney, Highland, Moray and most of the Argyll and Bute area) regions, rolled out on a phased basis in early 2026.

- Consult on the smart ticketing and bus open data powers in the Transport Scotland Act 2019 and start to commence these.

Action: We are advancing integrated smart ticketing, guided by the Advisory Board's recommendations, new legislation, and our 2024 strategy's national delivery roadmap.

- Complete the procurement and implement the next generation digital travel data services to ensure continued and improved journey planning information.

Action: Phased improvements to the Traveline Scotland website and app included accessibility enhancements, live vehicle tracking, a next generation data system for journey

planning and disruption management, and alighting alerts for passengers.

Takes climate action

Commitments and actions

- Publish the draft Climate Change Plan.

Action: In November 2025, the Scottish Government published the draft Climate Change Plan which includes 28 actions for the transport sector to support meeting Scotland's new statutory carbon budgets.

- Publish a renewed policy statement on reducing car use in Scotland, which will set a successor target for car use reduction aligned with the development of the Climate Change Plan.

Action: In June 2025, a renewed policy statement was published jointly with COSLA on reducing car use in Scotland, setting out the key next steps. A new target was set and a Regulatory Check on local road user charging powers within the Transport (Scotland) Act 2001 was commenced. This is included in the Climate Change Plan published on 24 March 2026.

- Publish the analysis of the Transport Just Transport Plan consultation.

Action: Analysis of the Transport Just Transition Plan consultation was published on 30 January 2026. This highlighted that the final Plan should be more action-focused, that there needs to be greater consideration of the needs of vulnerable groups and those living in rural areas, and that improvements are needed to public transport to make it a viable and accessible option for all.

- Deliver a higher proportion of zero emission vehicles on our roads, including growing the zero-emission bus and HGV fleets and support skills development to create transition support opportunities.

Action: £445,000 funding was awarded in 2025-26 to nine projects supporting skills development for HDV decarbonisation and transition workforce challenges. Projects include improving diversity in the workforce, addressing training requirements for Zero Emission HDV maintenance and promoting zero emission transport careers in schools. Project leads include the Higher and Further Education sector, Regional Transport Partnerships and private organisations.

The Rural and Island Infrastructure Fund launched on 27 August 2025 and closed in January 2026. The full £4.5 million budget has been allocated with funding going to 138 projects, which will see 266 charge points installed across 151 sites by 31 March 2026.

- Introduce a new pilot grant scheme to help households without off-street parking to install cross-pavement EV charging solutions.

Action: Pilot scheme launched on 28 August 2025 aimed at funding the installation of charging solutions in East Lothian, Renfrewshire and Perth and Kinross, with other local authorities expressing an interest to take part. Grants of up to £3,500 per household for solutions such as pavement gulley technology or pop-up bollards. The pilot scheme received 17 applications and £24,000 was offered in grants.

- Provide up to £4 million to increase the shift of freight from road to rail through the Freight Facilities Grant, and a first round of funding will be introduced for the HGV sector to explore investments in decarbonised vehicles, charging and fuelling options.

Action: £3.4 million was awarded to increase the shift of freight from road to rail or water through the Freight Facilities Grant in 2025-26.

Helps deliver inclusive economic growth

Commitments and actions

- Alongside the 2026-27 Scottish Budget, publish the Infrastructure Delivery Pipeline.

Action: The Infrastructure Strategy was launched for consultation in January 2026 alongside the Infrastructure Delivery Pipeline, which sets out the Scottish Government's planned programme of major capital investment, including transport. The transport projects included in the pipeline are aligned with the second Strategic Transport Projects Review (STPR2) and wider government investment priorities, supporting a coordinated and long-term approach to infrastructure planning and delivery.

- Support the delivery of Clyde and Hebrides and Northern Isles Ferry Service contracts connecting island and peninsula communities in Scotland with the mainland.

Action: The Clyde and Hebrides Ferry Services (CHFS3) contract was awarded directly to CalMac Ferries Ltd, coming into effect on 1 October 2025, following conclusion that the award met the requirements of the in-house (Teckal-compliant) exemption under the Public Contracts (Scotland) Regulations 2015.

Both the MV Glen Sannox and MV Isle of Islay were delivered and are deployed on the CHFS network. MV Glen Sannox serves Isle of Arran connections but has also provided network resilience cover, including Oban-Barra connections. MV Isle of Islay will provide increased capacity connections to Islay and Jura (alongside services to Colonsay).

- Deliver an investment programme for vessel replacement as set out in the ICP Vessels and Ports Plan.

Action: Business cases for infrastructure works at major ports were progressed. In 2025, the infrastructure upgrade works at Canna port and Uig harbour (terminal building) were completed.

Ownership of Ardrossan Harbour was secured through a shareholder directive (a formal instruction issued on behalf of Transport Scotland on behalf of Scottish Ministers) issued to CMAL to complete the acquisition from Peel Ports. This important milestone supports the long-term redevelopment of Ardrossan as the principal mainland port serving Arran and provides a platform for future investment in ferry infrastructure

and services. The acquisition was supported by a Written Authority from Scottish Ministers following an Accountable Officer assessment.

Initial activity has focused on ensuring the harbour remains safe and operational, with CMAL meeting the ongoing costs associated with ownership, including security and site management. Further investment will be required once redevelopment plans are agreed and approved. As owner of the site, CMAL will be responsible for delivering future redevelopment activities.

- Dual the A9 between Perth and Inverness by 2035.

Action: Dualling of the A9 was progressed, with construction ongoing on the Tomatin to Moy, and Tay Crossing to Ballinluig contracts, and continued procurement for the Pitlochry to Killiecrankie project.

The 2026 Delivery Plan was published which sets out the timeline for the remaining projects yet to commence procurement. The consultation process for the procurement of a £1.94 billion Framework Agreement was also launched during 2025-26. The Framework Agreement is intended to be used to deliver the remaining five contracts.

The publication of the draft Orders for the Pass of Birnam to Tay Crossing section on 30 May 2025 was an important step forward for the project. These draft Orders set out the legal powers needed to deliver the scheme and form part of the formal approval process. Since then, work has continued to secure the approvals needed to allow the project to move forward.

- Conclude decision-making on the use of Mutual Investment Model (MIM) contracts on the A9 Dualling programme.

Action: The Budget and Spending Review statement on 13 January 2026 confirmed the A9 Dualling programme will be delivered using capital funded contracts. Updated financial modelling concluded that Mutual Investment Model contracts would prove poorer commercial value for money than capital funding.

- Take forward a transport enhancement programme on the A96 corridor; and conclude the A96 Corridor Review.

Action: Following detailed consultation and consideration, the Scottish Government confirmed on 3 February 2026 that it remains fully committed to dualling the A96 with a phased approach to dualling being its response to the Corridor Review. Alongside this, the statutory processes to acquire the land necessary for dualling the A96 between Inverness and Nairn, including the Nairn Bypass, and the adjacent A9/A96 Inshes to Smithton link road was completed successfully.

- Deliver the Medium-Term Solution and preparatory work for the Long-Term Solution on the A83 at the Rest and Be Thankful.

Action: Progress continued on the remaining elements of the medium-term improvements, along with the long-term solution through the statutory authorisation process. In addition, detailed ground investigation site works were completed during the period. These works provided essential information to inform design development of the long-term solution.

- Design and deliver a programme of trunk road improvement and other transport infrastructure projects supporting local and regional economies sustainably including City Region Deal projects and M8 Woodside Viaduct.

Action: Preparation work has continued to be progressed on A9/A96 Inshes to Smithton, A720 Sheriffhall Roundabout, A90/A937 Laurencekirk Junction, A75 Springholm and Crocketford Improvements.

The M8 Woodside Viaducts permanent intervention project has progressed during the period, including delivery of public engagement (February–March 2026) to inform development of the Strategic Business Case and ongoing appraisal of options.

- Safely operate and maintain Scotland's trunk road and bridge network using established and robust asset management and environmental principles, allowing it to contribute to Scotland's sustainable economic growth.

Action: During 2025-26, approximately 500 km of trunk road carriageways were strengthened or resurfaced, helping to maintain the condition and resilience of Scotland's trunk road network. In addition, around 1,839 km of road markings were renewed, over 9,000 potholes repaired, and almost 100,000 road studs replaced. Significant investment was also made in footways, safety barriers, drainage systems and other critical road assets, supporting the safe and reliable operation of the network for road users.

- Complete electrification and enhancement of the East Kilbride rail line in 2025-26, enabling the introduction of electric trains on the route from December 2025.

Action: Hairmyres rail station opened on 18 May 2025, and the re-built East Kilbride Station opened on 20 August 2025 and passenger electric services commenced on 14 December 2025.

- Procurement of ScotRail's Intercity Fleet Replacement Programme and explore options around replacement of ScotRail's suburban fleet.

Action: The Intercity Replacement Programme was approved and the contract was awarded in March 2026. The procurement process for financing options for a new suburban train fleet commenced on 27 February 2026.

Improves our health and wellbeing

Commitments and action

- Undertake a National Speed Management Review.

Action: Outcomes flowing from the National Speed Management Review are being delivered; work is underway to increase speed limits on single carriageways from 40 mph to 50 mph, and on dual carriageways from 50 mph to 60 mph for Heavy Goods Vehicles (HGVs).

On the trunk road network, urban speed reductions have been implemented, including new 20 mph zones, part-time limits,

and other measures to support casualty reduction and active travel.

- Deliver road safety initiatives that will reduce road casualties in line with the Government's casualty reduction targets which are contained within the Road Safety Framework to 2030. We will provide safe system training to all road safety practitioners and publish a Safe System Road Safety Manual.

Action: During 2025–26, delivery included the continued rollout of Safe System training and supporting tools for partners, including e-learning resources, alongside the ongoing embedding of the Safe System approach through a range of published guidance and resources. These included:

- **The Safe System Manual, which clearly sets out the roles and responsibilities of those involved in delivering the Safe System approach, providing a consistent framework for road safety practitioners across Scotland.**
- **The Safe System Cultural Maturity Playbook, which draws on 40 case studies to support the development of a mature safety culture. The Playbook enables organisational leaders with responsibility for road safety to take practical steps to strengthen organisational understanding, embed expectations, and build mission-oriented approaches to improving road safety outcomes.**

- Ensure all appropriate roads in built-up areas have a safer speed limit of 20 mph by 2025, forming a task group to plan the most effective route for implementation.

Action: £10 million was awarded to local authorities in 2025-26 to assist in the rollout of 20 mph speed limits. Twelve local authorities fully completed implementation by March 2026. Many of those local authorities have reported vehicle speed reductions. The most notable single reduction recorded to date was a 7 mph drop in a location in the Highlands, achieved through signage alone.

- Manage, maintain and develop the Traffic Scotland Service and the provision of accurate and relevant traffic and travel information to customers through

roadside display equipment, variable message signs, and web services, contributing to the safe, efficient and resilient operation of the trunk road and motorway network.

Action: During 2025-26, Transport Scotland oversaw the delivery and development of its 24/7/365 national control room service, supporting the safe and efficient operation of Scotland's trunk road network. Key achievements included:

- **Replacement of electronic signing at thirty high-priority locations on the Glasgow Motorway Network, improving the reliability and effectiveness of real-time information provided to road users.**
- **Publishing more than 13,000 updates on the Traffic Scotland X channel to its 388,000 followers helping road users make informed travel decisions and plan more efficient journeys.**
- **Answering over 1,600 emergency roadside telephone calls, providing assistance and support to customers in need of assistance**

Providing Traffic Scotland Radio, delivering regular real-time traffic information on the trunk road network, which was listened to over 760,000 times in 2025/2026.

- ScotRail to implement measures to address anti-social behaviour to protect staff and passengers, particularly unacceptable behaviour targeted at women and girls. This will include further deployment of Travel Safe teams.

Action: New alcohol regulations introduced on 2 June 2025 whereby consumption of alcohol is permitted during specified times, with ScotRail able to determine higher risk services where alcohol will not be permitted.

3. Environmental and social matters



Information management and data protection

We operate in line with the Scottish Government Information Governance Strategy and Records Management Plan. All information assets are recorded on the Scottish Government Information Asset Register (IAR), with Directors acting as Information Accounting Officers for their areas, supported by guidance, mandatory training, and Deputy Information Accounting Officers (IAOs).

During 2025–26, we focused on compliance and continuous improvement, including completing the annual data protection and information governance assurance exercise and delivering ongoing actions to maintain good practice, supported by advice, training, and guidance.

All data subject rights requests were completed within statutory timescales. Correspondence performance was monitored through regular reporting to the Chief Executive, Senior Management Team, and Business Managers.

Sustainability

The Environment, Climate and Sustainability Directorate at Transport Scotland lead on corporate climate change mitigation, including the development and implementation of a Carbon Management Plan (CMP), associated targets and statutory annual reporting under the Public Bodies Climate Change Duties (PBCCD).

In 2023, we published the fourth iteration of our Carbon Management Plan: Pathway to Net Zero 2022-27, which sets out Transport Scotland's commitment to meeting the Scottish Government's net zero targets. Since the publication of the CMP, a number of projects have taken place which support our efforts to meet net zero corporate emissions.

The Agency is directorate lead for 'Outcome 3: Public Services and Infrastructure – Transport System' under the third Scottish National Adaptation Plan (SNAP3) and provides statutory annual reports.

In 2023, we published our Approach to Climate Change Adaptation and Resilience (ACCAR), which includes an ambitious Vision for "A transport system which is well adapted and prepared for current and future impacts of climate change, is safe for all users, reliable for everyday journeys, and resilient to weather related impacts." The ACCAR provides our current approach to adaptation and outlines strategic outcomes for Road, Rail, Aviation and Maritime transport networks, to address the key climate risks affecting Scotland's transport system.

Progress towards achieving Net Zero Emissions by 2045

We are living in a global climate emergency where the impacts of climate change, caused by human influence, are already being felt in Scotland and across the globe. Climate Change is a primary focus of the Scottish Government, with one of the First Minister's four priorities being 'tackling the climate emergency'.

Scotland's climate change legislation sets a target of net zero emissions by 2045. In response, Transport Scotland developed a Carbon Management Plan outlining how we will achieve net zero across our corporate functions. We achieved our Scope 1 target in September 2025 through upgrades at the Traffic Scotland National Control Centre (TSNCC) and relocating to 177 Bothwell Street, an energy-efficient, gas-free building. At TSNCC, installing an Air Source Heat Pump reduced emissions by 9.34 tCO_2 annually.

To address Scope 2 emissions, we have installed LED lighting, switched the back-up generator to hydrotreated vegetable oil, and are exploring solar options. Emissions have been further reduced by moving to a fully electric office powered by 2.52 GWh of certified renewable energy from Blantyre Muir Wind Farm.

Scope 3 emissions are on track to offset any residual emissions through a number of insetting tree planting schemes which have taken place over the last few years. During 2025-26, a further 5-hectare site was planted and verified under the Woodland Carbon Code.

Within the CMP we have included the scope of influence (scope i), whereby we aim to work with industry partners and stakeholders to reduce their own emissions and aid in meeting the 2045 target. In February 2026, Transport Scotland published a Net Zero Route Map which sets out a clear and evidence-based pathway to eliminate emissions from the operation, maintenance and improvement of the Trunk Road Network (TRN) by 2045. The Route Map establishes a robust emissions baseline and provides a clear, credible pathway to Net Zero. Through continued collaboration with industry partners and operating companies, we will ensure Scotland's trunk roads remain safe, reliable, and resilient while supporting our national climate commitments.

Approach to Climate Change Adaptation and Resilience (ACCAR)

Many of the climate impacts we have been experiencing in recent years will remain ‘locked in’ for the coming decades. With the rising frequency and intensity of extreme weather events projected to escalate, it is critical that we take urgent action to prepare and protect our transportation networks from further disruption and damages. The ACCAR outlines our current approach and strategic vision for our transport system.

In October 2025, we published the Trunk Road Adaptation Plan (TRAP), which is a key sub-outcome of the ACCAR, and is a significant step in delivering urgent action to prepare and protect our road networks from further disruption and damage. The TRAP identifies where and how the trunk road network is currently affected by climate change, and how these impacts are expected to evolve using climate projections into the 2050s and 2080s.



Corporate Carbon Emissions

Significant progress has been made across all scopes, with emissions reduced by 74% from the 2015–16 baseline to the 2025–26 reporting year. Over the past year, however, total corporate emissions increased by 5.65%. This increase is primarily attributable to changes in data collection and updates to government emission factors, which have resulted in higher reported Scope 3 emissions, contributing to an overall rise in emissions during the reporting period.

In particular, increases have been observed in water, waste, commuter travel and home working emissions. The increase in water emissions reflects the application of updated government emission factors. Higher reported waste emissions are the result of improved data collection and reporting practices. The increase in commuter travel emissions is driven by a revised calculation methodology informed by the latest staff travel survey, while home working emissions have risen due to an updated approach to their calculation.

There have been significant improvements in Scope 1 gas emissions, which decreased by 75% over the past year. This is due to the removal of gas at the TSNCC and a move to a more energy efficient building. Scope 2 emissions increased slightly by 0.71%, driven by higher energy demand, particularly from Roadside Electrical Assets.

During 2026-27, we will enter the final year of the Carbon Management Plan. A programme of energy efficiency projects has been identified at the TSNCC, and we will prioritise behaviour change engagement campaigns with TS staff to support in reducing our emissions towards net zero.

Corporate Carbon Emissions 2025-26

Element	Metric	Baseline 2015-16	Actual in 2024-25	Actual in 2025-26	% change compared to previous year	% of total emissions
Total Emissions	tCO2e	22,222	5,572	5,887	5.65%	
Gas	tCO2e	265	28.84	7.2	-74.49%	0.12%
Electricity	tCO2e	20,137	5,367	5,405.63	0.71%	91.82%
Water	tCO2e	3.13	0.5	1.06	111.37%	0.02%
Waste	tCO2e	2.02	0.15	10.84	7125.63%	0.18%

Element	Metric	Baseline 2015-16	Actual in 2024-25	Actual in 2025-26	% change compared to previous year	% of total emissions
Business Travel	tCO2e	188	57.11	59.82	4.65%	1.02%
Commuter Travel	tCO2e	156	27.39	131.72	380.89%	2.24%
Home Working	tCO2e	-	90.98	271.07	197.94%	4.61%

Sustainable Procurement

Transport Scotland's Corporate Procurement Strategy for 2025-2026, which was published in July 2025, detailed how procurement activity would support Transport Scotland in achieving our corporate objectives. Our procurement strategy for the reporting period is aligned with the Scottish Government's Public Procurement Strategy for Scotland 2023-2028 and has a focus on implementing sustainable procurement throughout all our procurement activity. During the reporting period we spent almost £1.2 billion on our procured contracts. Details of our procurement activity including spend figures will be included in Transport Scotland's Annual Procurement Report, to be published later in 2026.

Each of our significant procurements requires a project procurement strategy, which ensures that project managers consider supported businesses, environmental impact, fair work, community benefits, accessibility and cyber security for all our regulated procurements.

We remain at the forefront of implementing community benefits into our contracts and a wide range of community benefits are delivered though our contracting activity. These include new jobs, training, and work placement opportunities as well as engagements with the communities in which we work, such as school visits, interaction with community groups, and donations to charities. A case study detailing some of the community benefits we have provided will be included within our Annual Procurement Report.

4. Financial performance



Queensferry Crossing by Lawrence Shackman

Financial performance

The purpose of this section is to summarise the financial performance against the budget for the 2025-26 financial year. Transport Scotland receives the majority of its funding from the Scottish Government, with a small amount of generated income (Note 5). During 2025-26, £3.9 billion funding was received from the Scottish Government and total income generated was £33.3 million.

Transport Scotland's funding from the Scottish Government includes funding for its Non-Departmental Public Bodies (NDPBs) including, Highland and Island Airports (HIAL), David MacBrayne (DML), Scottish Canals and Scottish Rail Holdings (SRH). The expenditure of NDPBs is reported in Transport Scotland's consolidated HM Treasury Total outturn in the same way as Transport Scotland's own spending.

While Transport Scotland's budgets are recorded through the Scottish Government accounting system (Oracle), the organisation is accountable for the full HM Treasury budget position, including expenditure and accounting adjustments reported by its sponsored bodies. The tables below therefore present the total HM Treasury outturn for which Transport Scotland is accountable. Budgets are revised throughout the year through the Scottish Government's Autumn Budget Revision (ABR) and Spring Budget Revision (SBR) processes to reflect changes in funding and forecast expenditure.

Overview

Transport Scotland maintained strong financial control throughout 2025-26, managing expenditure within 1% of its overall budget allocation. While the year-end HM Treasury Outturn shows an overall overspend of £41.9 million, (2024-25: £248.4 million underspend), this position is wholly attributable to non-cash and Annually Managed Expenditure (AME) adjustments. These budgets are inherently volatile, largely driven by accounting adjustments and valuation movements, and are therefore managed through wider Scottish Government budget processes. As such, they do not affect the resources available to support front line transport services or capital investment programmes.

Total Budget and Outturn

Directorates	Opening Budget Bill 2025-26 £'000	Budget as at SBR 2025-26 £'000	Outturn 2025-26 £'000	Variance to SBR Budget £'000	% Variance
Rail Services	1,418,639	1,508,367	1,449,761	(58,606)	-4%
Concessionary Fares and Bus	471,224	482,724	479,814	(2,910)	-1%
Motorway and Trunk Roads	1,010,647	1,036,423	1,169,445	133,022	13%
Ferry Services	533,047	437,465	435,471	(1,994)	0%
Air Services	79,558	71,858	63,606	(8,252)	-11%
Other Transport	295,554	251,053	243,017	(8,036)	-3%
Local Authority Grants	72,727	12,400	12,760	360	3%
Total SG funding	**3,881,396**	**3,800,290**	**3,853,874**	**53,584**	**1%**
HMT Adjustments	203,594	141,980	130,265	(11,715)	-8%
HMT TOTAL	**4,084,990**	**3,942,270**	**3,984,139**	**41,869**	**1%**

Other Transport includes Sustainable and Active Travel and Low Carbon expenditure. Motorway and Trunk Roads include Safety, Adaptation, Maintenance and Improvement.

Outturn Analysis by Budget Classification

Budget Classification	Budget as at SBR 2025-26 £'000	Outturn 2025-26 £'000	Variance to SBR Budget £'000	% Variance
Resource	1,592,629	1,566,630	(25,999)	-1.6%
Capital	2,010,564	1,970,160	(40,404)	-2%
Non-cash	345,135	434,915	89,780	26%
Financial Transactions	(10,000)	(10,000)	-	0%
AME	3,942	22,434	18,492	469%
HMT TOTAL	**3,942,270**	**3,984,139**	**41,869**	**1%**

Nil values are denoted by '–'

Outturn variances – summarised by budget classification

Outturn variances by budget classification	2025-26 £'000
Technical accounting adjustments (provisions)	18,492
Non-cash	89,780
Air Services Resource	(3,304)
Concessionary Fares and Bus Services Resource	64
Ferry Services Resource	923
Rail Services Resource	(22,297)
Other Transport Resource	5,548
Motorway and Trunk Roads Resource	(5,703)
Air Services Capital	(4,464)
Concessionary Fares and Bus Services Capital	(2,974)
Ferry Services Capital	(3,364)
Rail Services Capital	(21,168)
Other Transport Capital	(16,898)
Motorway and Trunk Roads Capital	7,232
Total Outturn Variance	41,869

Resource

Resource expenditure was £26 million (1.6%) below budget. This reflected lower than anticipated expenditure across a number of areas, including rail services, roads and air services, partially offset by pressures within demand-led concessionary travel schemes and higher operating costs in some transport programmes.

The largest contributor to the underspend was Rail Services, where lower than anticipated costs and additional income generated by Scottish Rail Holdings resulted in a net underspend of £22.3 million. Underspends were also reported within Roads and Air Services, reflecting lower programme costs and favourable operational conditions during the year.

These underspends were partially offset by overspends within Other Transport and Ferries. Overall, the resource underspend reflects effective in-year financial management and monitoring of expenditure across the portfolio.

Capital

Capital expenditure was £40.4 million (2%) below budget, primarily reflecting the reprofiling of expenditure and changes in the timing of delivery across a number of programmes. The largest underspend was within Rail Services at £21.2 million, where infrastructure works were rescheduled due to delays in materials and supplier delivery. Further underspends arose within Other Transport (primarily Active and Sustainable Travel), Air Services, Ferries, and Concessionary Fares and Bus Services, reflecting a combination of procurement challenges, delivery delays, adverse weather and changes to programme timetables. These underspends were partially offset by additional investment in the trunk road network, where increased maintenance activity supported safety-critical adaptation and network strengthening programmes.

Financial Transactions

Financial Transactions budgets support loans and other repayable investments rather than day-to-day expenditure. During 2025-26, the Transport portfolio returned £10 million of Financial Transaction repayments from the Low Carbon Transport Loan Scheme, in line with an agreement reached with the Cabinet Secretary for Finance and Local Government. These repayments contributed to the Scottish Government's overall Financial Transactions budget position and represent the return of previously invested funds rather than a reduction in operational spending.

Non-Cash

The non-cash depreciation budget is influenced by accounting valuations of infrastructure assets, particularly the trunk road network. The outturn exceeded budget by £89.8 million (26%), reflecting year-end valuation movements that could not have been reliably estimated when the budget was set. These non-cash adjustments are accounting in nature and do not impact Transport Scotland's operational spending power.

Annually Managed Expenditure (AME)

AME reflects non-cash accounting adjustments relating primarily to provisions and other technical accounting requirements. Outturn was £18.5 million above budget, reflecting movements in the value of provisions during the year, including the release of provisions no longer required and the recognition of revised liabilities as projects progressed. The variance is predominantly driven by increased provisions associated with infrastructure projects. As AME budgets are ringfenced and managed separately from operational spending budgets, these adjustments do not

affect the resources available to support the delivery of transport services or infrastructure investment programmes.

Reconciliation of overall outturn to the SoCNE

The Statement of Comprehensive Net Expenditure (SoCNE) records net operating costs of £3,497 million. Capital expenditure and HM Treasury Adjustments relating to NDPBs are not recognised as in-year expenditure within the SoCNE. The table below reconciles the overall HM Treasury outturn to the SoCNE position.

Reconciliation of outturn to the SoCNE	2025-26 £'000
Net Operating Costs from SoCNE	**3,497,326**
Add: HMT Adjustments that do not go through the SoCNE	130,265
Add: Additions to PPE (Note 6)	277,959
Add: Additions to Investments (Note 9)	101,574
Less: Repayments of Investments (Note 9)	(22,985)
Reconciled HM Treasury Outturn	**3,984,139**

5. Looking ahead



Looking ahead

As an agency of the Scottish Government, we remain focused on the national outcomes of the National Performance Framework, and the four priorities of the National Transport Strategy: Reduces Inequalities, Takes Climate Action, Helps Deliver Inclusive Economic Growth and Improves our Health and Wellbeing.

Scotland's transport system underpins economic prosperity, connects communities and enables access to employment, education, healthcare and leisure opportunities. In the year ahead, we will continue to invest in and enhance transport services and infrastructure, support delivery of the Scottish Government's priorities, and work with our partners to build a transport system that is safe, sustainable, resilient and accessible for all.

Helps Deliver Inclusive Economic Growth

We will invest almost £4.3 billion to maintain and enhance Scotland's transport network, including £2.7 billion for public transport services and infrastructure and £1.2 billion for the safe operation and improvement of the strategic trunk road network. Through this investment we will support sustainable economic growth, improve connectivity and strengthen the resilience of Scotland's transport network for communities and businesses.

Key priorities will include progressing major transport infrastructure, including the A9 Dualling Programme, the A96 Inverness to Nairn scheme (including the Nairn Bypass), continued appraisal and development of a permanent solution for the M8 Woodside Viaduct, and the delivery of both the medium- and long-term solutions to the landslip risks at the A83 Rest and Be Thankful. We will also continue to support regional economic development through investment in City Region Deal projects and provide technical assurance to the development of Clyde Metro proposals.

We will continue to invest in Scotland's railways through maintenance and renewal programmes, including preparations for the 2028 Perth signalling and track renewal programme, while supporting the development of new rail station proposals at locations such as Newburgh and Winchburgh. We will also work with the UK Government and Great British Railways (GBR) to establish future rail governance arrangements in Scotland and ensure the long-term delivery of services that are specified and funded by Scottish Ministers.

Investment will continue across Scotland's ferry, ports and harbour infrastructure, with build work continuing on the four major vessels and seven small electric ferries for the CHFS network. CMAL and Transport Scotland will continue to monitor and take appropriate action to secure the completion and deployment of these vessels as quickly as possible. Procurement is also underway for MV Lord of the Isles replacement vessel, while two Northern Isles Freight Flex vessels have been commissioned. In parallel, work continues on the implementation of long-term investment plans for ports and harbours. Following the acquisition of Ardrossan Harbour into public ownership in March 2026, plans for its future redevelopment will be progressed, helping to strengthen the long-term resilience of ferry services and support wider regeneration opportunities.

Alongside these investments, we will continue to deliver public service reform across Transport Scotland and its delivery bodies. We will also continue to modernise transport technology and customer information services through upgrades to Traffic Scotland, the introduction of a new Customer Care Line, and enhancements to Traveline, including next-generation journey planning and disruption management systems. Together, these investments will improve connectivity, support local and

regional economies, strengthen supply chains and support the efficient movement of people and goods across Scotland.

We will continue to work collaboratively with major event organisers and partners to ensure Scotland's transport networks support the successful delivery of nationally and internationally significant events, including the Royal Highland Show, Glasgow 2026 Commonwealth Games, the BBC Radio 2 Summer Sessions in Stirling and the International Airshow in Ayr. By providing safe, reliable and efficient transport connections, we will help maximise the economic, tourism and community benefits these events bring to Scotland while supporting the effective movement of people across the country.

Reduces Inequalities

We will continue to improve access to transport and reduce barriers to travel, ensuring people and communities across Scotland can access employment, education, healthcare and essential services. This includes supporting concessionary travel and national travel schemes, by working with partners to progress a £2 bus fare cap to Glasgow, Ayrshire, Dunbartonshire, Renfrewshire, Lanarkshire, and Inverclyde within the first 100 days of this government. Furthermore, distributing £10 million to Regional Transport Partnerships through our People and Place delivery model to support local interventions that address transport related barriers to employment and opportunity.

We will continue to improve accessibility and integration across the transport network through delivery of the Accessible Travel Framework and advance our Vision for an integrated public transport system, including developing the business case for better integrated public transport fares and a Multi-modal Integrated National Ticketing System, to provide a more affordable, available and accessible public transport network across Scotland. Alongside the ongoing provision of rail, ferry and aviation services, these actions will help create a more connected, inclusive and accessible transport system that supports communities across Scotland.

Takes Climate Action

We will continue to support Scotland’s transition to a low-carbon and climate-resilient transport system through investment in sustainable transport, decarbonisation and climate adaptation. Key priorities include advancing rail decarbonisation on the Borders and Fife routes through the Rail Recharged Strategy, supporting the expansion of electric vehicle charging infrastructure through the Electric Vehicle Infrastructure Fund and cross-pavement charging scheme, and continuing investment in active travel infrastructure across Scotland.

During the year, we will also strengthen our strategic approach to environmental sustainability by publishing Transport Scotland's Biodiversity Strategy, developing a Transport Just Transition Plan following publication of the final Climate Change Plan, and publishing a Net Zero Route Map setting out our pathway to achieving net zero emissions associated with the operation, maintenance and improvement of the trunk road network by 2045.

Alongside emissions reduction, we will continue to improve the resilience of Scotland's transport network to the impacts of climate change. Through the Approach to Climate Change Adaptation and Resilience (ACCAR) programme, we will work collaboratively with stakeholders to deliver adaptation actions that strengthen the resilience of transport infrastructure and services to severe weather and other climate-related risks.

Improves our Health and Wellbeing

We will continue to enhance the safety, reliability and resilience of Scotland's transport system, supporting healthier, safer and better connected communities. Key priorities will include investing in the safe operation, maintenance and improvement of the trunk road network, maintaining and renewing Scotland's rail infrastructure, delivering high-quality active travel infrastructure across Scotland, and managing the Clyde and Hebrides and Northern Isles Ferry Services contracts to support safe, reliable and sustainable ferry services that connect island and rural communities. We will also improve the quality of information and services available to travellers through upgrades to Traffic Scotland, Traveline and wider transport technology systems.

We will continue to improve road safety through the rollout of 20 mph measures on the trunk road network and delivery of casualty reduction initiatives, including targeted speed management interventions designed to support safer travel across Scotland. Alongside this, we will strengthen the resilience of transport services and infrastructure, improve customer information and journey planning, and work with operators and partners to ensure Scotland's transport networks continue to support safe, reliable and efficient travel for residents, visitors and businesses.

Future Spending Plans

The 2026-27 Scottish Budget provides details of our spending plans. The budget reflects a strong focus on public transport, road safety, low carbon initiatives, and major infrastructure projects while promoting affordable, accessible, and sustainable travel that will help deliver sustainable economic growth. The table below presents the allocations that were provided in line with **Scottish Budget 2026-27**.

The 2026-27 Budget of £4.282 billion (2025-26 £3.934 billion) is an increase of 8.8% from the prior year's Budget.

Transport Scotland Budget Type	2026-27 (£'000)
Capital	2,294,700
Fiscal Resource	1,683,800
Resource Depreciation (Non-Cash)	320,900
AME (Non-Cash)	8,200
Financial Transactions	(26,100)
Total SG Funding	**4,281,500**

The going concern basis has been used in the preparation of this Annual Report and Accounts as all activities performed by Transport Scotland are expected to continue for the foreseeable future.

Alison Irvine
Chief Executive

Alison Irvine

The Accountable Officer authorised these financial statements for issue on 05 October 2026

6. Accountability report



Pitlochry Train Station by Tommy McPhelim

Corporate Governance Report

Directors' Report

Relationship with Scottish Government

Scottish Ministers are responsible for determining the overall policy and resources framework within which Transport Scotland operates. We are accountable to Ministers, and Ministers are accountable to Parliament for our functions and performance. Being an Executive Agency, our management and budgets are separate from core Scottish Government, and our Chief Executive is accountable for managing our performance and the budget required to deliver a high-quality service based on our values of dignity, fairness and respect.

Throughout the financial year 2025-26, Fiona Hyslop MSP was the Cabinet Secretary for Transport.

Jim Fairlie MSP was the Minister for Agriculture and Connectivity, with responsibility for Aviation and Air Services, Island Connectivity, Bus Services and Concessionary Fares and Scottish Canals. The Minister reports jointly to the Cabinet Secretary for Transport and for Rural Affairs, Land Reform, and Islands. The Minister has additional responsibilities sitting within the latter portfolio which are outside the remit of Transport Scotland.

Transport Scotland forms part of the Net Zero Portfolio within Scottish Government, overseen by Director-General (DG) Net Zero, Roy Brannen (until November 2025) and Andy Kerr (from November 2025). The relationship between Transport Scotland, DG Portfolio and the wider Scottish Government is outlined within the Agency's Framework Document.

The Chief Executive

Alison Irvine is the Chief Executive and the Accountable Officer for Transport Scotland. The Chief Executive is appointed by the Permanent Secretary as Principal Accountable Officer for the Scottish Government under the terms set out in their letter of appointment, in line with the Scottish Public Finance Manual.

The Chief Executive is supported by the Transport Scotland Senior Management Team, comprised of Directors with specific responsibilities delegated from the Chief Executive, in addition to a direct support team. The Directors are, in turn, supported by their own teams, with responsibilities aligned to Transport Scotland's corporate objectives.

Audit and Risk Committee

The external members of the Transport Scotland Audit and Risk Committee provide the Chief Executive with further assurance in that role; and are also members of major project boards within Transport Scotland. The Audit and Risk Committee was chaired by John Matheson until 30 April 2025 and was succeeded by Graeme Dickson who has been appointed chair until 31 August 2028.

Lesley Macleod served as a member of the committee throughout the reporting year, and her appointment has been extended until August 2028. David Climie, Gillian Bruton and Iain Stewart have been appointed to the Committee from 1 May 2025 until 31 August 2028.

Directors' Register of Interests

A register of interests for all Executive Advisory Body and Executive Team members is maintained and published on our website.

Other disclosures

Personal Data Related Incidents

There were no personal data-related incidents reported to the Information Commissioner's Office (ICO) in 2025-26 (2024-25: None).

Supplier Payment Policy

We are committed to prompt payment of bills for goods and services in compliance with the Scottish Government's Public Finance Manual. We aim to settle all undisputed invoices within contract terms and in line with the Scottish Government 10-day payment policy. We settled 96% of invoices within this timescale within 2025-26 (2024-25: 96%).

Freedom of Information (FOI) Request Statistics

Under the Freedom of Information (Scotland) Act 2002 (FOISA), a person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority, subject to certain conditions and exemptions set out in the Act. Within 2025-26, Transport Scotland received 709 information requests (2024-25: 568), 99% of which were responded to within the statutory working time of 20 working days (2024-25: 99%).

Basis of Accounts

Transport Scotland's accounts are prepared in accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

Departmental Accounting

These accounts reflect the assets and liabilities of Transport Scotland as at 31 March 2026, and the financial results of the agency for financial year 2025-26, as required by and defined in the Government Financial Reporting Manual. As an Executive Agency of the Scottish Government, Transport Scotland falls within the reporting boundary and is consolidated within the Scottish Government accounts, as required by the FReM.

External Audit

The financial statements for 2025-26 were audited by auditors appointed by the Auditor General for Scotland. Audit Scotland carried out this audit and the notional fee for this service was £214,660 (2024-25: £205,750 plus an additional fee of £25,569), which related solely to the provision of the statutory audit service. There were no payments made for non-audit work in the year.

Statement of Accountable Officer's Responsibilities

Under Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed Transport Scotland to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Transport Scotland and of its income and expenditure, Statement of Financial Position, and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by 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 whether the applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the financial statements.
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced, and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced, and understandable.

The Principal Accountable Officer for the Scottish Administration has designated the Chief Executive of Transport Scotland as Accountable Officer for the agency, under Section 15 of the Public Finance and Accountability (Scotland) Act 2000. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the assets of Transport Scotland, as set out in the Memorandum to Accountable Officers issued by the Scottish Government.

As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Transport Scotland's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

The Accountable Officer is personally answerable to the Scottish Parliament for the propriety and regularity of Transport Scotland activities and for the economical,

efficient, and effective use of all associated resources. The Accountable Officer is also responsible for signing the accounts of Transport Scotland.

Governance Statement

Framework

The corporate governance framework is comprised of the systems, processes, culture, and values by which Transport Scotland is directed and controlled. It is concerned with the structures and procedures of decision-making and accountability. It is used to monitor the achievement of corporate outcomes within the organisation. The framework includes, but is not limited to, the responsibilities of the Chief Executive, the Senior Management Team, the Investment Decision-Making Board and the Audit and Risk Committee.

The Chief Executive

The Chief Executive, as the Agency's Accountable Officer, is responsible for maintaining a sound system of internal control that supports the achievement of Transport Scotland's policies, aims and objectives as set out by Scottish Ministers, while safeguarding the public funds and departmental assets for which she is responsible, in accordance with the Scottish Public Finance Manual.

The Senior Management Team

The Chief Executive is supported in discharging her duties by a Senior Management Team (SMT), an advisory body of eight Directors until December 2025 and 10 Directors from December 2025, per Our Organisation (refer to the Organisation section for more details). In 2025-26, the SMT met on a twice weekly basis and provided support, advice, and challenge on a number of areas, including:

- Transport Scotland's values, vision, strategy, and objectives
- Corporate performance, including policy across the remit of Transport Scotland's and the operation of the transport network
- Governance and delivery of projects
- Assurance that Transport Scotland has the necessary financial, human, infrastructural and physical resources to deliver on its objectives
- Assurance on risk management, governance, and internal control

Investment Decision Making Board

The Investment Decision Making Board (IDM) is a forum where Directors meet to agree on investment decisions within Transport Scotland, providing the Chief Executive Officer with assurances on:

- Value for money
- Financial implications (current year and future commitments)
- Fit with overall transport policy and strategic aims
- Technical assessment of options
- Procurement strategy

IDM is a management forum used to ensure delivery of the business targets and strategic direction agreed by the SMT and Ministers. It is not a sub-committee of the SMT, but minutes of IDM are circulated to SMT members for information.

The Chief Executive, as Accountable Officer, is the Investment Decision Maker within Transport Scotland. She may call on both Transport Scotland Directors and external experts to provide her with advice on the decisions to be made.

Project Boards

Some projects, due to their wider implications beyond Transport Scotland, have separately constructed Project Boards. These operate within a bespoke Investment Decision Making structure but retain the Chief Executive as the Investment Decision Maker. The decision-making process for these structures is consistent with the principles of the IDM Board.

Audit and Risk Committee

The Audit and Risk Committee is comprised of external members who bring constructive challenge and independent judgement to the governance of Transport Scotland. It meets four times per year, although the Chair has the power to convene additional meetings if required. The Chair also meets regularly with the Chief Executive and the Director of Finance and Corporate Services to keep abreast of developments.

In addition to the Committee's members, it is normally attended by the Chief Executive, the Director of Finance and Corporate Services, a representative of internal audit and a representative of Audit Scotland. Other Transport Scotland officials may also attend to support the consideration of specific issues as required.

The Audit and Risk Committee advises on risk management, control and governance, audit and the approval of the annual report and accounts, and assurances on corporate governance. The external members are also invited to participate in boards appointed for the governance, approval and oversight of major projects, investments, and climate change.

The Audit and Risk Committee receives copies of the minutes from the monthly Corporate Senior Management Team meetings. In addition, the Committee meets individually with Directors and holds private meetings with representatives of both internal and external audit on an annual basis to support effective oversight and independent assurance.

The Committee produces an Annual Report, which supports this Governance Statement. This report summarises the Committee's work over the reporting period and assesses:

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

The Audit and Risk Committee met four times over the reporting period on 28 May 2025, 27 August 2025, 26 November 2025, and 25 February 2026. Its members over this period were:

- Graeme Dickson – Chair (attended all meetings)
- Lesley Macleod – Member (attended three meetings)
- Gillian Bruton – Member (attended all meetings)
- David Climie – Member (attended three meetings)
- Iain Stewart – Member (attended all meetings)

The Committee has considered the annual report and accounts, and the Accountable Officer has taken account of, and confidence from, their comments and observations prior to signing this governance statement and the other parts of the annual report and accounts.

Best value

Under the Scottish Public Finance Manual, Accountable Officers appointed by the Principal Accountable Officer have a specific responsibility to ensure that arrangements have been made to secure Best Value. Scottish Ministers expect all Accountable Officers to comply with the duty of Best Value placed upon them.

As part of this duty, arrangements are made to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost. Regard is also to be made to economy, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

The Scottish Public Finance Manual groups Best Value characteristics to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve Best Value. Each of these have been listed below, alongside some examples from the reporting year to demonstrate how these have been achieved by Transport Scotland.

Vision and Leadership

Organisational Design

During the reporting year, we have been undertaking a programme of organisational design to develop options for, and actions to, deliver structural change, which will maximise efficiencies from flexible working across teams and economies of scale.

The main elements of this programme resulted in the formation of:

- A Transport Integration & Connectivity Directorate, established to drive integration and connectivity across Scotland's transport system
- The consolidation of our policy approach to bus and active travel into a Bus, Concessionary and Active travel Directorate
- The formation of a Strategy, Performance and Analysis Directorate supporting the evidenced based strategic direction of the organisation
- The inclusion within our Rail Directorate of a specific Rail Reform function with responsibility for maximising the opportunities for reforms within Scotland of the Westminster Parliament's legislative work on reform of the railway industry across Britain

Our programme forms part of the wider Scottish Government's Transformation programme, under the Public Service Reform agenda. This programme has provided us with an opportunity to reset our priorities to align better with the second National Transport Strategy.

Governance and Accountability

Investment Decision-Making

In supporting the Accountable Officer in making investment decisions, the Investment Decision Making (IDM) Board provides advice on the major capital and resource investment programme, ensuring value for money and accountability in the delivery of the agreed investment programme, and providing advice on the progression of individual projects to the next stage. Core to supporting these

decisions is a suite of appraisals, assessments, and evaluations (some examples below).

Appraisal, Assessment and Evaluation

The Scottish Transport Appraisal Guidance (STAG) supports the vision for transport in Scotland by providing a framework to identify and appraise transport interventions. It follows a structure and methodology that is consistent with the UK Government's Green Book. The process is designed to provide investment decision-makers with the information they need in a clear, structured format. This forms a key part of a transport-related Business Case. STAG aligns with a Strategic Business Case (SBC) for interventions. An appraisal using STAG will generate the Strategic Case and the Socio-Economic Case included in the five-case model typically used in business case development. As part of the options appraisal, an assessment is required on how options perform against current Scottish Government policy objectives. In so doing, the Policy Assessment Framework (PAF) tool is used. The Scottish Trunk Road Infrastructure Project Evaluation (STRIPE) framework is used for the evaluation of road schemes costing over £5 million and considers whether the scheme's Transport Planning Objectives were achieved and benefits realised; whether the outturns impacts of the project were as forecast; how well the project was implemented; what the impacts were on established policy directives; and what lessons can be learnt to improve decision-making.

Use of Resources

Procurement

For Transport Scotland, procurement and commercial capability are key enablers to successfully delivering our business and securing Best Value. While a large part of our budget is allocated to other public and private sector organisations through grants and support, our procurement spend is significant and almost £1.2 billion was spent on contracts under our management in 2025-26. During the last Scottish Government's Procurement and Commercial Improvement Programme, Transport Scotland was assessed in the top performance category for the majority of areas assessed. Our mature procurement governance processes support the delivery of Best Value, with our contracts being awarded through genuine and effective competition unless there are exceptional reasons not to do so. In line with the Procurement Reform (Scotland) Act 2014, Transport Scotland reports on the strategic direction of its procurement activity for each financial year in support of the Scottish Government's goals. The Corporate Procurement Strategy for 2025-26 was published in June 2025 and sets out our strategic direction for procurement activity, taking into account our legal obligations, ensuring that we make the best use of

public money, whilst protecting our climate and improving lives. Our Annual Procurement Reports provide a summary of our regulated procurement activity over each financial year. At the time of publication, the latest Annual Procurement Report was for 2023-24 and was published in March 2025.

Continuous scrutiny of budgets

Throughout the reporting period, we have undertaken continuous scrutiny of budgets to drive efficiencies and ensure that our processes align with the Scottish Public Finance Manual (SPFM). Transport Scotland has used the Accountable Officer Spending Control and Accountable Officer Assessment processes as a key part of financial governance and to drive Best Value.

Estates Strategy

In May 2025 Transport Scotland moved to new premises in Glasgow where our people are benefiting from our fully flexible workspace. Transport Scotland also has office space in Victoria Quay, Edinburgh. As part of our own rationalisation of our estate, we have given notice to vacate half of our current VQ office space. The change will take place from April 2027 reducing our property costs further at that point.

Partnership and Collaborative Working

As an Executive Agency that sponsors other public bodies, Transport Scotland works collaboratively and in partnership with other organisations. This is achieved in part through a Transport Scotland sponsorship hub for our sponsor teams and providing a platform for working collaboratively on key matters, such as the Public Service Reform (PSR) agenda.

To support delivery of the PSR agenda, the Transport Portfolio Cluster was established. The Cluster brings together six public bodies that collectively make up the Transport Portfolio: Transport Scotland, Scottish Rail Holdings, CalMac Ferries Ltd, Caledonian Maritime Assets Ltd, Highlands and Islands Airports Ltd and Scottish Canals. The Transport Portfolio Cluster was established to drive greater collaboration, rationalisation and support reform across the transport system, as further explained in the Fiscal Sustainability section below.

Working with Communities

Consultations: We engage with people and stakeholder organisations as a key part of our policymaking approach. Consultations play a key role in this public engagement. Both our open and closed consultations can be viewed on our website.

Fiscal Sustainability

The Transport Portfolio Cluster provides strategic oversight and direction on PSR activity and enables senior leaders to identify opportunities for collaboration, efficiency and system-wide reform. Transport is at the forefront of delivering transformative public service reform, fully aligned with the Scottish Government's Medium-Term Financial Strategy (MTFS), Fiscal Sustainability Delivery Plan (FSDP), Public Service Reform Strategy (PSRS) and the Transport Portfolio Efficiency Plan (PEP). Our ambition is clear: to build a transport system that is affordable, efficient, future-proof, and responsive to the needs of all users, supporting a fairer, greener and more prosperous Scotland. Unlike many public services where reform activity focuses on demand reduction, the Transport Portfolio's approach to PSR is centred on increasing patronage and use of transport services to improve fiscal sustainability, while delivering climate, economic and social outcomes.

The reform journey is guided by the National Transport Strategy, which sets out a vision for an inclusive, safe and accessible transport system, underpinned by priorities to reduce inequalities, take climate action, deliver inclusive economic growth, and improve health and wellbeing.

Key objectives include improving the affordability and accessibility of public transport services to encourage modal shift and increased demand, alongside driving greater efficiency and productivity across the Portfolio. Reform will focus on modernising service delivery, maximising the benefits of digital innovation, and reducing duplication, enabling improved outcomes within available resources.

Throughout this process, the Portfolio will maintain and enhance service quality, ensuring reforms strengthen reliability, safety and the overall user experience. Value from public assets and investment will be maximised through stronger commercial disciplines, whole-life asset management and improved prioritisation of spend, supporting Ministers' aspirations on both workforce management and financial efficiency.

Delivery of these objectives is underpinned by the actions set out in the Transport Portfolio's Performance and Efficiency Plan (as set out in Annex B of the Scottish Spending Review), with clear accountability and performance management to ensure benefits are realised and sustained. Strengthened collaboration across the

Transport Portfolio and with partners will be critical to achieving coherent, system wide reform and the continued delivery of high quality transport services for people and communities across Scotland.

During 2025-26, Transport Scotland continued to strengthen its own fiscal sustainability through a combination of rigorous financial management, organisational transformation and efficiency measures. Operating within a challenging public sector funding environment, the Agency maintained a strong focus on prioritisation, ensuring resources were directed towards Ministerial priorities and activities that deliver the greatest value for the people of Scotland. This included progressing the Transforming Transport Together programme, improving alignment of resources to strategic objectives, reducing duplication through organisational redesign, and rationalising its estate to reduce future operating costs. Alongside this, Transport Scotland maintained robust budget monitoring and forecasting arrangements throughout the year, supporting delivery within its overall budget envelope while laying the foundations for longer-term financial sustainability.

Fairness and Equality

Mobility and Access Committee for Scotland (MACS)

This is an independent advisory, non-departmental public body sponsored by Transport Scotland, whose members are appointed by the Cabinet Secretary for Transport. MACS considers matters relating to the needs of disabled people in relation to transport and gives advice to Scottish Ministers and Transport Scotland, reflecting the views and lived experiences of disabled people and promoting fairness and equality within the transport system.

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/Audit and Risk Committee, and where appropriate, to the Director-General Net Zero. Transport Scotland categorises risk in line with the Orange Book: Management of risk - Principles and Concepts.

Our Risk Management Framework seeks to set out our approach to risk management, and it continues to be reviewed and enhanced, in line with arrangements in Scottish Government, to improve the transparency of our systematic approach, 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 that recognises both likelihood and impact.

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

- Managers identify and evaluate risks to delivering objectives successfully when they prepare and review their plans
- The Chief Executive meets regularly with the Directors and Ministers, where both strategic and operational matters are discussed
- The Chief Executive reviews the strategic and operational risks to achieving the objectives of Transport Scotland, in conjunction with the Directors, regularly at Senior Management Team meetings
- The Audit and Risk Committee provide oversight of our risk management processes, strategy and Corporate Risk Register

Risk Management Group

The Risk Management Group is appointed by the Senior Management Team to review, oversee and advise the SMT on the Transport Scotland Risk Register and risk management processes. Chaired by the Director of Finance and Corporate Services, it has representation from each of the directorates and meets every three months, aligned to directorate SMTs and the DG Assurance process.

Risk appetite

Within 2025-26, the Transport Scotland Risk Appetite Statement was reviewed. This Statement aligns with the agreed risk appetite for the wider Director-General Net Zero Portfolio.

Further detail on these risks is included in the performance report.

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.

The Transport Scotland Agency Data Protection Officer oversees the process for handling personal data security incidents and staff guidance is available on what to

do in the event of a breach. All information security incidents are logged, and lessons learned exercises are carried out for all reported security incidents. In addition, we follow the Scottish Government key principles for good information management in that:

- We know what information we have and where it's stored
- We collaborate with others to share knowledge and information
- We know how to protect information and manage it appropriately
- We have the skills needed to manage information
- We know why this matters because our organisation values knowledge and information
- We know what's expected when creating and using information
- We have the tools needed to manage information

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

All staff are required to complete a mandatory General Data Protection Regulation (GDPR) e-learning course on an annual basis. The Information Governance and Data Protection team regularly monitors completion rates and issues reminders where required.

During the year 2025-26, no incidents relating to personal data were reported to the Information Commissioner's Office (ICO) by Transport Scotland (2024-25: None).

Counter fraud

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.

Our Fraud Officer updates these procedures in our Fraud Response Plan, which is reviewed annually, with updates communicated through staff notices and awareness sessions.

The Plan also includes a bespoke section on Cyber Resilience, in order to recognise its importance. Cyber Resilience retains a high profile throughout the agency, and our ICT colleagues continue to improve staff awareness and monitor systems. We have joined forces with the Scottish Government and other agencies in terms of developing and sharing best practice. The Scottish Government Information and Technology Services Division and the Traffic Scotland Information Service have achieved Cyber Essentials accreditation for 2025-26. Traffic Scotland Information

Service has also achieved Cyber Essentials Plus accreditation for 2025-26 awarded by ISAME.

We have continued to encourage staff to undertake training and review regular updates and staff notices distributed by the Fraud Officer, guiding colleagues, particularly to counter fraud eLearning training courses available on the Civil Service-Learning website.

Details of cases of actual or attempted fraud that become known during the financial year are reported within the Fraud Log that is reviewed by the Audit and Risk Committee, together with responses and any further mitigation. There were two cases of suspected fraud highlighted during the year and, there continues to be investigations into prior year fraud cases to ensure they can safely be closed. Information continues to be shared with Police Scotland where this is deemed appropriate.

There is a separate Concessionary Fares Fraud Team due its unique operating environment. We participate in the National Fraud Initiative (NFI) in Scotland, led by Audit Scotland, which matches electronic data within and between public and private sector bodies to prevent and detect fraud. This is also reflected in the contribution to the Scottish Government project designed to review and enhance the overall approach to fraud detection and prevention. This project is designed to assess all areas of fraud prevention, consider the need for new approaches to training and the potential resources available for increasing the awareness and profile of this work.

Business continuity

Our Business Continuity Plan sets out our approach to dealing with events that could cause business interruption.

The aim of the Plan is central to keeping the organisation safe, secure, and resilient. Transport Scotland requires all directorates to develop, exercise and keep up to date the business continuity plan to deal with the consequences of business disruption. The Plan was updated within the 2025-26 financial year.

Our Business Continuity Plan has been successfully tested and demonstrated to operate effectively, with lessons learned reflected in updated plans. We also have a Cyber Incident Response Plan, which details how we will respond to any live cyber threat and provides guidance on processes and procedures that should be followed in response to any cyber incident.

Internal audit

The Scottish Government's Directorate for Internal Audit and Assurance (DIAA) reviews specific areas within Transport Scotland as identified and agreed in the Annual Audit Plan. After reviews have been undertaken, reports are submitted which provide an assurance rating to the Chief Executive.

The annual rating of Assurance Controls provided by DIAA were reported as "Reasonable." This is defined as "Controls are adequate but require improvement". The annual rating was based on the assurance reviews and advisory activity undertaken over the year; the findings and actions put in place to address recommendations. A total of four assurance reviews were completed in-year:

- Sponsorship
- Investment Decision Making (IDM) Processes and Governance
- Analysis and Use of Evidence to Inform Decision Making
- Concessionary Travel Technology

Transport Scotland continues to work with DIAA to progress and build actions to implement the recommendations into our future work programme.

External audit

Audit Scotland prepared an Annual Audit Report in August 2026 as part of their audit of the Annual Report and Accounts 2025-26 for Transport Scotland. The matters and recommendations that were raised have either been addressed by management or actions have been put in place to address these within Transport Scotland. An Audit Tracker is presented quarterly to the Audit and Risk Committee to manage progress.

Whistleblowing

We are committed to ensuring a high standard of conduct in all that we do, with a duty to identify and remedy any area of malpractice. We achieve this through encouraging a culture in which employees feel confident to raise their concerns about potential wrongdoing. Employees can report any suspected wrongdoing through their own line management or via a Nominated Officer. All whistleblowing cases are investigated thoroughly, ensuring that lessons are learned to encourage continuous improvement. Transport Scotland follows the Scottish Government's Raising a Concern under the Civil Service Code and Whistleblowing Policy.

In 2025-26, there were no cases reported under the Whistleblowing Policy within Transport Scotland (2024-25: one).

Review of effectiveness of Internal Control

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, Directors' assurance, the Audit and Risk Committee and external auditors.

Directors provide annual certificates of assurance covering their areas of responsibility. These are supported by completion of an internal control checklist on an annual basis, covering all areas of corporate governance.

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 audit is provided by the Scottish Government's Directorate of Internal Audit and Assurance, 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 The Waterman Group, WSP and Price Waterhouse Coopers) audits, monitors, and reports on an independent basis on the financial, technical and performance aspects of the work carried out by the Trunk Roads Operating Companies, and this provides external assurance for trunk road maintenance.

The Office for Road and Rail also reviews and reports on an independent basis on the financial, technical and performance aspects of Network Rail undertaking the operation, maintenance, and renewal of railway infrastructure in Scotland to provide assurance on the adequacy and value for money of the discharge of these obligations.

Audit Scotland, external auditors, assess the extent to which they can place reliance on the individual reviews undertaken by Internal Audit to inform their opinion on the financial statements, depending on their relevance.

Based on these assurances, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the Scottish Public Finance Manual (SPFM) were operational over the year ended 31 March 2026 and up to the date of approval of the Annual Report and Accounts.

Remuneration and staff report



This section sets out 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.

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

Performance based pay awards are based on an assessment of performance against objectives agreed between the individual and line manager at the start of the reporting year. Performance will also influence any bonus element awarded. In line with Scottish Public Sector Pay Policy, there will be no non-consolidated performance payments.

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 considered 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 Home - Civil Service Commission (independent.gov.uk).

Whilst Transport Scotland does not have a Board with Non-Executive Directors, the Audit and Risk Committee has external non-executive members to ensure independent oversight and challenge. The Audit and Risk Committee is comprised as follows:

- John Matheson – appointed July 2017, appointment ended 30 April 2025
- Graeme Dickson - appointed as chair on 1 April 2025; appointed on 7 March 2021
- Lesley Macleod - appointed on 1 August 2021
- Gillian Bruton – appointed 1 May 2025
- David Climie – appointed 1 May 2025
- Iain Stewart – appointed 1 May 2025

Remuneration group

Remuneration for Transport Scotland's senior civil servants is considered by the Scottish Government's Remuneration Group. This Remuneration Group has six members, two of whom are non-executive directors. Further details about the Remuneration Group can be found at the website Remuneration group.

The Remuneration Group's remit is to consider:

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

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

The following sections of this report are subject to audit: total remuneration (including salary, bonuses, benefits in kind, accrued pension benefits, fees), fair pay disclosure and exit packages.

Directors' remuneration (Salary, benefits in kind and pensions)

The single total figure of remuneration, comprising the salary and the value of any bonuses or taxable benefits in kind of the Directors for the year 2025-26, along with comparative figures are shown in the table below.

Directors' remuneration

Current Directors	Salary £000		Bonus £000		Benefits in Kind £000		Pension Benefits £000		Total £000	
	25-26	**24-25**	**25-26**	**24-25**	**25-26**	**24-25**	**25-26**	**24-25**	**25-26**	**24-25**
Fiona Brown (Strategy, Performance & Analysis)	95-100	90 - 95	-	-	-	-	33	36	125-130	125-130
Morna Cannon (Environment, Climate and Sustainability)	90-95	90-95	-	-	-	-	37	35	130-135	125-130
Hugh Gillies (Roads Delivery & Operations)	95-100	90 - 95	-	-	-	-	-	72	95-100	160 - 165
Alison Irvine (Chief Executive)	110-115	105 - 110	-	-	-	-	45	42	155-160	145-150
Bill Reeve (Rail Reform)	95-100	125 - 130	-	-	-	-	42	53	140-145	180-185
Lawrence Shackman (Infrastructure Projects)	95-100	90 - 95	-	-	-	-	35	56	130-135	145-150
Bettina Sizeland (Transport Integration & Connectivity)	95-100	90 - 95	-	-	-	-	28	47	125-130	140-145

Current Directors	Salary £000		Bonus £000		Benefits in Kind £000		Pension Benefits £000		Total £000	
	25-26	**24-25**	**25-26**	**24-25**	**25-26**	**24-25**	**25-26**	**24-25**	**25-26**	**24-25**
Chris Wilcock (Ferries and Ports)	90-95	0-5	-	-	-	-	21	-	115-120	0-5
Graeme Cook (Rail Delivery)	65-70	-	-		-		25	-	90-95	-
Mary Docherty (Bus, Concessionary & Active Travel)	50-55		-		-		16	-	65-70	-
Catherine Jess-Gibson (Interim Finance and Corporate Services)[1]	55-60	-	-		-	-	-	-	55-60	-
Former Directors										
Kerry Twyman (Finance and Corporate Services)	60-65	110 - 115	-	-	-	-	28	66	90-95	175-180

[1] Catherine Jess Gibson is on secondment from the Foreign, Commonwealth and Development Office (FCDO) and is not on Transport Scotland's payroll. FCDO retain responsibility for the underlying pension arrangement.

Single total figure of remuneration

In respect of the included information, 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.

Chris Wilcock was appointed Interim Director of Ferries on 12 March 2025 and was appointed on a permanent basis from 10 October 2025.

Kerry Twyman left post as Director of Finance and Corporate Services on 26 September 2025. The £60-65,000 for the year represents salary to leaving date. 2025-26 full year equivalent banding would be £110-115,000.

Mary Docherty joined post as Director of Bus, Concessionary and Active Travel on 23 October 2025. The £50-55,000 for the year represents salary from starting date to the end of the financial year. 2025-26 full year equivalent banding would be £90-95,000.

Catherine Jess-Gibson joined post as Interim Director of Finance and Corporate Services on 1 October 2025. The £55-60,000 for the year represents salary from starting date to the end of the financial year. 2025-26 full year equivalent banding would be £110-115,000.

Graeme Cook joined post as Director of Rail Delivery on 4 August 2025. The £65-70,000 represents salary from starting date to the end of the financial year. The 2025-26 full year equivalent banding would be £95-100,000.

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 in the table on the previous page. 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.

All external members of the Audit and Risk Committee were entitled to a daily fee of £330 for attendance at Audit and Risk Committee meetings during 2025-26.

The remuneration of the Transport Scotland external members, for all commitments, were as follows:

Name	Title	Fees £000	
		2025-26	2024-25
John Matheson	External Member ARC	0-5	15-20
Graeme Dickson	External Member ARC	5-10	5-10
Lesley Macleod	External Member ARC	0-5	0-5
Gillian Bruton	External Member ARC	0-5	0
David Climie	External Member ARC	5-10	0
Iain Stewart	External Member ARC	5-10	0

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

Fair pay disclosure

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, as well as the 25th and 75th percentiles. Total remuneration includes salary, performance-related pay, and non-cash benefits. There were no performance-related pay or non-cash benefits made during the financial year.

The calculations include directly employed staff paid through SG Core payroll and cover both permanent staff and those on fixed term contracts. They also include agency temporary employees who are covering staff vacancies. They do not include consultant's costs, nor staff costs employed in arm's length bodies.

The full year equivalent banded remuneration of the highest paid director was £125k-£130k (2024-25: £125k-£130k). Please note the below year to year comparisons in relation to the highest paid director.

- This was 2.3 times (2024-25: 2.6) the median remuneration of the workforce, which was £54,701 (2024-25: £49,472).
- This was 3.1 times (2024-25: 3.3) the 25th percentile of the workforce, which was £41,643 (2024-25 £38,271).
- This was 1.9 times (2024-25: 2.0) the 75th percentile of the workforce, which was £67,454 (2024-25: £64,859).

Changes in pay ratios are attributed to changes in remuneration of the highest paid director and the pay and benefits of employees taken as a whole; increases in remuneration are in line with approved pay policies. The table below provides a summary of these pay ratios:

Pay ratios

YEAR	MIDPOINT £	MEDIAN £	RATIO	25th PERCENTILE £	RATIO	75th PERCENTILE £	RATIO
2025-26	127,500	54,701	2.3	41,643	3.1	67,454	1.9
2024-25	127,500	49,472	2.6	38,271	3.3	63,241	2.0

Changes in year

The average percentage change decreased by 1% primarily due to reduction in overtime costs and new staff starting on lower grade banding.

	2025-26 TOTAL SALARY £	2025-26 AVERAGE FTE	AVERAGE SALARY PER FTE	2024-25 TOTAL SALARY £	2024-25 AVERAGE FTE	AVERAGE SALARY PER FTE	AVERAGE % CHANGE
TS EMPLOYEES	33,066,658	586	56,428	31,743,000	557	56,989	(1)

In 2025-26, no employee received remuneration in excess of the highest paid director (2024-25: None). Remuneration across Transport Scotland ranged from £26k - £129k (2024-25: £25k - £125.5k).

	2025-26 MIDPOINT £	2024-25 MIDPOINT £	PERCENTAGE CHANGE
HIGHEST PAID DIRECTOR	127,500	127,500	-

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, two members of staff agreed departures under the Civil Service Compensation Scheme rules in 2025-26.

Exit Package cost band	Number of Exits Under Civil Service Compensation Scheme
Less than £10,000	1
£10,001 - £25,000	0
£25,001 - £50,000	1
Total number of exit packages	**2**

Pensions

Accrued pension represents the Directors' total future entitlement to benefits payable from the Civil Service pension schemes based on reckonable service on 31 March 2026. The pension entitlements of the Directors of Transport Scotland are shown in the below table. These are calculated on normal retirement age (NRA) where pension entitlement is due at that age or current age if over NRA. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decreases due to a transfer of pension rights.

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 members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures also 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.

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.

This pension data was supplied to Transport Scotland by Capita. Further details on the different schemes available to employees can be found in Note 2 to the accounts. Further details about the Civil Service pension arrangements can be found at the Civil Service Pension Scheme website.

	Lump Sum at NRA as at 31 March 2026	Real Increase in Lump Sum at age NRA	Accrued Pension at age NRA as at 31 March 2026	Real Increase in pension at age NRA	CETV as at 31 March 2026	CETV as at 31 March 2025	Real Increase in CETV in 2025-26
Current Directors	**£'000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fiona Brown	-	-	20-25	0-2.5	287	251	16
Morna Cannon	-	-	15-20	0-2.5	190	159	18
Hugh Gillies [2]	-	-	45-50	0-2.5	959	921	(18)
Alison Irvine	-	-	30-35	2.5-5	512	456	32
Bill Reeve[3]	-	-	0-5	0-2.5	41	-	34
Lawrence Shackman	80-85	-	35-40	0-2.5	800	753	28
Bettina Sizeland	-	-	25-30	0-2.5	610	558	18
Chris Wilcock	-	-	40-45	0-2.5	731	704	13
Graeme Cook	-	-	35-40	0-2.5	538	508	16
Mary Docherty	-	-	30-35	0-2.5	527	503	13
Catherine Jess-Gibson [4]	-	-	-	-	-	-	-
Former Directors							
Kerry Twyman	-	-	45-50	0-2.5	813	764	20

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals

[2] Final salary member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase. As a result, the pension value may decrease in real terms, giving rise to negative values.

[3] Bill Reeve's pension entitlement accrued under the previous arrangement was fully settled during the year and no further rights remain under that arrangement.

[4] Catherine Jess Gibson is on secondment from the Foreign, Commonwealth and Development Office (FCDO) and is not on Transport Scotland's payroll. The FCDO retain responsibility for the underlying pension arrangement.

that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Staff report

Equality, diversity, and inclusion

As part of the Scottish Government, Transport Scotland shares its vision to be a world-leading, diverse employer where colleagues can be themselves at work. We are committed to giving all our colleagues the opportunity to shine; we strive to nurture talent at all levels and develop a diverse workforce reflective of the communities we serve. We foster an inclusive workforce culture which values the contribution of staff from all backgrounds because we know a more inclusive workspace is more productive and innovative.

The Scottish Government is committed to tackling inequalities in Scottish society and knows that having a diverse workforce is key to this. As an agency of the Scottish Government, we also know that the value of this diversity can only be realised through acknowledging and removing barriers that prevent people from flourishing. Building an inclusive culture where everyone is valued because of the unique perspectives they bring also builds a strong sense of belonging to the Scottish Government as an employer.

Transport Scotland's Equality, Diversity and Inclusion group has met frequently in the last year. The group has sought to highlight suitable networks and learning opportunities. We are committed to increasing the diversity of our workforce and to ensure every colleague sets a diversity objective as part of their annual objectives. We encourage all colleagues to increase their diversity understanding through learning activities and accessing all our diversity networks, and to ensure that everyone can link with an appropriate Diversity Champion in their area. We also direct colleagues to the provisions within the Equality Act 2010, so that they can fully understand how this affects their rights and responsibilities and ensure they know how to access support at all times.

Non-discrimination and equality of opportunity are cornerstones of our approach to pay and reward. We are committed to advancing equality of opportunity in the workplace regardless of protected characteristic or other reason (sex, marital/civil partnership status, age, race, ethnic origin, sexual orientation, disability, religion or belief, gender identity (Trans status), socio-economic background, working pattern, employment status, caring responsibilities, or trade union membership).

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.

As at 31 March 2026, the gender profile of Transport Scotland, was 46% Male and 54% Female.

The table below provides an overview of the gender composition of Transport Scotland in 2025-26.

2025-26				**2024-25**			
Gender	CEO and Directors	Employees	**Total**	Gender	CEO and Directors	Employees	**Total**
F	5	349	**354**	F	5	310	**323**
M	5	299	**304**	M	4	306	**318**
Unknown		3	**3**				
Total	**10**	**651**	**661**	**Total**	**9**	**616**	**625**

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 aim of the procedures is to:

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

The Annual People Survey is run across the UK Civil Service, and the contract and survey design is managed by the Cabinet Office. All colleagues are encouraged to participate and provide feedback on what is working well and what could be improved across the organisation. Transport Scotland receives its own set of headline and directorate results from the survey.

The engagement index for Transport Scotland's 2025 Civil Service People Survey (CSPS) was 62%, compared with 61% in 2024. Results improved across seven of the headline themes, reflecting positive progress in a number of areas. The largest improvements were in Organisational Objectives (81%) and Leadership and Managing change (56%) compared with 76% and 52% respectively in the previous year.

The strongest overall scores were in My Work (84%), My Team (83%), and My Manager (82%), highlighting the positive experience many colleagues have in their day-to-day roles and working relationships.

While the survey results demonstrate positive progress across most themes, they also show that there is more to do. Resources and Workload (73%) and Learning and Development (51%) remained unchanged from the prior year, while Pay and Benefits (54%) declined by 5 percentage points, driven primarily by lower satisfaction in the overall benefits package. We recognise that improvements are an ongoing journey and will continue to use staff feedback to identify priorities, target improvement and strengthen Transport Scotland as a great place to work for all.

Wellbeing continues to be a top priority, and whilst our environment has changed considerably in the last few years, we place significant importance on staying connected and matching resources to increasing demands. We will continue to respond appropriately and help to support a good work-life balance for our colleagues.

Sickness Absence Rates

In 2025-26 an average of 8.4 working days (2024-25: 9.1) were lost due to sickness absence per staff year for Transport Scotland. This is consistent with an average of 8.4 working days lost due to sickness absence in core Scottish Government in 2025-26.

In 2025-26, the percentage turnover for Transport Scotland permanent staff was 4.66% (2024-25: 4.94%). There were 28 permanent leavers within the period, and an average headcount of 586 permanent staff. This compares to a percentage turnover of 4.09% in core Scottish Government in 2025-26, and an average headcount of 9,244 permanent staff.

Health, safety, and wellbeing

Transport Scotland is committed to achieving the highest standards of health, safety and wellbeing for our staff, visitors, contractors, and any others who may be affected by our acts or omissions. We continually engage to promote a positive health and

safety culture across the organisation, and we seek improvement through role specific and compulsory health and safety training and e-learning, which in turn is supported by the IOSH Chartered Health & Safety Adviser and Health and Safety Liaison Officers.

We also have a bespoke and robust health and safety management system, which is set out clearly within our policy manual. This provides guidance on roles, responsibilities, and proposals for achieving our health, safety, and wellbeing goals, all of which are in alignment with Scottish Government Occupational Health and Safety strategies.

Transport Scotland Wellbeing

At Transport Scotland, we are committed to fostering a supportive and healthy working environment for all our staff. In 2025-26, our Wellbeing Strategy and Action Plan has continued to inform our approach to supporting and embedding a positive wellbeing culture in the workplace – wellbeing is an overarching principle woven into other people-related activities such as Learning and Development and Leadership. Looking ahead, we will continue to prioritise and expand our wellbeing activities in the next financial year, ensuring our people feel valued, supported, and empowered.

Trade union membership

Transport Scotland values strong employee relations and has a Partnership Board in place. Our Partnership Agreement sets out the terms of reference for the Board in matters affecting staff. The Board itself is made up of Transport Scotland management, with a representative from Human Resources as well as representatives from the Scottish Government Trade Unions. The Board meets on a monthly basis throughout the year, or additionally on request by Board members.

Details of Scottish Government's trade union facility time including Transport Scotland are published on the Scottish Government website.

Employment of disabled persons

We are a “Disability Confident Leader Employer,” which recognises our commitment and our positive attitude towards removing the barriers faced by disabled people. Our Diversity and Inclusion Employer Strategy policy was published in May 2024 and sets out our employer visions, commitments, and equality outcomes to support more disabled people into work within the Scottish Government and to enable existing disabled employees to thrive and succeed at work.

In doing so, we offer interviews to all disabled applicants and staff who meet the minimum criteria for any post; equip line managers to understand and take action in respect of their management responsibilities; implement workplace adjustments to enable disabled employees to thrive; have appointed Disability Champions at Senior Civil Service level and at Executive team level; and our Disabled Staff Network and our Mental Health Network are critical to our strategic approach to advancing diversity and inclusion, offering rich insights into lived experience and building empathy and understanding.

The number of staff as at 31 March 2026 who had a declared disability employed by Transport Scotland was 62 (2024-25: 68).

Staff numbers and costs

Details of staff costs for the year are contained within Note 2 to the Accounts. Transport Scotland incurred £47.6 million in relation to total staff costs in the year 2025-26 (2024-25: £43 million). Of this, £47 million was in relation to permanent staff, who are civil servants with an employment contract with Transport Scotland (2024-25: £42 million). The balance of £0.6 million related to agency staff (2024-25: £1 million).

Note 2 includes the costs of staff employed on the design, procurement and management of capital projects undertaken by Transport Scotland. Totalling £5.9 million (2024-25: £4.7 million), these costs have been charged to capital expenditure in respect of the projects identified in the year and are included with the project costs in Note 4.

In addition to the staff costs for the year contained within Note 2 to the accounts, the agency paid out £8 million in professional consultancy costs in 2025-26 (2024-25: £6.1 million) in relation to professional services required in the procurement of key projects and the delivery of the agency's transport objectives.

At the end of financial year 2025-26, Transport Scotland's headcount totalled 661, as analysed in the table below:

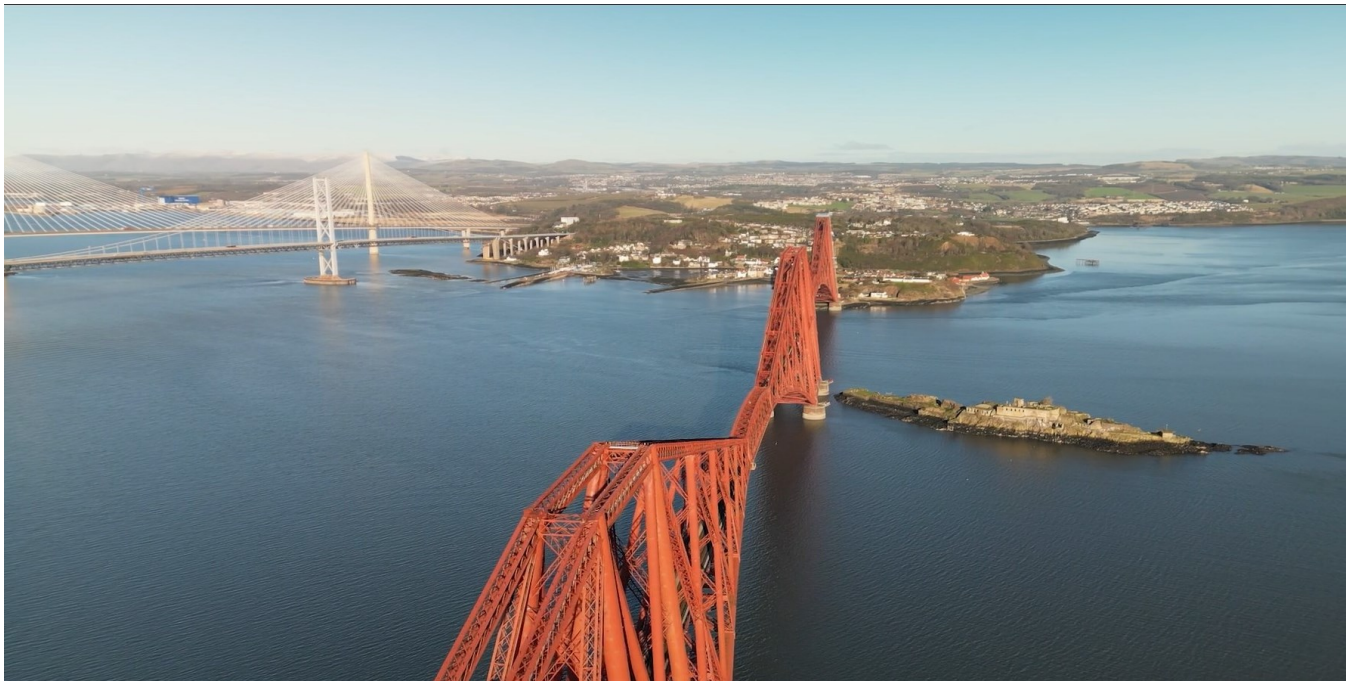
Staff Category	Headcount at 31 March 2026	Headcount at 31 March 2025
Permanent Staff	617	579
Agency Staff	2	2
Consultants	42	44

Staff Category	Headcount at 31 March 2026	Headcount at 31 March 2025
Total	**661**	**625**

Pension liabilities

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

Parliamentary Accountability and Audit Report



The following Parliamentary Accountability section summarises all the key accountability documents for the agency.

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. Where relevant, Transport Scotland complies with the cost allocation and charging requirements set out in the Scottish Government Public Finance Manual (SPFM).

Remote contingent liabilities

The Government Financial Reporting Manual (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. Transport Scotland has a number of these liabilities, and they are disclosed in Note 19 (b) to these accounts.

Gifts

We have clear policies regarding acceptable levels of gifts and hospitality, both given and received. We ensure all colleagues are aware of their obligations under the Civil Service Code and their conditions of employment. The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250,000 to be noted separately. Transport Scotland accepted a limited number of gifts and hospitality of a minor nature for the year ended 31st March 2026. None of these were in excess of £250,000.

Losses and special payments

Irrecoverable costs no longer being pursued amounted to £69,969 (2024-25 £196,702) of which £53,000 is in respect of loan write-offs on the Energy Savings Trust scheme.

Scottish Parliament Committee appearances

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

Net Zero, Energy and Transport Committee

Date	Heading
Tuesday 27 May 2025	Planning and Infrastructure Bill (UK Parliament legislation)
Tuesday 7 October 2025	Update on Scottish Government transport policies and performance
Tuesday 4 November 2025	Sustainable Aviation Bill (UK Parliament legislation)
Tuesday 9 December 2025	Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2026
Tuesday 20 January 2026	National Bus Travel Concession Schemes (Miscellaneous Amendment) (Scotland) Order 2026
Tuesday 3 February 2026	Draft Climate Change Plan
Tuesday 3 February 2026	Budget Scrutiny 2026-27
Tuesday 17 February 2026	National Bus Travel Concession Schemes (Miscellaneous Amendment) (Scotland) (No2) Order 2026 and the National Bus Travel Concession Schemes (Miscellaneous Amendment) (Scotland) Order 2026
Tuesday 10 March 2026	Railways Bill (UK Parliament legislation)

Finance and Public Administration Committee No officials attended the Finance and Public Administration Committee from 1 April 2025 to 31 March 2026.

Alison Irvine

Chief Executive

Alison Irvine

05 October 2026

Independent Auditor's Report

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

Reporting 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 2026 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Government Financial Reporting Manual (the 2025/26 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2026 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice 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 15 April 2026. My period of appointment is two years, covering 2025/26 and 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of 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 there is an intention to discontinue the body's operations.

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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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.

Reporting 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. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

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

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work I 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.

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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 parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 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.



Michael Oliphant FCPFA

Audit Director

Audit Scotland

4th Floor

102 West Port

Edinburgh

EH3 9DN

05 October 2026

7. Annual accounts



Financial statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2026

	Note	£'000 Staff Costs	£'000 Other Costs	£'000 Income	2025-26 £'000 Total	2024-25 £'000 Total
Administration costs						
Staff costs	2	19,628	427	-	20,055	18,136
Other administration costs	3	-	4,338	-	4,338	3,814
Total administration costs					**24,393**	**21,950**
Programme costs						
Staff costs	2	22,134	482	-	22,616	20,184
Other programme costs	4	-	3,483,660	-	3,483,660	3,136,950
Income	5			(33,343)	(33,343)	(12,244)
Total programme costs					**3,472,933**	**3,144,890**
Total		**41,762**	**3,488,907**	**(33,343)**	**3,497,326**	**3,166,840**
Net operating costs for the year ended 31 March 2026					**3,497,326**	**3,166,840**

Other Comprehensive Expenditure

Other Comprehensive Net Expenditure	Note	2025-26 £'000 Total	2024-25 £'000 Total
Items that will not be reclassified to net operating costs:			
Net (gain) / loss on:			
-revaluation of property, plant and equipment	6	960,331	(196,415)
-revaluation of intangibles	6	-	-
Total comprehensive net expenditure for the year ended 31 March 2026		**4,457,657**	**2,970,425**

Statement of Financial Position as at 31 March 2026

	Note	£'000	31 March 2026 £'000	£'000	31 March 2025 £'000
Non-current assets					
Property, Plant and Equipment	6	28,717,530		27,755,102	
Right of Use Asset	7	12,999		26,967	
Financial Assets	9	544,687		464,261	
Other Receivables	10	33,622		25,621	
Total non-current assets			**29,308,838**		**28,271,951**
Current assets					
Financial assets	9	25,824		26,802	
Trade and other receivables	10	181,264		128,530	
Cash & cash equivalents		15		15	
Total current assets			**207,103**		**155,348**
Total assets			**29,515,941**		**28,427,297**
Current Liabilities					
Trade and other payables incl IFRS 16 leases	11	(294,534)		(283,963)	
Provisions	12	(10,288)		(10,128)	
Total current liabilities			**(304,822)**		**(294,091)**
Total assets less current liabilities			**29,211,119**		**28,133,206**
Non-current liabilities					
Other payables and financial liabilities incl IFRS 16 leases	11	(931,065)		(975,154)	
Provisions	12	(23,167)		(8,948)	
Total non-current liabilities			**(954,232)**		**(984,103)**
Assets less liabilities			**28,256,887**		**27,149,103**
Taxpayers' equity					
General fund	SoCTE		13,079,710		12,187,205

	Note	£'000	31 March 2026 £'000	£'000	31 March 2025 £'000
Revaluation reserve	SoCTE		15,177,177		14,961,898
Total taxpayers' equity			**28,256,887**		**27,149,103**

The Notes to pages 111-165 form part of these accounts.

Alison Irvine

Chief Executive

Alison Irvine

The Accountable Officer authorised these financial statements for issue on 05 October 2026

Statement of Cash Flows for the year ended 31 March 2026

		2025-26	2024-25
	Note	£'000	£'000
(A) Cash flows from operating activities			
Net operating cost	SoCNE	(3,497,326)	(3,166,841)
Adjustments for non-cash transactions	3/4	302,038	82,758
Decrease / (increase) in trade and other receivables	13	(60,735)	(23,633)
Increase / (decrease) in trade and other payables	13	21,757	16,368
Increase / (decrease) in provisions	13	14,380	2,844
Adjustment for interest element of PFI contracts	4	72,230	73,517
Net cash outflow from operating activities		**(3,147,656)**	**(3,014,988)**
(B) Cash flows from investing activities			
Purchase of property, plant and equipment	6	(277,959)	(215,787)
Increase / (decrease) in capital accruals	13	(11,506)	(36,085)
Increase/ (decrease) in Voted loans and Other Funds	9	(79,448)	(69,518)
Net cash outflow from investing activities		**(368,913)**	**(321,390)**
(C) Cash flows from financing activities			
Funding from the Scottish Government	SoCTE	3,632,569	3,452,777
Capital element of payments On Balance Sheet PFI contracts	13	(43,187)	(41,885)
Capital element of payments - IFRS 16 Finance Leases	13	(584)	(982)
Interest element of PFI contracts	4	(72,230)	(73,517)
Net Financing		**3,516,569**	**3,336,393**

		2025-26	2024-25
Net increase / (decrease) in cash and cash equivalents in the period		-	15
Cash and cash equivalents at the beginning of the period		15	-
Cash and cash equivalents at the end of the period		15	15

Statement of Changes in Taxpayers Equity for the year ended 31 March 2026

	Note	General Fund	Revaluation Reserve	Total Reserves
		£'000	£'000	£'000
Balance at 31 March 2025		**12,187,206**	**14,961,897**	**27,149,103**
Changes in taxpayers' equity for 2025-26				
Net gain / (loss) on revaluation of property, plant and equipment	6	-	960,331	960,331
Roads historic value adjustment	6	12,210	-	12,210
Realised element of the revaluation reserve		745,051	(745,051)	-
Non-cash charges - auditors remuneration	3	215	-	215
Net operating costs for the year	SoCNE	(3,497,541)	-	(3,497,541)
Total recognised income and expense for 2025-26		**(2,740,065)**	**215,280**	**(2,524,785)**
Funding from Scottish Government		3,632,569	-	3,632,569
Balance at 31 March 2026		**13,079,710**	**15,177,177**	**28,256,887**

	Note	General Fund	Revaluation Reserve	Total Reserves
		£'000	£'000	£'000
Balance at 31 March 2024		**12,471,914**	**14,723,169**	**27,195,083**
Changes in taxpayers' equity for 2024-25				
Net gain / (loss) on revaluation of property, plant and equipment	6	-	(196,417)	(196,417)
Roads historic value adjustment	6	(135,500)	-	(135,500)
Realised element of the revaluation reserve		(435,145)	435,145	-

	Note	General Fund	Revaluation Reserve	Total Reserves
Non-cash charges - auditors remuneration	3	206	-	206
Net operating costs for the year	SoCNE	(3,167,046)	-	(3,167,046)
Total recognised income and expense for 2024-25		**(3,737,485)**	**238,728**	**(3,498,756)**
Funding from Scottish Government		3,452,777	-	3,452,777
Balance at 31 March 2025		**12,187,206**	**14,961,897**	**27,149,103**

Notes to the accounts

The financial statements for the year ended 31 March 2026 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 Accounts.

Note 1 - Significant accounting policies

The areas where accounting judgements have a significant impact are outlined within note 1.22.

1. Statement of accounting policies

The financial statements have been prepared on a going concern basis and in accordance with the 2025-26 Government Financial Reporting Manual (FReM) issued by HM Treasury. The 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 (IAS) 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note. 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 S1 and IFRS S2. Para 5.4.15 of the FReM explains that Scottish Bodies should report in accordance with guidance from the Scottish Government and the Task Force on Climate-related Financial Disclosures (TCFD) requirements have not yet been implemented.

- IFRS 17- Insurance Contracts. IFRS 17 replaces IFRS 4 and establishes a **current value approach** for measuring insurance contracts, ensuring that income, expenditure, and profit are recognised as insurance services are provided to policyholders (HM Treasury, 2025). Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. IFRS 17 as adapted by FReM is effective for financial years starting 1 April 2025, with early adoption permitted. The impact of IFRS 17 on Transport Scotland's accounts has been determined to be immaterial.
- IFRS 18 will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

1.2 Trunkings / de-trunkings

Transport Scotland's accounts reflect the trunk road network that Scottish Ministers have ownership of and responsibility to maintain. 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

All property, plant and equipment assets will be accounted for as non-current assets unless they are deemed to be held for sale. Title to the freehold land and buildings shown in the accounts of Transport Scotland is held by Scottish Ministers.

1.4 Capitalisation policy

The trunk road network is recognised as a single infrastructure asset in accordance with FReM. However, it comprises four distinct elements that are accounted for differently: land, road pavement, structures, and communications. Subsequent expenditure is capitalised where it adds to the service potential or replaces the existing elements of assets that were previously identified in the Road 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 already incurred 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.

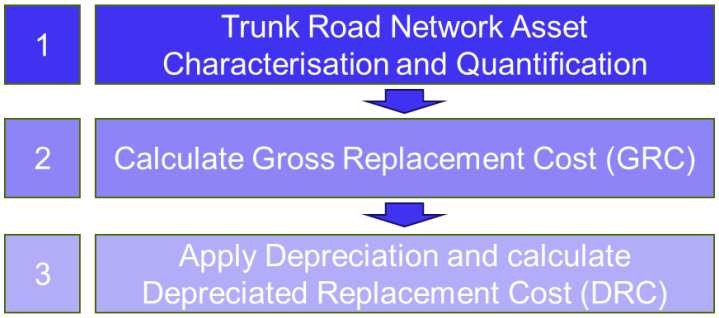
Infrastructure assets – the trunk road network

The Scottish trunk road network is a specialised infrastructure asset with no active market and no income-generating capability. In accordance with the Financial Reporting Manual (FReM) and IFRS 13 Fair Value Measurement, the network is valued using the Depreciated Replacement Cost (DRC) methodology based on service potential. Land is valued separately using rates supplied by the Valuation Office Agency (VOA).

Transport Scotland undertakes a full valuation of the trunk road network at the end of each financial year. The valuation covers the principal asset categories of roads, structures, communications technology and land, and is supported by professional cost estimators and specialists in valuation, modelling and statistics.

The DRC methodology estimates the current value of an asset by taking its Gross Replacement Cost (GRC), being the cost of replacing the asset with a modern equivalent, and adjusting it to reflect the asset's current condition, age and consumption of economic benefits or service potential.

Table 1 Valuation Methodology



Valuations are not based on the historic actual cost of construction for individual elements of the trunk road network. Instead, the trunk road network is valued using standard unit costing rates for each asset type, applied on a modern-equivalent asset basis. These rates are derived from the best evidence available on the actual cost of recent comparable schemes by Transport Scotland. To ensure valuations remain current and reflective of current price levels, historic unit costings applied are updated yearly through the application of indexation.

The road pavement, structures and communications assets are valued using agreed rates determined to identify the gross replacement cost of applicable types of road, structure or communications on the basis of new construction on a greenfield site. These rates are updated 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.

The indexation factors applied are as follows:

For Road Pavement, Structures and Communications rates are uplifted using the Price Adjustment Formulae Indices published by Building Cost Information Service (BCIS). Transport Scotland has a bespoke model for re-basing these rates which combines fourteen individual indices to produce a single Baxter figure used for uplifts on a quarterly basis. The weightings used in this model are regularly reviewed by professional advisors and are deemed to be still representative of current construction practices.

Land - Land indices produced by Valuation Office Agency

Updated Land rates are provided on an annual basis by the Valuation Office Agency.

Upwards revaluation movements are added to the revaluation reserve. Downward movements in value are off set against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure.

The values reported in the 2024-25 Annual Accounts reflected the average provisional Baxter Index for January, February and March 2025 of 3091.55. The values in the 2025-26 annual accounts reflect the average January, February and March 2026 Baxter Index of 3197.19 which is an increase of 3.41%. These were the latest index values available at the valuation date.

Transport Scotland also makes an annual adjustment to the revaluation reserve to align values in our accounting system with those held within RAAVS. This adjustment reflects differences between the actual costs recorded for assets under construction in the accounting system and the standard unit rates used to value assets added to the network within RAAVS.

Where Quarter 4 Baxter data becomes available after the valuation date, Transport Scotland assess the impact on the valuation of the trunk road network. No adjustment is made where the impact is assessed as immaterial to the financial statements. Where the impact is considered material, the valuation is updated accordingly.

Historic valuation adjustments arising from immaterial corrections to prior year measurements and valuations of the road network are disclosed separately 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. Assets under construction are not depreciated.

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.

Information technology

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

1.5 Depreciation

Infrastructure assets

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

	Life in years
Road surface, sub-pavement layer, fencing, drainage, and lighting	20
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 made up of two components:

1. Capitalised Maintenance Depreciation. The valuation of the road network is calculated based upon condition surveys. Capitalised Maintenance schemes are performed to ensure that the condition of the road network is maintained at a steady state. Capitalised Maintenance schemes are not treated for accounting purposes as having an impact on the valuation of the road network because any related improvement in road condition will be reflected within the surveys. On this basis, we depreciate 100% of Capitalised Maintenance expenditure in the year that it is incurred and account for the charge in net expenditure.
2. Condition Depreciation. The annual condition depreciation charge for the road surface is determined by the annual condition variance. This information is provided by AtkinsRealis and is based on output from the condition surveys carried out within the financial year.

Structures and communications assets are depreciated on a straight-line basis relative to their remaining life and any renewals over the period.

Non-infrastructure assets

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

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

1.6 Right of use assets and leases

For government bodies reporting under the FReM, IFRS 16 Leases was implemented from 1 April 2022; this introduced a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases (apart from the exemptions included below) and replaces IAS 17 Leases. In accordance with IFRS 16, contracts, or parts of a contract that convey the right to use an asset in exchange for consideration are accounted for as leases, including peppercorn leases. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration. The standard also applies to arrangements with other public sector organisations which share accommodation, often through MOTO (Memorandum of Terms of Occupation) agreements.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use. In such cases, the relevant part is treated as a lease.

Contracts for low-value items, in line with the capitalisation levels for property, plant and equipment noted above in Note 1.4, provided they are not highly dependent on or integrated with other items; and contracts with a term shorter than twelve months are excluded.

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term, net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this

cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed, or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any costs related to restoration at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market prices or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

Expenditure includes interest, straight-line depreciation, any asset impairments, and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or shorter than twelve months are expensed.

When acting as a lessor, a determination is made at lease inception whether each lease is a finance or operating lease. To classify each lease, an overall assessment is made on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

When acting as an intermediate lessor, its interest in the head lease and the sublease is accounted for separately. Lease payments under operating leases are recognised as income on a straight-line basis over the length of the lease terms. Where a sublease is classified as a finance lease, the right-of-use asset relating to the subleased portion of the head lease is derecognised and a net investment in the sublease is recognised in the Statement of Financial Position. A lease receivable for the sublease, and any gains or losses on the lease receivable, is recognised in the Statement of Financial Position.

1.7 Intangible non-current assets

Intangible non-current assets are capitalised where expenditure of £25,000 or more is incurred in acquiring them. In accordance with the FReM, Intangible assets are

accounted for in line with the requirements of IAS 38 Intangible Assets and are valued at depreciated replacement cost. Revaluations are carried out according to IAS 38 for assets over a valuation threshold.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 Intangible Assets for assets that do not generate income. IAS 38 defines future economic benefit as, “revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. Intangible assets other than assets under development are amortised on a straight-line basis over their estimated useful lives.” Impairment reviews are carried out if there are any indicators that impairment should be considered. Intangible assets under development are not amortised.

1.8 Financial assets

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

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

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 where the credit risk on the loan has not increased significantly since initial recognition. 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.

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 measured at fair value through other comprehensive income.

As all financial assets previously classified as available-for-sale under IAS 39 have transitioned to equity instruments measured at fair value through other comprehensive income. 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, as far as practicable, those that would be used by market participants, making maximum use of observable inputs. Shares held in public sector bodies are valued at historic cost (less transaction costs) in the absence of an active market where fair value cannot be reliably measured.

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

1.10 Trade and other payables

These are financial liabilities other than those classified as held at fair value through profit and loss 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 Service concession arrangements

Private finance transactions are accounted for in accordance with IFRIC 12, Service Concession Arrangements which sets out how these transactions are to be accounted for. We have five such arrangements, three Private Finance Initiative (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 asset is measured by using the fair value approach. The fair value of the asset determines the amount to be recorded as an asset with an offsetting liability. The total unitary payment is then divided into three: the service charge element, repayment of the capital element of the contract obligation and the interest expense on it (using the interest rate implicit in the contract).

1.12 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 IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Provisions are charged to the Statement of Comprehensive Net Expenditure unless they are capitalised as part of additions to non-current assets. Major projects provisions relate to compensation claims made in respect of work done under the projects that have not yet been fully settled.

1.13 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. Expenditure that relates to assets reflected by external bodies is charged as expenditure.

1.14 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 Scottish Government Consolidated Fund. Operating income is stated net of VAT.

1.15 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme costs. 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

support of the programme work is reviewed in year and can result in reallocation of staff costs and a consequential reduction in expenditure classed as administration.

1.16 Grants payable

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

1.17 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 sixty-five if higher).

1.18 Contingent liabilities

Contingent liabilities include those required to be disclosed under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and other liabilities arising from indemnities and guarantees (which are not financial guarantee contracts) included for parliamentary reporting and accountability. They 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.

1.19 Value added tax (VAT)

Transport Scotland accounts for VAT in accordance with HMRC and Scottish Government guidance. Amounts reported in the Statement of Comprehensive Net Expenditure are stated net of recoverable VAT and include irrecoverable VAT where applicable. Recoverable VAT is recognised as a receivable, and VAT payable is recognised as a liability in the Statement of Financial Position.

VAT balances are measured based on amounts expected to be recovered from, or paid to, HMRC at the reporting date.

1.20 Segmental reporting

IFRS 8 Segmental Reporting requires operating segments to be identified on the basis of internal reports about components. Transport Scotland identifies components of expenditure which are regularly reviewed by the Senior Management Team in order to manage financial performance.

1.21 Employee benefits

A short-term liability and expense is recognised for holiday days, holiday pay, 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.

1.22 Critical accounting estimates

Critical accounting estimates are used in determining the valuation of certain assets and liabilities included in the annual accounts. Significant estimates have been outlined below:

Valuation of the Trunk Road Network

The valuation of the Scottish trunk road network is sensitive to movements in key assumptions used in determining the Depreciated Replacement Cost (DRC). Given the size and complexity of the network, relatively small changes in certain valuation inputs could potentially result in material movements in the carrying value reported in the Statement of Financial Position.

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 AtkinsRealis through a joint contract with the other UK Road Authorities to ensure that the valuation methodology follows best practice and is FReM compliant. The valuation contains multiple areas of judgement and estimation uncertainty due to the inherent complexity of the data required to inform the Roads network valuation methodology.

The most significant sensitivities are outlined below:

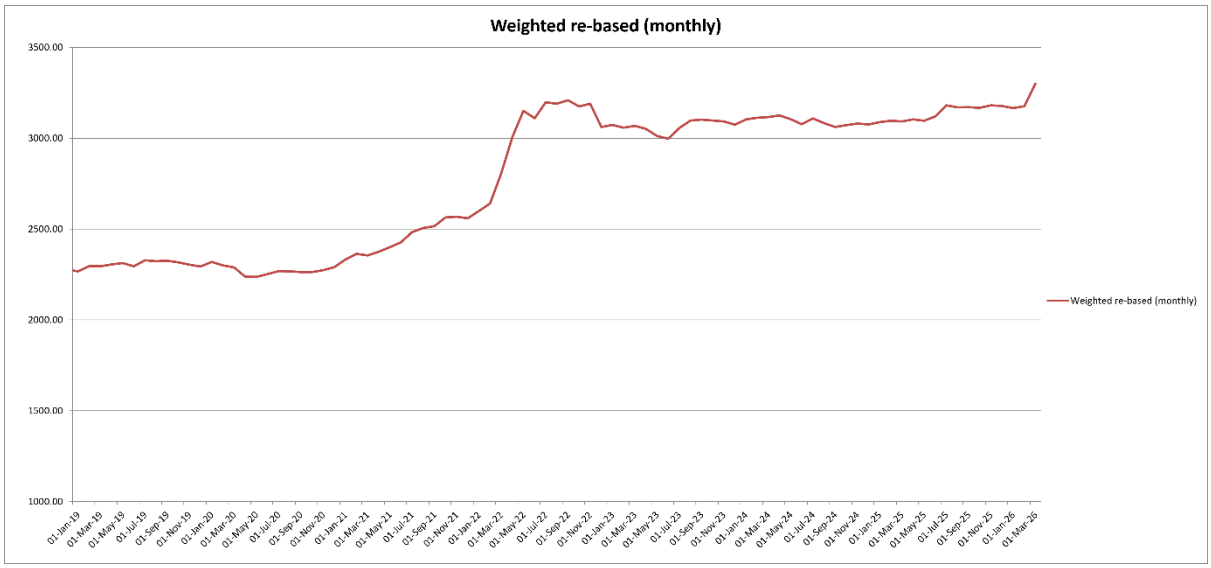
Unit Rates and Construction Cost Indexation

The Gross Replacement Cost is sensitive to changes in the standard unit rates applied to asset quantities and to the construction cost indices used to uplift those rates to current prices. An increase or decrease in assumed unit rates, or in the indexation factors applied, would result in a corresponding change in the Gross Replacement Cost and therefore the DRC of the network.

Transport Scotland aims to refresh the unit rates used in trunk road valuations whenever a suitable, representative scheme is completed, as this allows actual outturn costs to be incorporated into the valuation process. In recent years, however, few schemes have met the criteria required to provide reliable and transferable cost data. As appropriate benchmark projects have not been constructed since 2011/12, since Transport Scotland are dualling and not building new roads on greenfield sites existing unit costs for roads, structures and communications assets have instead been uplifted (indexed) using recognised cost indexation methods (Baxter indices) to reflect inflation and construction market trends until new representative scheme data becomes available.

The Baxter index is a composite civil engineering cost index produced by the Building Cost Information Service (BCIS). It draws on a weighted mix of labour, materials and plant indices relevant to highway construction and is updated throughout the year. It is designed to model inflationary changes in the cost of delivering civil engineering works and is widely used across UK public-sector road authorities

The Indices used for the valuation at 31 March 2026 are the average of January, February and March 2026 provisional figures run on 30 April 2026 with the latest data available indices for the respective 3 months. The valuation is sensitive to these indices, and a 2% movement would result in a material movement of £520 million. The below table shows the monthly movement to the Indices applied.



Asset Lives and Remaining Useful Life

The valuation is sensitive to assumptions relating to nominal asset lives, remaining useful lives and minimum remaining life parameters. Changes to these assumptions directly affect depreciation factors applied in the DRC methodology and could give rise to material changes in the reported value of the network. Asset life assumptions are reviewed periodically and are based on engineering assessments, historic performance data and industry benchmarks to ensure they remain accurate.

Asset Inventory Data

Variations in recorded asset quantities, dimensions or classifications arising from data updates, improved measurement techniques or reclassification can affect the calculated Gross Replacement Cost. Such changes may result in valuation movements that are not linked to physical enhancement or deterioration of the network.

To ensure reliability of inventory inputs, Transport Scotland operates an annual exception reporting process, supported by its valuation advisers, to identify and investigate anomalies or unexpected movements compared with the prior year data set. Identified differences are reviewed to assess whether they represent valid changes.

Application of Uplifts

The valuation is sensitive to assumptions underlying uplifts for planning and supervision costs, VAT, and (in the case of land) compensation and legal costs. Changes to these assumptions would impact the Gross Replacement Cost.

The following uplifts are applied to ensure that unit costs represent a true reflection of the cost of constructing a modern equivalent asset.

Planning and Supervision (P&S)	An adjustment is included to account for the professional fees that would be incurred in the provision of a replacement asset. P&S is expressed as a percentage of the construction costs and is determined as part of the annual review of unit rates. P&S is applied to all asset values except land.
Compensation	An adjustment is included to account for compensation payments that would be involved in the acquisition of new land (in the context of determining a replacement cost). The compensation uplift applies to land only.
Legal and Agents	An adjustment is included to account for the legal and agent's fees that would be involved in the acquisition of new land (in the context of determining a replacement cost). The legal and agents uplift applies to land only.
Value Added Tax (VAT)	An uplift is included to take account of VAT. The percentage is determined by HM Treasury. • For land – VAT is only applied to the Legal and Agents fees. • For all other assets – VAT is applied to the sum of the replacement (construction) cost and the P&S fee.

These uplifts are reviewed and updated as required to ensure the valuation reflects current replacement cost assumptions.

While the valuation is sensitive to movements in key inputs, Transport Scotland mitigates this estimation uncertainty through:

- annual re-performance of valuations using a consistent methodology and re-running comparators for any material changes to assumptions where feasible.
- independent professional oversight of unit rates and indexation models.
- exception reporting and validation of inventory changes against prior-year data sets.

Recognition and the valuation of provisions

Due to the long-term nature of our road 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 judgements are required to be made when determining final accruals.

Note 2 – Staff 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 below with prior year figures to reflect costs similarly capitalised in that year. These costs are included with the project costs in Note 4.

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:

	2025-26 Permanently Employed Staff	Others	Total	2024-25 Permanently Employed Staff	Others	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Administration:						
Wages and salaries costs	14,172	427	14,599	12,827	354	13,181
Social Security costs	1,760	-	1,760	1,460	-	1,460
Other Pension costs	3,696	-	3,696	3,495	-	3,495
Early retirement costs	-		-	-		-
	19,628	**427**	**20,055**	**17,782**	**354**	**18,136**
Programme:						
Wages and salaries costs	15,981	482	16,463	14,275	394	14,669
Social Security costs	1,985	-	1,985	1,625	-	1,625
Other Pension costs	4,168	-	4,168	3,890	-	3,890
Early retirement costs	-		-	-		-
	22,134	**482**	**22,616**	**19,790**	**394**	**20,184**
Total staff costs to be charged to statement of comprehensive net expenditure	**41,762**	**909**	**42,671**	**37,572**	**748**	**38,320**
Capitalised Programme:						
Wages and salaries costs	3,811	156	3,967	3,149	300	3,448
Social Security costs	521		521	360		360
Other Pension costs	1,081		1,081	900		900

	2025-26 Permanently Employed Staff	Others	Total	2024-25 Permanently Employed Staff	Others	Total
Running costs	288		288	-		-
	5,701	**156**	**5,857**	**4,409**	**300**	**4,708**
Total staff costs charged to capital expenditure	**5,701**	**156**	**5,857**	**4,409**	**300**	**4,708**
Total staff costs	**47,463**	**1,065**	**48,528**	**41,980**	**1,048**	**43,028**

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 Government Actuary's Department valued the scheme liabilities at 31 March 2024. Details can be found in the resource accounts of the Cabinet Office.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 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: three providing benefits on a final salary basis (**Classic, Premium,** or **Classic Plus**) with a normal pension age of sixty; and one providing benefits on a whole career basis **(Nuvos)** with a normal pension age of sixty-five.

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 switched to **Alpha** 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 their pensionable earnings during their period of scheme membership.

At the end of the **Alpha** scheme year (31 March) the member's earned pension account is credited with 2.32% 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.

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 sixty for members of Classic, Premium, and Classic Plus, sixty-five for members of Nuvos, and the higher of sixty-five 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 Civil Superannuation annual account 2024 to 2025 (HTML) - GOV.UK.

For 2025-26, employers' contributions of £8.9 million (2024-25, £8.3 million) were payable to the PCSPS at a rate of 28.97% (2024-25, 28.97%). 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 2025-26 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Note 3 - Other Administration Costs

	Note	2025-26	2024-25
		£'000	**£'000**
Rentals under operating leases		18	19
Accommodation		1,669	(146)
Office costs and supplies		2,015	1,618
Hospitality		21	12
Travel		128	151
Training		71	49
Consultancy		137	285
Non-cash items		-	-
Depreciation	6/7	998	1,620
Auditors' remuneration expenses - external	22	215	206
Other operating costs		(934)	-
Total administration costs		**4,338**	**3,814**

From 1 April 2025 Transport Scotland de-recognised the right of use asset relating to the sub-lease of the 4th Floor of its office accommodation in Bothwell Street. In accordance with IFRS 16 Leases, this resulted in a gain on de-recognition of £934k, which has been recognised as a gain under Other Operating Costs in the Statement of Comprehensive Net Expenditure.

Note 4 – Programme costs

		2025-26	2024-25
	Note	£'000	£'000
Other programme expenditure			
Roads			
Capital maintenance		276,187	215,392
Current maintenance		217,039	183,709
PFI interest charges		72,230	73,517
PFI service charges		36,518	29,424
Rail			
Scottish Rail Holdings *		841,321	818,572
Rail infrastructure in Scotland **		461,740	465,133
Other		864	480
Concessionary travel			
Smartcard applications		1,223	3,181
Concessionary travel schemes		425,823	397,542
Other public transport			
Major public transport projects - rail ***		158,033	178,934
Transport information		546	370
Ferry services in Scotland		360,373	334,421
Air services in Scotland		66,036	75,045
Bus services in Scotland		52,343	44,142
Other transport directorate programmes		55,198	45,742
Low Carbon and Active Travel		150,211	157,919
Central Government grants to Local Authorities		12,400	41,763
Resource AME Transactions (EST Loans Only)		7,503	(10,725)
Non-cash items			
Depreciation	6/7	288,072	82,388
Total other programme costs		**3,483,660**	**3,136,949**

* Cash Grant in Aid Payments to Scottish Rail Holdings totalling £841 million
** Rail Infrastructure in Scotland Payment of £462m was paid directly to 'Network Rail'
*** Enhancement grant of £149m was paid directly to Network Rail and is disclosed in the 'Major public transport projects - rail' line

Note 5 - Operating income

- Operating income principally arises from:

- Interest receivable from loans to Caledonian Maritime Assets Limited.
- 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.
- Other income including re-imbursement from local authorities for work done and one-off income from Abellio

	2025-26	2024-25
Programme Income	**£'000**	**£'000**
Interest Receivable - loans	(16,568)	(12,082)
Rental Income - Land and Properties	(56)	(60)
Other income	(16,719)	-
European Structural Fund (ESF) income	-	(101)
Total operating income	**(33,343)**	**(12,243)**

Note 6 - Property, plant, and equipment

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. There are some adjustments which reflect the transfer of road assets to local authority control (de-trunking), with the corresponding entry flowing through the general fund.

AtkinsRealis (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 VOA. All revaluation movements are reflected in the revaluation reserve.

2025-26	Road Network	Land	Buildings	Transport	Leasehold Improvem -ents	Assets under Constructi on	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
At 1 April 2025	33,489,071	6,198	8,959	135	2,755	545,499	34,052,617
De-trunkings	-	-	-	-			-
Additions	131,069	-	-	-	687	146,203	277,959
Disposals	-	-	-	-	-	-	-

2025-26	Road Network	Land	Buildings	Transport	Leasehold Improvem-ents	Assets under Construction	Total
Revaluation	1,019,085	-	-	-	-	-	1,019,085
Historic valuation adjustments	23,111	-	-	-	-	-	23,111
Balance at 31 March 2026	**34,662,336**	**6,198**	**8,959**	**135**	**3,442**	**691,702**	**35,372,772**
Depreciation							
At 1 April 2025	6,294,645	-	2,735	135	-	-	6,297,515
De-trunkings		-		-	-	-	-
Charge for the year	287,605	-	467	-	-	-	288,072
Disposals	-	-	-	-	-	-	-
Revaluation	58,754	-	-	-	-	-	58,754
Historic valuation adjustments	10,901	-	-	-	-	-	10,901
Transfers and reclassifications	-	-	-	-	-	-	-
Balance at 31 March 2026	**6,651,905**	**-**	**3,202**	**135**	**-**	**-**	**6,655,242**
Net Book Value at 31 March 2026	**28,010,431**	**6,198**	**5,757**	**-**	**3,442**	**691,702**	**28,717,530**
Net Book Value at 31 March 2025	**27,194,426**	**6,198**	**6,224**	**-**	**2,755**	**545,499**	**27,755,102**
Asset Financing							
Owned	23,990,573	6,198	5,757	-	3,442	691,702	24,697,672
On Balance Sheet PFI	4,019,858	-	-	-	-	-	4,019,858
Net Book Value at 31 March 2026	**28,010,431**	**6,198**	**5,757**	**-**	**3,442**	**691,702**	**28,717,530**

2024-25	Road Network	Land	Buildings	Transport	Leasehold Improvements	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
At 1 April 2024	33,854,756	6,198	8,959	135	-	515,875	34,385,923
De-trunkings	-	-	-	-			-
Additions	144,057	-	-	-	2,755	68,975	215,787
Disposals	-	-	-	-	-	-	-
Revaluation	(383,351)	-	-	-	-	-	(383,351)
Historic valuation adjustments	(165,742)	-	-	-	-	-	(165,742)
Transfers and reclassifications	-	-	-	-	-	-	-
Transfers (to)/from assets under construction	39,351	-	-	-	-	(39,351)	-
Balance at 31 March 2025	**33,489,071**	**6,198**	**8,959**	**135**	**2,755**	**545,499**	**34,052,617**
Depreciation							
At 1 April 2024	6,431,233	-	2,256	135	-	-	6,433,624
De-trunkings		-		-	-	-	-
Charge for the year	81,909	-	479	-	-	-	82,388
Disposals		-	-	-	-	-	-
Revaluation	(186,935)	-	-	-	-	-	(186,935)
Historic valuation adjustments	(31,562)	-	-	-	-	-	(31,562)
Transfers and reclassifications		-	-	-	-	-	-
Balance at 31 March 2025	**6,294,645**	**-**	**2,735**	**135**	**-**	**-**	**6,297,515**

2024-25	Road Network	Land	Buildings	Transport	Leasehold Improvements	Assets under Construction	Total
Net Book Value at 31 March 2025	**27,194,426**	**6,198**	**6,224**	**-**	**2,755**	**545,499**	**27,755,102**
Net Book Value at 31 March 2024	**27,423,523**	**6,198**	**6,703**	**-**	**-**	**515,875**	**27,952,298**
Asset Financing							
Owned	23,309,040	6,198	6,224	-	2,755	542,872	23,867,089
On Balance Sheet PFI	3,885,386	-	-	-	-	2,627	3,888,013
Net Book Value at 31 March 2025	**27,194,426**	**6,198**	**6,224**	**-**	**2,755**	**545,499**	**27,755,102**

Note 7a – Right of use assets

	2025-26
	Total
	£'000
Cost or Valuation Balance as at 1 April 2025	30,639
Additions	-
Disposals	(14,355)
At 31 March 2026	**16,284**
Depreciation Balance as at 1 April 2025	3,672
Charged in year	1,001
Disposals	(1,388)
At 31 March 2026	**3,285**
Net Book Value	**12,999**
Analysis of asset financing:	
Owned	
Finance-Leased	12,999
Net book value	**12,999**

	2024-25
	Total
	£'000
Cost or Valuation Balance as at 1 April 2024	**30,639**
Additions	-
Disposals	-
At 31 March 2025	**30,639**
Depreciation Balance as at 1 April 2024	2,053

	2024-25
Charged in year	1,619
Disposals	-
At 31 March 2025	**3,672**
Net Book Value	**26,967**
Analysis of asset financing:	
Owned	
Finance-Leased	26,967
Net book value	**26,967**

Note 7b - Lease Liabilities

7b Lease Liabilities	**As at**	**As at**
	31 March 2026	**31 March 2025**
	£'000	**£'000**
Within one year	558	1,281
Between 2 and 5 years	2,284	5,126
After 5 years	24,315	25,905
Less accrued interest	(3,201)	(3,461)
Total	**23,956**	**28,851**

Note 8 – Intangible assets

Purchased computer software licences are capitalised as intangible non-current assets where expenditure of £25,000 or more is incurred. Intangible assets other than assets under development are amortised on a straight-line basis over their estimated useful lives. Impairment reviews are carried out if there are any indicators that impairment should be considered. Intangible assets under development are not amortised. The remaining carrying value of computer software licences was fully impaired and written off during 2024-25. There were no new intangible assets recognised in 2025-26.

	2025-26	2024-25
	£'000	£'000
At replacement cost or valuation		
At 1 April	-	69
Additions		
Disposals	-	(69)
Balance as at 31 March	-	-
Accumulated amortisation	-	
At 1 April	-	-
Charge for the year	-	-
Revaluations	-	-
Disposals	-	-
Balance at 31 March	-	-
Net book value at 31 March	-	-

Note 9 – Financial assets

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

As at 31 March 2026, Scottish Ministers, represented by Transport Scotland, are the sole shareholder in Caledonian Maritime Assets Ltd (CMAL), David MacBrayne Ltd (DML), Highlands and Islands Airports Ltd (HIAL) and Scottish Rail Holdings Ltd (SRH).

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
- Scottish Rail Holdings Ltd - 1 ordinary shares 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 overleaf.

2025-26	Interests in Nationalised Industries & Limited Companies	Voted Loans	Other Funds	Total
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2025	20,550	361,671	108,843	491,064
Add element reported within current assets				
Advances and repayments				
Cash advances		101,373	202	101,575
Transfers				0
Repayments		(10,422)	(12,563)	(22,985)
Less				
Discounting of EST loans			(6,411)	(6,411)
Write-off of EST Loan			(53)	(53)
Expected credit loss			(1,740)	(1,740)
Effective Interest Receivable		8,415	646	9,061
Balance at 31 March 2026	**20,550**	**461,037**	**88,924**	**570,511**
Loans repayable within 12 months transferred to current assets	-	13,513	12,311	25,824
Loans repayable after 12 months non current assets	20,550	447,524	76,613	544,687
Balance at 31 March 2026	**20,550**	**461,037**	**88,924**	**570,511**

2024-25	Interests in Nationalised Industries & Limited Companies	Voted Loans	Other Funds	Total
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2024	20,550	255,882	145,114	421,545
Add element reported within current assets				
Advances and repayments				
Cash advances	-	108,456	387	108,844
Transfers	-	-	-	-
Repayments	-	(10,144)	(47,438)	(57,582)
Less				
Discounting of EST loans	-	-	8,793	8,793
Write-off of Financial Transaction			-	
Expected credit loss	-	-	-	-
Effective Interest Receivable		7,478	1,987	9,465
Balance at 31 March 2025	**20,550**	**361,671**	**108,843**	**491,064**
Loans repayable within 12 months in Current Assets	-	14,239	12,564	26,803
Loans repayable after 12 months transferred to non-current assets	20,550	347,432	96,279	464,261
Balance at 31 March 2025	**20,550**	**361,671**	**108,843**	**491,064**

	Scottish Rail Holdings Ltd	Highland & Island Airports Ltd	Caledonian Maritime Assets Ltd	David MacBrayne Ltd
	£m	£m	£m	£m
Net assets/(liabilities) as at 31 March 2026	26.7	153.8	183.6	54.0
Turnover	451.2	32.5	11.6	366.7
Profit/(loss) for the financial year	(845.2)	(36.6)	7.6	3.0

Results for SRH, Highland & Island Airports Ltd, Caledonian Maritime Assets Ltd and David MacBrayne are draft and subject to audit with final accounts 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 (DML)

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.

Scottish Rail Holdings Limited (SRH)

Scottish Ministers are the sole shareholder of SRH. SRH is the holding company of ScotRail Trains Limited (SRT), which took over the operation of ScotRail services on 1 April 2022 and Caledonian Sleeper Limited (CSL), which took over the operation of Caledonian Sleeper services on 25 June 2023. SRH is responsible for providing

oversight and managing the provision of SRT and CSL rail passenger services under the terms of their Grant Agreements.

Voted Loans

These represent loans that Transport Scotland provides to CMAL for the procurement of new shipping.

Other funds

These represent loans that Transport Scotland provides to the Energy Savings Trust to fund energy efficient transport initiatives and to HIAL to renew and improve commercial airport infrastructure.

In respect of IFRS 12, it should be noted that Scottish Rail Holdings, HIAL and David MacBrayne are classed as Non-Departmental Public Bodies (NDPBs) and are treated in accordance with HM Treasury Consolidated Budgeting Guidance.

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

Transport Scotland also sponsors (but does not own) British Waterways Scotland, trading as Scottish Canals, under a framework agreement. British Waterways is a statutory body, is classed as an NDPB, and as such is treated in accordance with the HM Treasury Consolidated Budgeting Guidance.

CMAL is classed as a public corporation.

Note 10 - Trade receivables and other assets

Loans, trade receivables and accrued income are accounted for in accordance with IFRS 9 Financial Instruments. Trade receivables are shown net of a provision for impairment.

10a Analysis by classification	As at 31/03/26	As at 31/03/25
	£'000	£'000
Amounts falling due within one year:		
Trade and other receivables		
Trade and other receivables	1,770	3,728
VAT	30,886	29,979
Damage claims	1,823	1,876

10a Analysis by classification	As at 31/03/26	As at 31/03/25
Prepayments and accrued income	146,785	92,947
	181,264	**128,530**
Amounts falling due after more than one year:		
Prepayments and other receivables	33,622	25,621
	33,622	**25,621**

10b Intra-Government balances	As at 31/03/26	As at 31/03/25
	£'000	**£'000**
Amounts falling due within one year:		
Intra-Government balances		
Other Central Government bodies	169,236	56,353
Local Authorities	278	1,771
Public corporations and trading funds	9,261	85
	178,775	**58,209**
Balances with bodies external to Government	**2,489**	**70,321**
Total receivables	**181,264**	**128,530**
Amounts falling due after more than one year:		
Intra-Government balances		
Other Central Government bodies	33,622	-
Local Authorities	-	-
Public corporations and trading funds	-	-
	33,622	-
Balances with bodies external to Government	**-**	**25,621**
Total receivables	**33,622**	**25,621**

Note 11 - Trade payables and other liabilities

Trade payables and other liabilities are accounted for in accordance with IFRS 9 Financial Instruments.

11a Analysis by classification	As at 31/03/26	As at 31/03/25
	£'000	**£'000**
Amounts falling due within one year:		
Trade and other payables		
Trade payables	14,179	7,609
Accruals	232,777	229,762
Other payables	3,406	2,742
Financial liabilities - IFRS 16 Leases	527	553
Financial liabilities - PFI	43,532	43,187
Deferred income	113	110
	294,534	**283,963**
Amounts falling due after more than one year:		
Other payables	292	292
Financial liabilities - IFRS 16 Leases	26,599	27,157
Financial liabilities - PFI	904,174	947,705
	931,065	**975,154**

11b Intra-Government balances	As at 31/03/26	As at 31/03/25
	£'000	**£'000**
Amounts falling due within one year:		
Intra-Government balances		
Other Central Government bodies	58,054	5,760
Local Authorities & Health Boards	41,960	33,418
Public corporations and trading funds	5,112	40,776
	105,126	**79,954**

11b Intra-Government balances	As at 31/03/26	As at 31/03/25
Balances with bodies external to Government	189,408	204,009
Total payables	**294,534**	**283,963**
Amounts falling due after more than one year:		
Intra-Government balances		
Balances with bodies external to Government	931,065	975,154
Total payables	**931,065**	**975,154**

Note 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 (GVD) will be published in the near future. It may take several years from the announcement of a scheme to completion and final settlement of all liabilities. The estimates provided by the VOA are reviewed bi-annually.

Major Projects

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

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.

12a Provisions for liabilities and charges	Land and Property Acquisition	Major Projects	Other	Total
2025-26	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2025	16,893	1,000	1,183	19,076
Provided in year	24,360	157	-	24,517
Provisions not required written back	(1,428)	22	(443)	(1,849)
Provisions utilised in year	(5,872)	(247)	-	(6,119)
Discount amortised	(2,169)	-	-	(2,169)
Balance as at 31 March 2026	**31,784**	**932**	**740**	**33,456**
2024-25				
Balance as at 1 April 2024	11,491	3,558	1,183	16,232
Provided in year	8,472	231	-	8,703
Provisions not required written back	(2,429)	(2,130)	-	(4,559)
Provisions utilised in year	(641)	(659)	-	(1,300)
Discount amortised				-
Balance as at 31 March 2025	**16,893**	**1,000**	**1,183**	**19,076**

12b Analysis of expected timing of discounted flows	Land and Property Acquisition	Major Projects	Other	Total
	£'000	**£'000**	**£'000**	**£'000**
In the remainder of the period to 2027	9,356	932	-	10,288
Between 2027 and 2030	14,856	-	-	14,856
Between 2030 and 2035	6,973	-	-	6,973
Thereafter	599	-	740	1,399
Balance as at 31 March 2026	**31,784**	**932**	**740**	**33,456**
In the remainder of the period to 2026	9,128	1,000	-	10,128

12b Analysis of expected timing of discounted flows	Land and Property Acquisition	Major Projects	Other	Total
Between 2026 and 2029	3,717	-	1,183	4,900
Between 2029 and 2034	4,048	-	-	4,048
Balance as at 31 March 2025	16,893	1,000	1,183	19,076

Note 13 - Movement on working capital balances

		As at 31/03/26	Restated As at 31/03/25	2025-26 Net Movement	2024-25 Net Movement
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Receivables					
Due within one year	10	181,264	128,530	(52,734)	(28,012)
Due after more than one year	10	33,622	25,621	(8,001)	4,379
Net (increase) / decrease		**214,886**	**154,151**	**(60,735)**	**(23,633)**
Payables					
Due within one year	11	294,534	283,963	10,571	(18,845)
Due after more than one year	11	931,065	975,154	(44,090)	(43,739)
		1,225,599	1,259,117	(33,519)	(62,584)
Less: IFRS 16 Liabilities included in above	11	27,126	27,710	(584)	(982)
Less: PFI creditors included in above	11	947,705	990,892	(43,187)	(41,885)
Less: Capital accruals included in the above	11	54,548	66,054	(11,506)	(36,085)
Net increase /(decrease)		**196,219**	**174,461**	**21,758**	**16,368**
Provisions	12	33,456	19,076	14,380	2,844
Net increase /(decrease)	-	**33,456**	**19,076**	**14,380**	**2,844**
	-				
Net movement increase / (decrease)	-	**444,561**	**347,688**	**(24,597)**	**(4,421)**

Note 14 - Capital commitments

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

	Value of Commitment Payable			
Transport Scotland Directorates	**In 1 Year**	**2-5 Years**	**> 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Infrastructure Projects	128,474	123,849	-	252,323
Roads Delivery and Operations	27,480	34,500	-	61,980
Transport Integration and Connectivity	492	5,612	-	6,104
Total contracted capital commitments for which no provision has been made	**156,446**	**163,961**	**-**	**320,407**

Note 15 - Commitments under IFRS 16 leases

No low-value leases or leases with a remaining term of less than 12 months existed as at 31 March 2026.

Commitments for Finance Leases also shown as Right of Use Assets.

Land and Buildings	**As at 31 Mar 2026**	**As at 31 Mar 2025**
Obligations under finance leases	**£000**	**£000**
The total future lease payments under finance leases		
Total lease payments due within one year	558	553
Total lease payments due between 1 and 5 years	2,284	2,263

Land and Buildings	As at 31 Mar 2026	As at 31 Mar 2025
Total lease payments due thereafter	24,315	24,893
Sub-total	**27,157**	**27,709**
Less interest element	3,201	3,461
Present Value of Obligations under finance lease	**23,956**	**24,248**

Land and Buildings	As at 31 Mar 2026	As at 31 Mar 2025
Obligations under finance leases	**£000**	**£000**
The total future lease payments under finance leases		
Total lease payments due within one year	303	292
Total lease payments due between 1 and 5 years	1,317	1,274
Total lease payments due thereafter	22,336	22,682
Present Value of Obligations under finance lease	**23,956**	**24,248**

When acting as a lessor, a determination is made at lease inception whether each lease is a finance or operating lease. To classify each lease, an overall assessment is made on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

When acting as an intermediate lessor, its interest in the head lease and the sublease is accounted for separately. Lease payments under operating leases are recognised as income on a straight-line basis over the length of the lease terms. The right of use asset and accumulated depreciation relating to the sublease element of the head lease is derecognised in the Statement of Financial Position. A lease receivable for the sublease, and any gains or losses on the lease receivable, is recognised in the Statement of Financial Position.

Sublease Receivable

In 2024-25, Transport Scotland entered into a sublease arrangement relating to part of the occupancy of the Bothwell Street office. As the sublease has been classified as a finance lease, Transport Scotland recognised a lease receivable from 1 April 2025.

Maturity Analysis of lease payments receivable (sublease)	As at 31 March 2026	As at 31 March 2025
The total future lease payments under finance leases	**£000**	**£000**
Total lease payments due within one year	411	-
Total lease payments due between 1 and 5 years	1,643	-
Total lease payments due thereafter	13,214	-
Undiscounted lease payments receivable	**15,268**	**-**
Less: Unearned finance income	**1,646**	**-**
Net investment in the sublease (lease receivable)	**13,622**	**-**

Note 16 - Service concession arrangements

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:

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.

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.

M80

The contract covers the design, build and financing of approximately 18km 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 IFRIC 12 Service Concession Arrangements, 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 including interest and services charges.

We have reviewed the degree of control exercised by each of the parties in existing PFI 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.

We also have the following design, build, finance and operate (DBFO) contracts, under the NPD model:

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.

The AWPR / B-T (Aberdeen Western Peripheral Route/Balmedie-Tipperty)

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

Commitments under PFI Contracts

	As at 31/03/26	As at 31/03/25	As at 31/03/24
	£'000	**£'000**	**£'000**
Imputed finance lease obligations under PFI contracts comprise:			
Rentals due within 1 year	114,110	115,417	115,402

	As at 31/03/26	As at 31/03/25	As at 31/03/24
Rentals due within 2 to 5 years	385,526	400,337	418,056
Rentals due thereafter	1,177,920	1,273,342	1,371,040
	1,677,556	**1,789,096**	**1,904,498**
Less: Interest element (finance cost)	(729,849)	(798,204)	(871,721)
Total capital cost	**947,707**	**990,892**	**1,032,777**

	As at 31/03/26	As at 31/03/25	As at 31/03/24
	£'000	**£'000**	**£'000**
Imputed service charge obligations under PFI contracts comprise:			
Service charge due within 1 year	43,603	34,221	33,585
Service charge due within 2 to 5 years	189,673	185,291	175,572
Service charge due thereafter	899,190	935,721	981,184
Total service charge	**1,132,466**	**1,155,233**	**1,190,342**

Note 17 - Other financial commitments

	Value of Commitment Payable			
Transport Scotland Directorates	**In 1 Year**	**2-5 Years**	**> 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Rail	988,658	1,678,788	-	2,667,446
Bus, Concessionary & Active Travel	1,893	6,757	1,764	10,414
Ferries and Ports	385,775	1,637,706	2,065,000	4,088,481
Transport Integration and Connectivity	9,850	7,940	5,916	23,706
Roads Delivery and Operations	820	1,639	-	2,459
Infrastructure Projects	770	8	-	778
Total	**1,387,766**	**3,332,838**	**2,072,680**	**6,793,284**

Rail

The table above takes into consideration that Network Rail outputs and associated funding for Control Period 7 (CP7) from 1 April 2024 to 31 March 2029 was determined by the Office of Rail Regulation (ORR). The overall funding available for Network Rail in CP7 was published in the Statement of Funds Available (SoFA). The Determination for CP7 is included in the table above.

Transport Scotland subsidised three rail operators that provided services in Scotland. These were: ScotRail Trains Ltd (SRT) and Caledonian Sleeper Ltd (CSL) as wholly owned subsidiaries of Scottish Rail Holdings Ltd (SRH), a company wholly owned by Scottish Ministers. The total amount charged to the Statement of Comprehensive Net Expenditure reflects the grants paid to Network Rail for OMR and enhancements, Cash Grant in Aid payments for SRH and subsidy payments for Cross Border Services. This is summarised below:

	2025-26	2024-25
	£'000	**£'000**
Network Rail OMR	461,740	465,133
Network Rail Enhancement Grant	149,336	166,537
Scottish Rail Holdings	841,321	818,572
Serco Caledonian Sleeper Services Limited & Cross Border Services	-	123
Total	**1,452,397**	**1,450,365**

Ferries

The agency has entered into contracts (which are not leases or PFI contracts or other service concession arrangement) for provision of ferry services in two regions - the Clyde and Hebrides; and Northern Isles.

The Clyde and Hebrides contract (CHFS) was from October 2016 to October 2024 and is provided by CalMac Ferries Ltd. We made arrangements to extend the existing CHFS contract for 12 months and progress arrangements for the direct award of the CHFS3 contract from 1 October 2025. Due diligence work on the direct award of the Clyde and Hebrides Ferry Service (CHFS) 3 contract was completed and the Cabinet Secretary for Transport announced on 8 May 2025 that Scottish Ministers agreed a direct award to CalMac Ferries Limited.

The Northern Isles contract (NIFS) runs from 30 June 2020 to 30 June 2028 and is operated by Serco NorthLink Ferries. There is a break clause after CY6 (30 June 2026) in the NIFS's contract, so costs after this are not shown in the table above.

Lifeline air services

We support air routes from Glasgow to Barra, Tiree and Campbeltown. While the number of people using these routes is not enough to make them commercially viable for airlines, they nevertheless provide important connectivity to local communities.

To do this, we use Public Service Obligations (PSOs), which are obligations imposed on a route to provide a set specification of service. A PSO imposes obligations to ensure the minimum provision of service on a route in terms of continuity, regularity, pricing, or minimum capacity.

Our contract with Loganair for these three routes runs until 24 October 2027. The subsidy ensures that these isolated communities have air links with a main centre. Under Subsidy Control rules, it is necessary to seek competitive bids to allow subsidy to be paid. PSOs have also been imposed on routes within Shetland, Orkney, Comhairle nan Eilean Siar and Argyll & Bute, all of which are subsidised by the local authorities.

Roads

We provide grant funding to the Scottish Police Authority on an annual basis. This is to ensure the continued operation of the Scottish Safety Camera Programme.

Note 18 - Financial Instruments

18a. Financial Instruments by Category

		Total Financial Assets at Amortised Cost	Total
	Note	**£'000**	**£'000**
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments, reimbursement of provisions and VAT recoverable	-	595,644	595,644
Balance as at 31 March 2026	-	**595,644**	**595,644**

		Other Financial Liabilities	Total
	Note	**£'000**	**£'000**
Liabilities per Statement of Financial Position			
PFI & IFRS 16 liabilities	15, 16	974,832	974,832
Trade and other payables excluding statutory liabilities (VAT, income tax and social security)	-	248,306	248,306
Balance as at 31 March 2026	-	**1,223,138**	**1,223,138**

		Total Financial Assets at Amortised Cost	Total
2024-25	**Note**	**£'000**	**£'000**
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments, reimbursement of provisions and VAT recoverable	-	485,740	485,740
Balance as at 31 March 2025	-	**485,740**	**485,740**

		Other Financial Liabilities	Total
2024-25	**Note**	**£'000**	**£'000**
Liabilities per Statement of Financial Position			
PFI & IFRS 16 liabilities	15, 16	1,019,584	1,019,584
Trade and other payables excluding statutory liabilities (VAT, income tax and social security)	-	193,794	193,794
Balance as at 31 March 2025	-	**1,213,378**	**1,213,378**

18b. Financial Risk Factors

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

The table 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.

2025-26	Carrying value	0-12 months	1-2 years	3-5 years	5-10 years	>10 years
	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative liabilities	974,832	44,090	36,445	129,934	264,290	500,764
Derivative liabilities	-	-	-	-	-	-
Total financial liabilities	**974,832**	**44,090**	**36,445**	**129,934**	**264,290**	**500,764**

2024-25	Carrying value	0-12 months	1-2 years	3-5 years	5-10 years	>10 years
	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative liabilities	1,019,584	44,169	80,525	129,917	263,418	501,556
Derivative liabilities	-	-	-	-	-	-
Total financial liabilities	**1,019,584**	**44,169**	**80,525**	**129,917**	**263,418**	**501,556**

Note 19 – Contingent liabilities

19a Contingent liabilities disclosed under IAS 37

As part of Transport Scotland's normal course of business, Scottish Forestry 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.

Subsequent to the reporting date, legal proceedings were commenced against Transport Scotland in respect of matters arising before the year end. The proceedings remain at an early stage and the outcome, together with any associated financial impact, cannot presently be determined. Accordingly, no provision has been recognised in these financial statements.

19b Remote contingent liabilities not required under IAS 37 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:

Indemnity clauses in roads contracts to compensate Network Rail for any damage or loss of access

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

Guarantees issued under Section 54 of the Railways Act 1993 as part of rail rolling stock procurement process, which enables Scottish Ministers to give undertakings regarding the use of rolling stock. These undertakings specify the future financial obligations that Scottish Ministers will ensure are met to secure availability of the rolling stock. The table below summarises quantifiable contingent liabilities in relation to these guarantees with the amounts disclosed reflecting the highest reasonable estimate of the possible liability in relation to future payments that fall due after the expiry of existing agreements with train operators.

Guarantees in Place as at 31 Mar 2026	£'m
Section 54 Guarantee for Caledonian Rail Leasing Limited Class 385 Type Rolling Stock until 28 February 2044	175.2

Guarantees in Place as at 31 Mar 2026	£'m
Section 54 Guarantee for Eversholt Class 380 Type Rolling Stock Until 31 December 2040	68.9
Section 54 Guarantee for Porterbrook Class 170 Type Rolling Stock Until 31 March 2035	20.0
Section 54 Guarantee for Caledonian Rail Sleeper Leasing Limited Mark 5 Rolling Stock until 31 March 2040	28.2
Section 54 Guarantee for Angel Trains 156 Type Rolling Stock Until 31 December 2031	1.4
Section 54 Guarantee for Porterbrook Class 158 Type Rolling Stock Until 31 March 2033	8.6
Section 54 Guarantee for Eversholt Class 222 Type Rolling Stock Until 31 December 2040	28.1
Total	330.4

ScotRail Trains Grant Agreement expires on 31 March 2032 and the liabilities shown above are from that date to the end of the Section 54 guarantee. Caledonian Sleeper Grant Agreement expires on 25 June 2033, and the liabilities shown above are from that date to the end of the Section 54 guarantee.

Commitment towards the continued funding of the pension obligations of ScotRail Trains Ltd and Serco Caledonian Sleeper Limited through the Grant and Franchise Agreements.

iii. Other contingent liabilities held by Transport Scotland

There are a number of compulsory purchase compensation claims ongoing, upon which some compensation may be payable in the future. These cases are currently ongoing, and the amount payable has not been quantified at this stage.

During 2022-23, Scottish Ministers signed a legally binding covenant which was issued to the Trustees of the Highlands and Islands Pension Scheme. This covenant provided guarantees to the Trustees that Scottish Ministers would become liable to make any payments due to the pension scheme in the event that the principal employer, Highlands and Islands Airport Limited, are unable to pay any sum owed to the pension scheme.

Note 20 - Related Parties

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. Scottish Rail Holdings Ltd, David MacBrayne Ltd, Caledonian Maritime Assets Ltd, and Highlands and Islands Airports Ltd are wholly owned subsidiaries in the name of the Scottish Ministers, with whom Transport Scotland also had various material transactions during the year. ScotRail Trains Limited and Caledonian Sleeper Limited are subsidiaries of Scottish Rail Holdings Limited under the statutory Operator of Last Resort arrangements.

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

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.

Note 21 - Segmental Reporting

21a Business Segments – Statement of Comprehensive Net Expenditure

2025-26	Resource	Net Investment	Income	Non Cash	AME	ODEL	Total
Total continuing segments	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Roads	178,811	302,221	(72)	302,451		108,748	892,159

2025-26	Resource	Net Investment	Income	Non Cash	AME	ODEL	Total
Rail	460,691	1,005,742	(16,672)	-	-	-	1,449,761
Bus Services	479,278	536		-	-	-	479,814
Ferry services in Scotland	313,616	55,174	(15,853)	-	(8,415)	-	344,520
Air services in Scotland	61,519	4,516	(59)	-	-	-	65,977
Other transport directorate programmes	72,068	173,137	(687)	8,176	-	-	252,694
Grants to Local Authorities	-	12,400	-	-	-	-	12,400
	1,565,983	**1,553,726**	**(33,343)**	**310,627**	**(8,415)**	**108,748**	**3,497,326**

2024-25	Resource	Net Investment	Income	Non Cash	AME	ODEL	Total
Total continuing segments	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Roads	168,814	230,707	-	83,128	2,844	102,941	588,434
Rail	455,257	1,012,295	-	70	-	-	1,467,622
Bus Services	445,404	1,510	-	-	-	-	446,914
Other public transport	12,845	-	-	-	-	-	12,845
Ferry services in Scotland	278,762	72,209	(12,083)	-	(15,192)	-	323,696
Air services in Scotland	59,992	14,980	-	-	-	-	74,972
Other transport directorate programmes	46,891	172,874	(161)	1,620	(10,780)	-	210,444
Grants to Local Authorities	41,914	-	-	-	-	-	41,914
	1,509,879	**1,504,575**	**(12,243)**	**84,817**	**(23,128)**	**102,941**	**3,166,841**

21b Business Segments – Capital Expenditure

2025-26	Trunk Road Maintenance	Capital Projects	Loans	Total Capital Expenditure
Total continuing segments	**£'000**	**£'000**	**£'000**	**£'000**
Roads	131,069	146,203	-	277,272
Other public transport	687	-	(12,362)	(11,675)
Ferry, aviation and other services in Scotland	-	-	90,950	90,950
	131,756	**146,203**	**78,588**	**356,547**

2024-25	Trunk Road Maintenance	Capital Projects	Loans	Total Capital Expenditure
Total continuing segments	**£'000**	**£'000**	**£'000**	**£'000**
Roads	144,057	68,975	-	213,032
Other public transport	2,755	-	(47,051)	(44,296)
Ferry, aviation and other services in Scotland	-	-	98,312	98,312
	146,812	**68,975**	**51,261**	**267,048**

Note 22 - Notional charges

The following notional charges have been included in the accounts.

		2025-26	2024-25
	Note	**£'000**	**£'000**
Auditors' remuneration	3	215	206
		215	**206**

Note 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. These costs are held in a debtor account until the recovery is successful.

		2025-26	2024-25
	Number of cases	**£'000**	**£'000**
Total cash losses	6	70	197
Details of cases over £250,000	-	-	-
Including			
- claims abandoned	6	70	197
- active claims	-	-	-

Note 24 - Events after the Reporting Period

On 1st September 2026, the Scottish Government published its Programme for Government 2026 to 2031, which included a proposal to bring Transport Scotland back into the Scottish Government as part of wider public sector reform.

The proposal is subject to further development and implementation arrangements, including consideration of the timing and mechanism of any transfer. At the date of authorising these financial statements, the financial and operational implications of the proposed change have not been determined, and no transfer date has been established.

The announcement is considered to be a non-adjusting event after the reporting period. No adjustment has therefore been made to the financial statements for the year ended 31st March 2026.

Transport Scotland Accounts Direction by the Scottish Ministers

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

Scottish Government
Riaghaltas na h-Alba

TRANSPORT SCOTLAND
CÒMHDHAIL ALBA

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