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**TRANSPORT SCOTLAND**  
ANNUAL REPORT AND ACCOUNTS 08/09





**TRANSPORT SCOTLAND**  
ANNUAL REPORT AND ACCOUNTS 08/09

An agency of



The Scottish  
Government



## SCOTTISH GOVERNMENT TRANSPORT PRIORITIES

### **Wealthier and fairer Scotland**

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

### **Smarter Scotland**

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

### **Healthier Scotland**

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

### **Safer and stronger Scotland**

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

### **Greener Scotland**

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

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# CHIEF EXECUTIVE'S INTRODUCTION

I am pleased to present my first report as Chief Executive of Transport Scotland. Since assuming the role in February 2009, I have been impressed by the variety and complexity of the projects being delivered by Transport Scotland and our ability to support the Government's Purpose of increasing sustainable economic growth. This Report sets out the progress Transport Scotland has made against the key delivery priorities in our Corporate Plan 2008/11 and in achieving the specific targets/outcomes in our Business Plan 2008/09.

This progress has been achieved against a background, in the second part of the year, of difficult economic circumstances due to the downturn in the global economy. The Scottish Government has made it absolutely clear that the purpose of increasing sustainable economic growth remains its key priority and that an efficient transport system is essential for enhancing productivity and delivering greater prosperity and opportunity for the people of Scotland. We have therefore continued to drive forward, on behalf of the Scottish Government, the largest transport investment programme Scotland has ever seen, with a number of vital projects such as the development of the railway line between Airdrie and Bathgate, major improvement works on the Edinburgh to Glasgow railway links and the M74 Completion. We have also commenced works on important safety improvements on the A9 at Bankfoot and Carrbridge.

As a major priority we are progressing the design, development and procurement of the Forth Replacement Crossing and tendering for what will be Scotland's largest civil engineering project in several generations. This strategic crossing is a vital economic link for Fife, Edinburgh and the Lothians and crucial in maintaining the capacity and capability of the national and regional road network. Public exhibitions took place in January to allow

members of the public to see the plans for the crossing.

During the year we have continued to make significant progress in delivering major road and rail projects across Scotland. The First Minister, the Rt Hon Alex Salmond MSP, opened the new Clackmannanshire Bridge over the Forth in November. The bridge, designed to alleviate traffic pressure on the Kincardine Bridge, is the second largest of its type in the world. Also in November the Minister for Transport, Infrastructure and Climate Change, Stewart Stevenson MSP, opened the new footbridge over the M8 at Harthill. The new Stirling-Alloa-Kincardine rail link was opened in May 2008. This has proved to be a major success with 400,000 passengers in the first year, well over double the original forecast.

The A9 Ballinluig junction improvements were completed on budget and two months ahead of schedule and opened by the Cabinet Secretary for Finance and Sustainable Growth, John Swinney MSP, in May. In the same month, work started on the M74 Completion. The A68 Dalkeith Northern Bypass was completed in September and in January we awarded the £320 million project to construct a new 18 kilometre stretch of motorway on the A80 between Stepps and Haggs.



Many other road and rail projects were being planned or were under construction. Details of these and our other achievements are set out in the following chapters. In all of these we have collaborated constructively with a wide range of partners in the transport sector and beyond and we look forward to continuing these constructive relationships in the coming years.

In order to ensure that the overall capital budget for Scotland is sustainable in years to come, the Cabinet Secretary for Finance and Sustainable Growth announced in his budget statement that the Scottish Government has reluctantly decided to cancel the Glasgow Airport Rail Link project. However, it remains committed to continuing to support the capacity and signalling improvements on the rail line between Paisley and Glasgow, to accommodate growing demand for rail travel in Renfrewshire, Ayrshire and Inverclyde.

Our budget for the year was £2,084 million and our final outturn was within 1.4% of that figure, a clear indication of the tight control we exercise over projects and of the priority we give to ensuring that best value is achieved from public funds. This spending is also vital to the economy in Scotland with 95% of our budget being spent supporting tens of thousands of jobs across Scotland, almost all of which are in the private sector. Our continuing

investment is helping the hard pressed construction sector, creating hundreds of construction jobs and supporting over 25% of the civil engineering contracting sector's workload in Scotland.

We continue to plan for the future in line with Scottish Ministers' priorities. The Strategic Transport Projects Review, published in December 2008, is the culmination of several years work using advanced modelling techniques to consider the challenges that our transport networks will face over the next 20 years. This is at the leading edge of transport appraisal and is the most comprehensive and ambitious transport plan ever published in Scotland and provides the basis on which Ministers can make informed decisions about future transport spending beyond the current programme.

Over the year we have continued to take forward our approach to climate change which sets out the actions that we can take to mitigate against and adapt to the challenges of climate change. We aim to do everything we can to respond to the Scottish Government's challenge of reducing emissions by 80% by 2050. As well as continued investment in the rail network we are also some way through a review of the sustainability of our design, procurement, construction and maintenance practices with a view to not only reducing our own carbon emissions but also to encouraging innovation and more sustainable practice throughout our supply chain.





We have continued to manage the trunk road network effectively, delivering £214 million of road maintenance and improvement schemes while keeping 99.3% of the trunk road network open to traffic at all times. We have also continued to invest in our Traffic Scotland, Traveline and Transport Direct services to improve the way in which we operate the network and provide information to travellers.

Safety is at the heart of everything we do as we aim to make our roads, already among the safest in the world, even safer. Having exceeded the Government's 2010 casualty reduction targets, we are now focusing on contributing to the new and more challenging targets for 2020. Safer road design, improved speed management, continued maintenance and better provision for vulnerable road users will bring about the further reduction in accidents on our roads that we are all seeking.

Key to our continued progress and achievement is having a committed and enthusiastic team with the right skills and resources focused on the delivery of our aims and delivery priorities. Our Learning and Development Programme and Graduate Training Scheme are both designed to ensure our staff have the appropriate professional skills to deliver excellence in all that we do. We are, however, still faced with some difficulties in recruiting suitably qualified and experienced staff. I would like to thank both our staff and our industry partners for all their hard work in enabling us to achieve our outcomes for 2008/09 and look forward to working with them as we face our future challenges.

I should record that Dr Malcolm Reed CBE, Transport Scotland's first Chief Executive, retired in February 2009. Malcolm successfully guided the organisation through its early years since Transport Scotland was established in 2006. He oversaw the completion of many road and rail projects across Scotland and set in motion those which are currently under planning and construction. The Transport Scotland Board and all staff wish to record their appreciation for all that Malcolm achieved and wish him well in his retirement.

**David Middleton**  
Chief Executive  
Transport Scotland  
1 December 2009





## WHO WE ARE AND WHAT WE DO

Transport Scotland was created in 2006 as an agency of the Scottish Government, accountable to Parliament and the public through the Scottish Ministers, with our Chief Executive reporting directly to the Minister for Transport, Infrastructure and Climate Change.

Transport Scotland is responsible, on behalf of Scottish Ministers, for overseeing the operation and improvement of the trunk road and railway networks, for running the national concessionary travel schemes and for the provision of travel information services. We also support Ministers in prioritising future transport investments.

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

Our detailed delivery outcomes are set out in our Corporate Plan and annual Business Plans. Delivery against our targets for 2008/09 are summarised on page 32.





Transport Scotland's executive Directors report to the Chief Executive and with him form part of the Executive Board of Transport Scotland, on which they are also supported by two independent non-executive Directors, Dr Iain Docherty and Dr Jacqueline Redmond. The non-executive Directors do not have operational responsibilities and are not civil servants. They are appointed in line with public appointment procedures to bring external perspectives and experience to the organisation. They also constitute the audit committee together with a further external appointee, Eileen Marshall.

Malcolm Reed retired as Chief Executive in January 2009 and was replaced by David Middleton.

Richard Scott was appointed Director of Business Improvement in August 2008. Guy Houston resigned as Director of Finance and Corporate Services in November, following which Richard Scott also became Acting Director of Finance and Corporate Services. Subsequently, Richard Scott was appointed Director of Business Improvement and Corporate Services and continued to act as interim Director of Finance. Sharon Fairweather was appointed as Director of Finance in August 2009.

DAVID MIDDLETON  
Chief Executive



RICHARD SCOTT  
Business Improvement and  
Corporate Services, Finance  
(Interim)



AINSLIE McLAUGHLIN  
Major Transport  
Infrastructure Projects



JIM BARTON  
Trunk Roads: Network  
Management



FRANCES DUFFY  
Strategy & Investment



BILL REEVE  
Rail Delivery

executive directors

non-executive directors



IAIN DOCHERTY



JACQUELINE REDMOND





## DELIVERY AGAINST OUR PRIORITIES

### IMPROVED CONNECTIONS

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

As a key element in furthering the Scottish Government's Purpose of promoting sustainable economic growth, we published the **Strategic Transport Projects Review (STPR)**, setting out the most appropriate strategic investments in Scotland's national transport network over the next twenty years. These were announced in Parliament on 10 December 2008. The STPR recommends a total of 29 transport packages which will enhance the transport network in key locations across the country. The recommended schemes have an investment value into the future which reflects the needs of transport and will be delivered subject to the transport allocation within future spending reviews.

The **Forth Replacement Crossing** will be the largest and most ambitious transport project of its kind in several generations. The new crossing will maintain a fundamental link across the Forth and create a new and better connection to Scotland's transport networks in central Scotland and beyond. It will provide a dedicated public transport corridor. The new bridge and associated connecting roads will be designed with comprehensive care for the natural environment and in keeping with the iconic setting of the existing bridges.





## CLACKMANNANSHIRE BRIDGE

The new Clackmannanshire Bridge, designed to alleviate traffic pressure on the Kincardine Bridge, is the second largest of its type in the world. The overall project includes an extensive network of new cycleways and footpaths and provides transport links between Clackmannanshire, Falkirk and Fife, improving road safety and opening up the wider area to economic benefits.





The new £120 million **Clackmannanshire Bridge** over the Firth of Forth was opened by First Minister Alex Salmond on 19 November.

The £30 million **A68 Dalkeith Northern Bypass** was completed in September 2008, reducing heavy goods traffic through the town by more than half.

A £27 million investment in three vital road improvement projects brought benefits to road users across the **South West of Scotland**. The **A77 improvements at Glen App and Haggstone** opened three months ahead of schedule while the A76 upgrade near **Glenairlie** will provide additional overtaking opportunities. All three schemes will open up economic opportunities by improving journey times and connections across Dumfries and Galloway. The investment will also bring faster, more efficient access to the important ports of Cairnryan and Stranraer. The de-trunked section of the existing A76 is being converted to a cycleway as part of our ongoing efforts to encourage a shift to healthier and physically active forms of transport.

2008/09 also saw considerable activity on, and investment in, the **M8 motorway**. The first phase of a vital £12 million upgrade programme got underway improving the section between Blairmains and Blairmuckhill which is used by almost 60,000 vehicles a day. A £2 million structural maintenance scheme to improve a 3 kilometre section of the eastbound carriageway between Newhouse and Shotts included a trial of new surfacing materials that could reduce the need for future roadworks. This could have future benefits for journey time reliability as well as being less carbon intensive. The new **Harthill Footbridge** was delivered at a cost of £5 million.





## STIRLING-ALLOA-KINCARDINE RAIL LINK

The Stirling-Alloa-Kincardine rail line reconnecting the area to the rail network has opened up education and employment opportunities for the residents of Clackmannanshire with increased accessibility encouraging inward investment and economic growth. Freight trains began operating on the route in December 2008, transferring coal from Hunterston to Longannet and freeing up capacity on the Forth Rail Bridge which allowed more frequent and faster passenger services between Edinburgh, Fife and Aberdeen to commence in December 2008.



The new **Stirling-Alloa-Kincardine rail link** reintroduced passenger services to Alloa for the first time since 1968 and carried 400,000 passengers in its first year, more than twice the original forecast.

Infrastructure improvement works at **Edinburgh Waverley Station** were completed. These included the delivery of four new platforms, extensive track re-modelling work, extra capacity on existing platforms and two new escalators and lifts inside the station. The electrification of the Mound tunnel and west facing platforms were not included in the original specification but were delivered within the original budget. The project received a commendation at the 2008 Saltire Awards for Civil Engineering in recognition of the planning, teamwork and skill shown in successfully completing the project while maintaining the efficient operation of the station.

In August, Transport Scotland took over responsibility for delivering the **Borders Railway** project in partnership with the rail industry. Funding is being accelerated for the project, with fast-tracked work scheduled to start in 2009 and completion anticipated around the end of 2013.

Other notable achievements in improving connections during the year include:

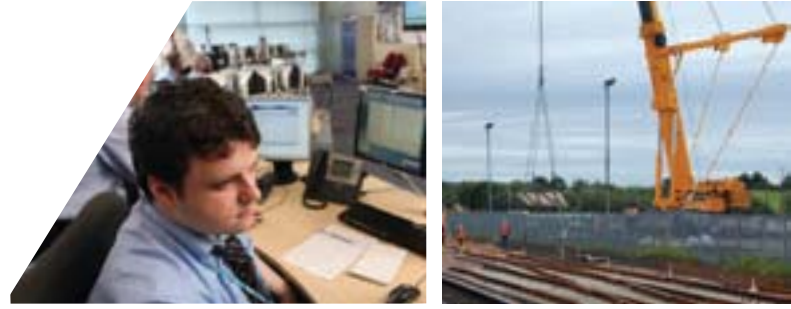
- the **A7 south of Langholm** was rebuilt in only nine days following a catastrophic failure of the embankment supporting the trunk road
- the narrow single carriageway section of the **A830 at Arisaig** was upgraded to accommodate two-way traffic; dedicated overtaking schemes were completed on the **A75 and A76**; and the **Crianlarich bypass** was completed on the A82
- the **£2.8 million A82 Achnameithach Bridge** replacement in Glen Coe was completed as part of the UK national bridge strengthening programme for 40 tonne HGVs. Preparations began for strengthening or replacing other bridges including the A82 Ba Bridge, A82 Allt Chonoglais Bridge and the M8 White Cart Viaduct
- the **M74 Completion project** continued as work on the first of 13 bridges along the route got underway in March 2009
- work started on the **£28.5 million** package of **Glasgow – Barrhead – Kilmarnock** rail infrastructure enhancement project
- a new station was built at **Laurencekirk**, which opened in May 2009
- the **A68 Jedburgh Station Bridge Refurbishment** project was completed, the first of four similar bridge schemes to be undertaken on this important route over the next three years
- four railway stations at Barrhead, Kirkcaldy, Rutherglen and Mount Florida were made step-free in the first phase of the **Access for All Programme**





## AIRDRIE TO BATHGATE RAIL PROJECT

The first stage of the project has delivered ten miles of new track, a computerised electronic signalling system, and two additional station platforms at Livingston North and Uphall Stations.



## BETTER JOURNEY TIMES, BETTER RELIABILITY

Making journey times more reliable is one of the main ways in which transport can help build and sustain growth in the economy.

Successful completion of the new double track on the railway from Newbridge to Bathgate as the first stage of the **Airdrie to Bathgate** project has increased service reliability for passengers.

Rail services between **Edinburgh and Aberdeen via Fife** were enhanced with new services, extra carriages and faster journey times as part of the December 2008 timetable changes. At the same time a more frequent service was introduced between Aberdeen and Inverurie along with better connections between Inverness and Thurso/Wick, all helping to make public transport a more attractive option.

Provision of up-to-date travel information is crucial to improving journey times and reliability. We have continued with the implementation of our **Traffic Scotland Action Plan**, delivering ten fully operational Variable Message Signs (VMS) near to key junctions, eight additional CCTV cameras at various locations on the M8, M74 and M73 and equipment to support the upgrading of the communications system that connects the signs and cameras to the Traffic Scotland Control Centre. VMS improve journey time reliability by providing the location and information about current incidents, roadworks and events and future roadworks and events which enables travellers to plan their journey to avoid these locations thereby reducing the impact of any congestion.

We provide **travel information services** both directly, such as the Traffic Scotland website [www.trafficscotland.org](http://www.trafficscotland.org), and with key partners, for example Traveline Scotland [www.travelinescotland.com](http://www.travelinescotland.com) and the UK-wide Transport Direct [www.transportdirect.info](http://www.transportdirect.info). We have improved the Traffic Scotland website which now signposts users to enhanced Park and Ride and lift-share options. We piloted a new events service to enable those going to concerts such as T in the Park and other events to plan their trips and improve overall traffic management. These changes have resulted in a significant growth in the use of the website, from 30,000 monthly in 2006 to 120,000 monthly in 2008. There have also been some significant peaks during critical weather events. In February 2009, during snow conditions, the site had 380,000 users.

During 2008/09 the Traffic Scotland Control Centre dealt with and provided information relating to 113,000 incidents and 5,800 roadworks on the trunk road network. In addition, staff in the Control Room operated the lane control signals, functions that were transferred to Transport Scotland during 2008, and supported 1,358 motorists who required the use of the emergency roadside telephones in the Strathclyde Police force area.



Scottish Ministers exercised the option contained in the original **First ScotRail franchise** agreement to extend the franchise contract for a further three years to 2014. The deal secured over £70 million for reinvestment, including the enhancement of existing services, improvements to stations and rolling stock, better connections for people wishing to travel to London in time to do business and a new look for the rail network in Scotland. The decision to extend the franchise has also resulted in improved performance levels as First ScotRail strives to meet testing new targets. We welcomed Audit Scotland's report on its review of the rail franchise, the key findings of which were that Transport Scotland is running the franchise effectively and is helping deliver, with First ScotRail, an improving service to passengers. The National Passenger Survey to Autumn 2008 was published and showed that First ScotRail overall customer satisfaction rate had improved by 6% to 90%.

Over the year we have also ensured that First ScotRail delivered station improvements across Scotland as part of its £10 million commitment to the Station Investment Plan. This is part of an overall £40 million programme of improvements to trains and stations which First ScotRail is delivering over the lifetime of the franchise.

In October 2008, following a lengthy and complex process, the Office of Rail Regulation finalised the level of Network Rail's funding for 2009-2014. For the first time Scottish Ministers were able to state what they wanted the Scottish Network to deliver during that period – a milestone in the devolution process. Transport Scotland played a significant role in determining the final settlement, and securing the best possible financial outcome for Scottish Ministers and taxpayers. As a result, Network Rail is now required to achieve 21% efficiency improvements in expenditure and to deliver further major enhancements, such as the Edinburgh to Glasgow Improvement Programme.

The winter of 2008/09 was unusually severe and Transport Scotland's £8.5 million **winter maintenance plan** saw fleets of gritters and hundreds of staff mobilised across the country to keep the trunk road network free of ice and snow.

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

- publishing the Landslides Study Implementation Report which sets out the likely locations of landslides affecting the trunk road network
- repairing and refurbishing the Fort Augustus swing bridge on the A82 and the Banavie swing bridge on the A830. Working closely with British Waterways, Transport Scotland completed essential work on these two canal swing bridges during the Caledonian Canal's short winter shut-down and ensured they were both operational by the time the canal opened in mid-March 2009



## WINTER MAINTENANCE PLAN

When frost is forecast, spreaders are deployed to treat the roads prior to ice forming. The road and weather conditions are continually monitored and further treatments instructed as required. Between November to March, winter patrols operate on the more challenging routes when temperatures are low to treat promptly areas affected by changing conditions.





## GREENER TRANSPORT ALTERNATIVES, REDUCED EMISSIONS

Reducing greenhouse gas emissions and achieving changes in both the means and patterns of travel are key challenges in securing sustainable economic growth and a greener Scotland. The environmental impacts of all new transport projects and of the management and maintenance of the trunk road network, are considered in the context of the Government's Strategic Target of reducing emissions by 80% by 2050.

As part of Transport Scotland's approach to climate change, we are undertaking a major review of sustainability which will investigate how Transport Scotland currently carries out design, procurement, construction and maintenance of the trunk road and rail network in Scotland and will highlight opportunities to improve sustainability across these areas.

We are also developing a **carbon management system** to help us understand and systematically manage and reduce the carbon emissions associated with our activities. At the same time, we need to ensure the continued resilience of our networks in the face of climate change. The **Scottish Road Network Climate Change Study**, published in 2005, made 28 recommendations for improvements based on predicted future climate change scenarios. In October 2008 we published a Progress Report which outlined the significant progress that we have made, with 19 of the 28 original recommendations either progressing or complete. These include changes to the design standard for surface drainage systems, alterations to messaging systems and improved inspection regimes.

More immediately, the **A90 Finavon Junction improvement** between Forfar and Brechin was delivered almost completely with recycled materials. We intend to use recycled materials as far as possible on projects in other parts of Scotland.

Work began on a new route on the A835 for **West Highland cyclists**. The project will provide a shared-use footway/cycle track on the south-bound verge of the A835 between Tore and Maryburgh roundabouts. The new facility will be part of the National Cycle Network.

Construction began on a new fleet of **environmentally friendly electric trains** to be deployed in Ayrshire and Inverclyde. The contract will deliver a fleet of 38 state-of-the-art trains from December 2010. This is an additional 130 rail carriages which will provide more than 9,000 extra passenger seats on the Scottish network. These trains will save energy by re-generating electricity every time they brake to slow down or stop. To persuade passengers to leave their cars, the trains will be fully air-conditioned, with full disabled access, provision for cyclists and luggage as well as CCTV and power sockets for personal electrical equipment.

In September Transport Minister Stewart Stevenson launched the **new unified ScotRail brand** at the first rebranded station at Croy. The new brand improves the efficiency of current maintenance budgets by ensuring that money is spent on liveries and signage which will not be replaced before their life cycle ends and gives Scotland's railways a single identity for the first time.



## A90 FINAVON JUNCTION IMPROVEMENT

The £750,000 improvement scheme, at the A90 Finavon junction between Forfar and Brechin, involved the use of 95% recycled materials in the construction of the embankment and foundations for the road, the footway and the central reserve. The project brought significant safety improvements and improved connections for communities across the region.



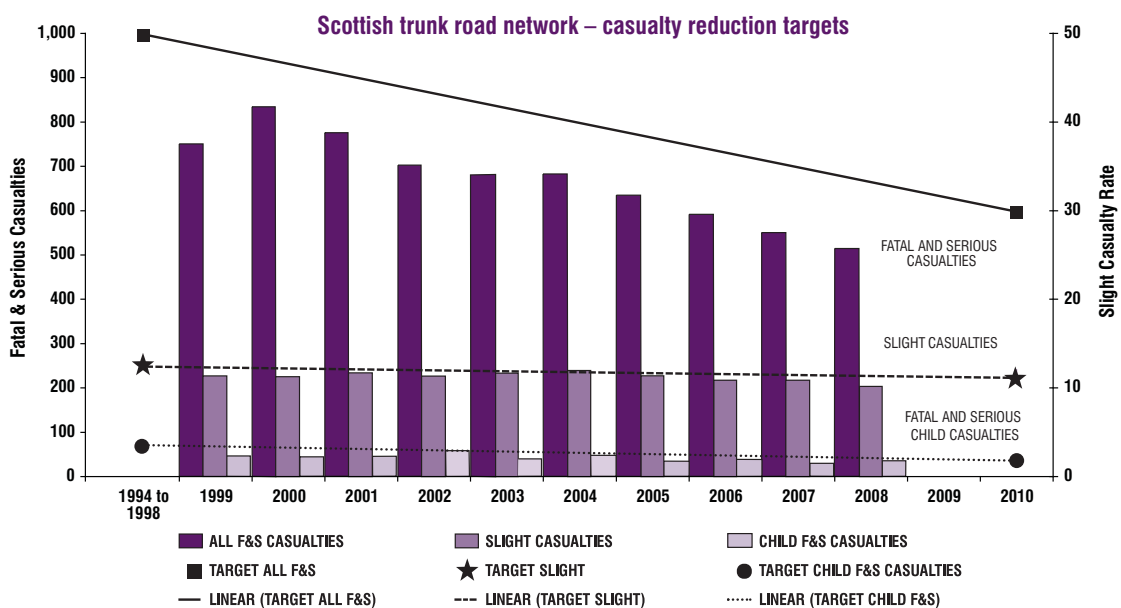


HITRANS, the Highlands and Islands Transport Partnership in Scotland working in partnership with Transport Scotland and First ScotRail, received an award for the **‘Most innovative approach to cycle-rail integration’** at the national Cycle-Rail Awards 2008, for recognising the economic, environmental and health benefits that combined cycle and rail use brings. The innovative projects include the refurbishment of fifty Class 158 rail vehicles with improved accessibility, increased luggage and cycle storage as well as providing lockers and cycle stands at Dingwall, Inverness and Keith railway stations. Transport Scotland’s Small Rail Projects fund provided £9.2 million towards the cost of the projects.

Our £3 million rolling programme of **car park expansion at stations** has helped encourage more people to use the train. We have extended the station car parks at Musselburgh (93 additional spaces), Cupar (89) and Stonehaven (27). As part of the expansion, additional CCTV has been installed at each location while enhanced lighting will improve the overall feeling of safety and security for customers.

## INCREASED SAFETY, MORE INNOVATION

Scotland’s roads are amongst the safest in the world and Transport Scotland is on target to deliver, and indeed improve on, the UK Government’s 2010 target for casualty reduction. We are committed to further improving travel safety and reducing accidents wherever we can.





## STRATEGIC ROAD SAFETY PLAN

Transport Scotland is setting up Road Safety Groups for each trunk road on the Scottish network with representatives from the Police, local authorities, safety camera partnerships, fire and rescue services, trunk road operating companies and Transport Scotland. The Groups bring together the collective knowledge of safety and operational issues to promote a comprehensive approach to road safety.





As part of our **Strategic Road Safety Plan** for the trunk road network, we are currently setting up Road Safety Groups throughout Scotland. The aim is to increase awareness of road safety issues, monitor road safety performance and develop joint road safety initiatives, including those focused on improving driver behaviour.

The £4.5 million **M8 Bothwell Street Off-Ramp** bridge parapet replacement and the bridge refurbishment scheme at the Kingston Bridge complex were both completed. Bridge parapets are an important safety feature and upgrading and replacement of parapets increase the safety of errant vehicles on bridges. The works at Bothwell Street were undertaken following a risk assessment and a history of parapet strikes. The impact of traffic management for this scheme was modelled and carefully assessed prior to the works and was subsequently praised by users of the M8 for improving flows on the heavily trafficked motorway during the works.

The **A9 Ballinluig Junction improvement** was opened in May 2008 by the Cabinet Secretary, John Swinney MSP. This £12 million project was completed some two months ahead of schedule and to budget, providing a much welcome safety benefit to travellers by removing a right turn access. Also on the A9, important safety improvement work began on the £2.7 million junction improvement at Bankfoot and on the overtaking lane at Carrbridge.

The installation of new £2.8 million east-side runway beams for the A898 **Erskine Bridge** under-bridge access gantries were completed to complement the £2.4 million west-side runway beams replaced in 2007. These will improve access for bridge workers and engineers to undertake regular inspections and maintenance operations safely. A £2.1 million contract was also awarded for the design and build of new under-bridge access gantries.

The exterior of the Erskine Bridge steel box girder deck is to be re-painted for the first time in 35 years with phased contracts estimated at £9 million.

Ground investigation works commenced to determine conditions at the A83 at **Rest and Be Thankful** which was affected by a landslip in October 2007. The information from these investigations is essential for the successful design of the improvement works. In addition, a state-of-the-art laser scanning system was installed to monitor the hillside near the location. This innovative technique will provide information to enable a better understanding of the pattern of ground movements on the hillside and help predict future potential landslips.



## ERSKINE BRIDGE

Removal of old paint systems from bridges prior to repainting is now subject to stringent environmental and Health & Safety conditions, particularly over sensitive waters. The exterior of the Erskine Bridge, which spans the River Clyde, is to be re-painted for the first time in 35 years. A successful trial was conducted using technology developed for ship hulls and storage tanks consisting of a remotely controlled crawler unit attached to the underside of the deck by suction. This provides a cost-effective, safe and environmentally superior method to remove paint.





## SCOTLAND-WIDE CONCESSIONARY TRAVEL SCHEMES

In 2008/09, older and disabled concessionary passengers made 156.7 million journeys. This year also saw a 47% rise in the number of young people accessing concessionary travel in Scotland, from around 55,000 in April 2008 to almost 81,000 in March 2009.

Nearly half of the Scottish bus fleet of over 6,000 vehicles are now fitted with new smartcard compatible ticket equipment as part of our £30 million investment in the bus network.



Safety on the railways is at a record all time high. The new electric trains which we are procuring are being built to the latest safety standards and will help enhance these safety levels.

Through the combined efforts of Transport Scotland and the rail industry, passengers now have a higher level of personal security in Scotland than the GB average. In the most recent National Passenger Survey, passengers rated their personal security at stations at 75%, an increase of 3% on the previous year. On board trains, the level also increased by 5% to 86%.

## CONCESSIONARY TRAVEL AND INTEGRATED TICKETING

The highly successful **concessionary travel schemes** operated by Transport Scotland continued to provide free or subsidised access to public transport for over one million eligible travellers throughout Scotland. We also contributed to the three-year review of concessionary travel which will help shape future delivery.

Over the course of the year we have placed a greater focus on the delivery of the electronic Smartcard ticketing programme to support the Concessionary Travel Scheme and any future integrated ticketing strategy. That improvement process is underway and a status report will be delivered to the Board in the autumn.

During this year some of the bus operators who participated in the Scotland-wide concessionary travel schemes have ceased to trade. The legislation under which the operators are refunded requires that they are to be paid by Transport Scotland at the beginning of each financial period. Accordingly, their payments are calculated based on estimates of the number of concessionary passengers that they will carry and later adjusted when they submit a final claim. This has, in a limited number of cases, where the operator has been paid and ceases to trade, made it very difficult to recover any overpayment. With the introduction of use of smartcards this will substantially reduce any potential loss of this nature.

We have put in place a robust fraud strategy which was approved by Ministers in February 2009. This enables us to deal effectively with any suspected fraudulent claims for reimbursement by bus operators. It gives clear guidance on gathering of evidence and on deterrent options which best use the media when any operator is charged with conducting a fraud against the scheme.

As a further measure the Concessionary Fares Unit of Transport Scotland has been approved as a Specialist Reporting Agency and will in future be able to report suspected fraud direct to the Crown Office and Procurator Fiscal Service. This will further enhance our ability to tackle suspected fraud quickly and effectively.





We issued a consultation document outlining the ways in which **integrated ticketing** might be developed across Scotland, providing easy to use, seamless journeys across different modes of transport which are more attractive to users and thereby encouraging greater use of public transport. There was strong support for taking forward integrated ticketing within Scotland.

The planned transfer of responsibility to Transport Scotland for delivery of the **Scottish Bus Service Operator Grant Scheme** was deferred until April 2010.

## STRIVING TOWARDS EXCELLENCE

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

During 2008/09 Transport Scotland had, on average, 279 permanent staff together with 57 consultants providing specialist services and agency staff covering vacancies.

### **Efficient use of public resources**

Transport Scotland as a public body is responsible for ensuring it makes best use of taxpayers' money in line with the principles of Efficient Government and Best Value. During 2008/09 we delivered £40 million of efficiencies through more competitive prices for trunk road management and maintenance, negotiating savings on the Airdrie-Bathgate rail project and by obtaining a more efficient level of grant funding to Network Rail.

As in previous years, we fully utilised our available budget of £2,084 million through efficient management control, delivering the maximum potential from the funds available.

Our administrative costs were £16.2 million which was less than 1% of our overall budget.

Full details are set out in our Annual Accounts on page 35.

### **Partnerships in planning and delivery**

Transport Scotland is working closely with Glasgow City Council, Strathclyde Partnership for Transport (SPT) and other partners in preparing for a successful **Glasgow 2014 Commonwealth Games**. Our involvement includes public transport access to Games venues and traffic management issues, as well as our role in ensuring that infrastructure projects such as the M74 Completion project are delivered in time for the Games.

## OUR PEOPLE

Our people are key to delivering our priorities. Our recruitment policies are designed to ensure that we have the right people, with the right skills and experience, in the right jobs at the right time, matching our resources to our future needs.





Transport Scotland is a co-signatory to **Delivering Planning Reform**, which was published by the Scottish Government in October 2008. This looks at how together we can significantly increase co-operation, speed up the pace of reform and improve the efficiency of the land-use planning system. We have also published our own Service Improvement Plan setting out how we are going to deliver on that commitment. During the period April to December 2008 we responded to 86.6% of minor development planning applications within 14 days, exceeding our target of 85%. We have now increased our target to 90%.

Transport Scotland recognises that transport is particularly important to people with disabilities and we have continued to engage with a wide range of disability organisations including the **Mobility and Access Committee for Scotland** and the **Scottish Accessible Transport Alliance** to ensure that the infrastructure improvements we deliver are designed to incorporate access and inclusion for all members of society. We also chair the **Scottish Rail Accessibility Forum** and the **Roads for All Forum** which bring together industry and disability stakeholders.

### Outward focus

In early 2009 we undertook the first wave of our **second road user survey** to improve further our understanding of the requirements of road users on the safety and condition of the trunk road network. This identified the top priorities of road users as being:

- improved road condition
- improved response time to road defects
- improved quality of road repairs
- improved road drainage
- reduced frequency of roadworks
- improved provision and condition of cycle lanes

A further series of surveys was carried out in June and July 2009 and a report will be published in the near future.

In striving for excellence in transport delivery, both nationally and internationally, we recognise the benefits to be gained in both attracting industry expertise to Scotland and in our staff engaging with global experts through attendance at seminars and conferences. The **European Transport Conference** is a key annual event for European transport practitioners and researchers. This event, held in the Netherlands in 2008, attracted around 450 delegates from over 30 countries. In June, Transport Scotland was successful in its bid to host the Conference in Glasgow from 2010 to 2012.





The first **Transport Resilience Seminar** was held in August and was attended by around 90 senior representatives from the Scottish transport sector. Participants heard from a range of speakers, including the Minister for Transport, Infrastructure and Climate Change, Stewart Stevenson MSP, about the roles of the various agencies in responding to incidents and emergencies impacting on the transport network.

In October 2008 international delegates from the **World Roads Association Technical Committee on Preserving the Environment** participated in a conference hosted by Transport Scotland on Roads and Climate Change.

#### **Freedom of Information**

A review of our **Freedom of Information Publishing Scheme** was carried out at the start of the year and we committed to proactively publishing a greater amount of information than previously. The scheme was approved by the Scottish Information Commissioner and published in June.

#### **Transport Scotland website**

We have continued to develop our website during the year; in particular we have enhanced our major transport projects pages. An independent review undertaken by Ipsos Mori found that overall the website was providing a satisfactory experience for users. We will use these findings to further improve and develop the site.

#### **Continuous recruitment**

As in previous years, recruiting the right staff continued to be a challenge. Within this context, our continuous recruitment process is geared towards ensuring that succession planning is addressed and that we have appropriate people, skills and experience in place.

#### **Graduate recruitment**

We have recognised the challenges that lie ahead in the construction sector and the shortages in skills in civil engineering and other technical professional areas. We therefore run our own **Graduate Training Scheme** recognised by the Institution of Civil Engineers, the Institution of Highways and Transportation and the Transport Planning Society. Graduates follow a structured training programme across the breadth of work we undertake and our aim is to prepare them for professional review by their relevant institution within five years of joining the programme. In 2008/09 we had five graduates and three student placements within Transport Scotland.

#### **Learning and development**

We have a dedicated Learning and Development Manager and a tailored development programme for all staff in Transport Scotland, identifying critical skill gaps and essential development requirements and providing a range of training courses and development opportunities. These include a comprehensive induction process, leadership development programmes and lunchtime seminars on transport-related issues. During the year staff undertook 6,055 hours of learning and development, recognising the importance of this crucial area.



### **Travel Plan and Environmental Guardians**

This Report has already set out the steps we are taking to reduce emissions and energy consumption in our road and rail projects. We are also working hard nearer to home.

In April 2008 we published the UK's first 'carbon focused' **Travel Plan**. The aspiration of this Plan is "to measure, monitor and minimise the greenhouse gas emissions arising from travel by Transport Scotland employees". Prior to publishing the Travel Plan, we undertook a survey in May 2006 of the travel patterns of our staff, covering both their commute to and from our office in Buchanan House in Glasgow, and also their travel throughout Scotland and beyond for business purposes. The Travel Plan then set some challenging targets for reducing our travel greenhouse gas emissions. The original May 2006 survey was followed up with a second survey in late 2008.

We have made significant progress in reducing our CO<sub>2</sub> emissions in staff commuting to and from work, achieving a 16% reduction in rail travel and 5% by private car. We are well on course to meet our initial targets of a 5% and 10% reduction respectively by November 2009.

The picture is not so good in relation to business travel where our overall emissions, particularly for air travel, have increased. While the nature of Transport Scotland's work means that many of our staff need to travel throughout the UK, internationally and to and from transport projects across Scotland, we will be redoubling our efforts to ensure we do so in the most sustainable way.

We have also recently set up a Green Committee of Environmental Guardians from among our staff within our main building at Buchanan House, Glasgow, and also at the Traffic Control Centre, Atlantic Quay, Glasgow. Their role is to seek effective ways of reducing the amount of power we use and to encourage recycling.

### **Risk management**

Transport Scotland has a well-established system of risk management to inform decisions on financial and operational planning and to assist in achieving our objectives and targets. To further strengthen this, during 2008/09 we put in place a high-level risk strategy setting out a consistent approach to the implementation of risk management within Transport Scotland at strategic, programme and project levels. A Risk Management Committee was set up, responsible for developing a risk framework, for maintaining the corporate risk register, for facilitating the production and management of risk registers within project teams and Directorates and for enhancing the management of risk across all areas of the business.

### **Diversity**

Transport Scotland is committed to equal opportunity in employment and advancement. This is based on ability to do the job irrespective of race, colour, ethnic or national origins, gender, marital status, disability, sexual orientation, age, work pattern or membership/non-membership of a trade union. All staff are entitled to be treated with respect in an environment free from discrimination, harassment, victimisation and bullying. Transport Scotland recognises, respects and values the diversity of the society that it serves and is actively working to meet the interests of people from all sections of society.

### Health and Safety

In 2006 the Transport Scotland Board published a corporate policy statement pledging its commitment to effective health and safety management across all of the Agency's undertakings. During the year there were no notifiable incidents. There were six minor incidents: two accidents within the office, one near-miss incident involving a third party contractor and three minor road traffic events. Staff completed over 546 hours of health and safety training. Driving at work has been recognised as one of the most significant health and safety risks to employees and a 'Driving Safely' awareness campaign was launched in February 2009.

### Staff relations

The Chief Executive is responsible for promoting and supporting effective staff relations; consulting with trade union representatives in line with the Partnership Agreement between the Council of Scottish Government Unions and the Scottish Government.

## KEY ACHIEVEMENTS 2008/09

Our Business Plan for the year to 31 March 2009 committed Transport Scotland to delivering a number of key achievements as follows:-

| TARGET   | ACHIEVED              |
|--|-----------------------|
| Deliver the Strategic Transport Projects Review  | December 08           |
| A procurement strategy for the Forth Replacement Crossing  | November 08           |
| The new Stirling-Alloa-Kincardine rail link  | May 08                |
| A new double-track railway between Bathgate and Edinburgh, the first stage of the Airdrie-Bathgate project | October 08            |
| Reduced rail journey times from Edinburgh to Aberdeen  | December 08           |
| Extra seats for Fife rail commuters  | December 08           |
| Continued growth in rail passenger numbers   | 3.2% growth           |
| The start of construction on M74 and M80 completion  | May 08, Jan 09        |
| The Clackmannanshire Bridge at Kincardine and the Dalkeith Bypass  | Nov 08, Sep 08        |
| Better analysis of the environmental impact of major transport projects                                    | March 09              |
| 21% of energy on trunk road network from renewable sources   | Achieved              |
| 2% efficiency gains amounting to over £30 million  | £40 million delivered |

## BUSINESS PLAN 2008/09 TARGETS

| Priority: Improved connections across Scotland  | Progress        |
|---|-----------------|
| Advise Scottish Ministers on strategic priorities for rail and trunk roads in Scotland                                    | Achieved        |
| Deliver the Strategic Transport Projects Review as outlined in the Government Economic Strategy                           | Achieved        |
| Engage with developers, land-use and transport planning authorities in the development of their plans and strategies      | Ongoing         |
| Maintain progress in delivering portfolio of major transport infrastructure projects:                                     |                 |
| Forth Replacement Crossing  | Achieved        |
| Central Scotland Motorway Network   | Partly Achieved |
| A90 North East  | Partly Achieved |
| Continue with advanced preparatory works for the combined Glasgow Airport Rail Link/ Paisley Corridor Resignalling scheme | Partly Achieved |
| Start the process of going to the market to design and construct Borders Railway  | Partly Achieved |
| Edinburgh Trams - funding allocated appropriately   | Achieved        |
| Continue to progress planning and development of the Edinburgh to Glasgow Improvement Programme                           | Achieved        |
| Enhance rail and road connections in the Highlands  | Achieved        |
| Continue to progress and improve railway stations   | Achieved        |
| Make most efficient use of budget available for road maintenance schemes  | Achieved        |
| Ensure that trunk road bridges are managed more effectively   | Achieved        |



## BUSINESS PLAN 2008/09 TARGETS

| <b>Priority: Better journey times, better reliability</b>  | <b>Progress</b> |
|--|-----------------|
| Improve rail journey times between our major towns and cities  | Achieved        |
| Ensure that Scottish Ministers' rail priorities are implemented through the Office of Rail Regulation (ORR) Periodic Review and reflected in the development of GB-wide policy areas and legislation | Achieved        |
| Improve the resilience of the trunk road network   | Achieved        |
| Work with emergency services to further develop existing services and procedures for emergency response assistance to incidents on the trunk road network.   | Achieved        |
| Improve trunk road efficiency through the use of Intelligent Transport Systems and travel information for road users   | Ongoing         |
| Work with Network Rail to facilitate its delivery of operation, maintenance and renewal targets as determined and enforced by the ORR  | Ongoing         |
| Ensure Network Rail's performance and timetabling processes are suitable for Scotland  | Achieved        |
| Improve trunk road condition, by managing and monitoring the delivery of our annual maintenance programmes and operating contracts   | Partly Achieved |
| Maintain progress in delivering portfolio of road improvement schemes  | Achieved        |
| Ensure the ongoing resilience of the Scottish transport networks to any long-term climate change   | Partly Achieved |
| <b>Priority: Greener transport alternatives, reduced emissions</b>   | <b>Progress</b> |
| Maintain progress in delivering a portfolio of major rail projects:  |                 |
| Open the Stirling-Alloa-Kinross railway line   | Achieved        |
| Continue to manage the forward development of the Airdrie-Bathgate electrified railway line project  | Achieved        |
| Continue to progress planning and development of the Edinburgh to Glasgow Improvements Programme   | Achieved        |
| Continue to work with stakeholders to achieve a shift of passengers and freight to rail.   | Achieved        |
| Secure rolling stock to enable the delivery of Scottish Ministers' aspirations and to meet demand growth   | Achieved        |
| Ensure all First ScotRail franchise obligations and performance improvement targets are met and commitments delivered, including new commitments from franchise extension                            | Achieved        |
| Ensure that Scottish Ministers' rail priorities are implemented through the ORR Periodic Review and reflected in the development of GB-wide policy areas and legislation                             | Achieved        |
| Reduce trunk road environmental impact   | Partly Achieved |
| Support the work of the joint industry/government Rail Sustainable Development Steering Group  | Achieved        |
| Improve the Scottish Government's analysis of the environmental impacts of major transport projects  | Achieved        |
| Develop a strategy for mainstreaming sustainability issues (including climate change considerations) into Transport Scotland's operations on the Scottish trunk road and rail networks               | Achieved        |
| Measure, monitor and minimise the greenhouse gas emissions arising from the travel of Transport Scotland employees   | Achieved        |

## BUSINESS PLAN 2008/09 TARGETS (Continued)

| <b>Priority: Increased safety, more innovation</b>  | <b>Progress</b> |
|---|-----------------|
| Contribute to the Scottish Government's overall target to reduce serious/fatal road accidents by 2010, through delivery of our annual road safety improvement programme | Ongoing         |
| Develop safety improvements and introduce innovative ways of improving the road and rail networks   | Achieved        |
| Efficiently manage the National Concessionary Travel Schemes  | Achieved        |
| Develop a Scotland-wide integrated ticketing policy and framework   | Partly Achieved |
| Establish and run the Scottish Bus Service Operator Grant (BSOG) Scheme from 1 April 2009   | Deferred        |
| Ensure that trunk road bridges are managed effectively  | Achieved        |
| Review and improve our business processes to ensure Transport Scotland continuously improves its delivery   | Achieved        |
| <b>Priority: Strive for excellence in everything we do</b>  | <b>Progress</b> |
| Work with other transport providers, representative groups and wider government to provide strategic guidance and a clear outward focus on the needs of transport users | Achieved        |
| Provide internal communications channels to enable staff to deliver the Agency's delivery priorities  | Achieved        |
| Communicate our business priorities to external stakeholders  | Achieved        |
| Document and report on the management of our finances and other resources   | Achieved        |
| Develop, provide and maintain tools to aid best practice in appraisal of transport issues   | Achieved        |
| Review and improve our business processes to ensure Transport Scotland continuously improves its delivery   | Achieved        |
| Valuing diversity, we will manage and develop our staff through effective leadership and the right Human Resources policies   | Achieved        |
| Improve the management, efficiency and cost effectiveness of major rail projects  | Achieved        |
| Maintain the quality of rail facilities (stations and trains) leased by ScotRail  | Achieved        |
| Develop the role of Transport Emergency Planning and Consequence Management   | Achieved        |
| Maintain progress in delivering improvements to Transport Scotland's Asset Management Practices.  | Achieved        |
| Develop the next generation of trunk road management and maintenance contracts to meet Scottish Minister's requirements   | Ongoing         |



TRANSPORT SCOTLAND ANNUAL ACCOUNTS 08/09





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## ANNUAL ACCOUNTS

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# MANAGEMENT COMMENTARY

## FINANCIAL STATEMENTS

The financial statements cover the period from 1 April 2008 to 31 March 2009. They have been prepared in accordance with a Direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000, and in accordance with the Government Treasury Financial Reporting Manual (FRoM). As Transport Scotland is an executive agency of the Scottish Government, the financial statements are consolidated within the Scottish Government Consolidated Resource Accounts.

Transport Scotland's annual report and accounts is published on the Agency website at: [www.transportscotland.gov.uk](http://www.transportscotland.gov.uk) and the Scottish Government Consolidated Resource Accounts at: [www.scotland.gov.uk](http://www.scotland.gov.uk)

## SIGNIFICANT ACCOUNTING POLICIES

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

- **VALUATION OF THE ROAD NETWORK**

The road network is valued on the basis of current replacement cost, adjusted to reflect the current condition of the road component and the depreciation of structures and communications assets. To produce this valuation requires the use of assumptions, estimates and professional judgement. The model used to produce the valuation is known as the UK Asset Valuation System (UK-AVS), run by a firm of external consultants (EC Harris LLP) and uses a series of standard costs to value the asset and indices to uplift land and the cost of road construction on an annual basis.

- **RECOGNITION AND THE VALUATION OF PROVISIONS**

Due to the long term nature of Transport Scotland's road and rail improvement schemes certain assumptions and judgements are made relating to land acquisition and compensation claims and are based on a variety of data sources and experience.

- **PRIVATE FINANCE INITIATIVES (PFI) – THE BALANCE OF RISK**

Transport Scotland has two PFI agreements (M77 & M74/M6) for the provision of new roads infrastructure and the ongoing maintenance of this infrastructure. These contracts are for fixed terms, typically thirty years, and the balance of risks and rewards has been judged to lie with the PFI contractor. Correspondingly, these assets are only present on Transport Scotland's balance sheet to the extent of the capital element included in the unitary charge payment.

## RAIL INFRASTRUCTURE IN SCOTLAND

The Railways Act 2005 transferred the responsibility for specifying and funding rail infrastructure in Scotland to the Scottish Ministers from 1 April 2006. This was accompanied by a budget transfer from the Department for Transport (DfT).

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

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

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

## FUNDING

Resources to fund Transport Scotland's day-to-day costs and capital investment programme are obtained through the Budget (Scotland) Act 2008 which authorised both the Scottish Government's and Transport Scotland's spending plans for the financial year 2008/09.

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

Rail major projects may also be funded by borrowing through Network Rail. This is a recognised method for funding rail projects and it will play an increasing part in the rail programme for Transport Scotland as we enter into the new contractual period from 2009 to 2014.

## FINANCIAL PERFORMANCE AND USE OF RESOURCES

Transport Scotland was allocated resources by the Scottish Ministers for 2008/09 of £2,084m. Of this, £569m represents a notional charge for cost of capital for roads, with the remaining £1,515m representing the Agency's operating budget. The final outturn for the year was within budget limits (1.4% variance).

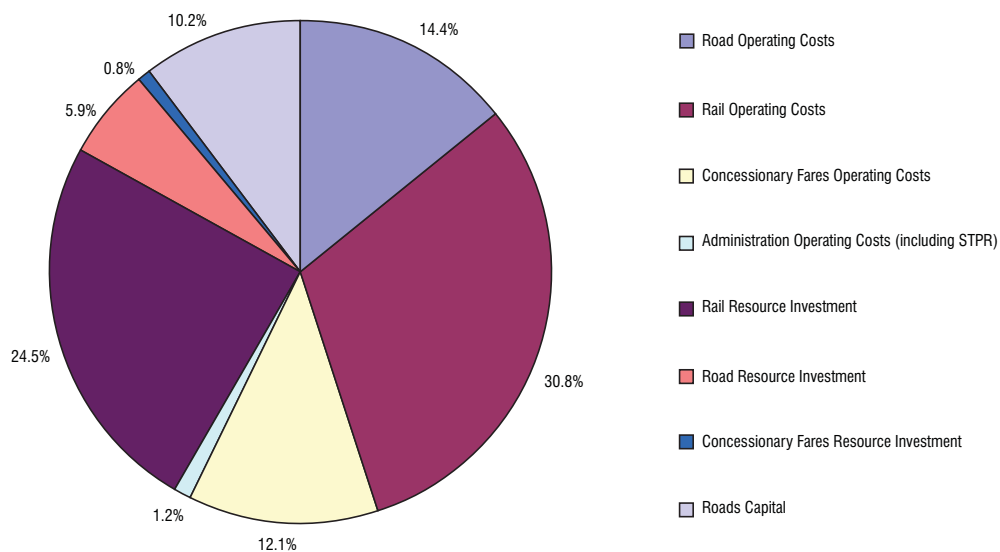
| Transport Scotland<br>2008/09 | Actual<br>£000   | *Budget<br>£000  | Variance<br>£000 |
|-------------------------------|------------------|------------------|------------------|
| Resource – Operating Costs    | 869,660          | 876,854          | 7,194            |
| Resource – Investment         | 470,446          | 526,162          | 55,716           |
| Capital                       | 153,696          | 112,100          | (41,596)         |
| <b>Sub-total</b>              | <b>1,493,802</b> | <b>1,515,116</b> | <b>21,314</b>    |
| Cost of Capital (notional)    | 561,088          | 568,500          | 7,412            |
| <b>Total</b>                  | <b>2,054,890</b> | <b>2,083,616</b> | <b>28,726</b>    |

\* Spring Budget Revision figures

Spending is categorised as either capital or resource with separate budgetary cover for each. Resource is further sub-divided into investment in infrastructure and resource for consumption (operating costs).

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

Actual expenditure in 2008/09, excluding cost of capital, is analysed below by operational area within Transport Scotland.



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

The total asset value of Transport Scotland is £15 billion, almost all of which relates to the trunk road network asset.



## FUTURE SPENDING PLANS

The Scottish Budget Spending Review 2007 (SR07) has set annual spending plans from 2008/09 to 2010/11. The plans are intended to give more focus on long-term outcomes for Scotland and are reviewed annually to cope with changing conditions over the 3 year period. The current annual spending plans for the remaining 2 years of SR07 are:

|                            | 2009/10*<br>£m | 2010/11**<br>£m |
|----------------------------|----------------|-----------------|
| Resource – Operating Costs | 863.5          | 839.3           |
| Resource – Investment      | 594.1          | 595.8           |
| Capital                    | 176.0          | 212.7           |
| <b>Total</b>               | <b>1,633.6</b> | <b>1,647.8</b>  |
| Cost of Capital (notional) | 595.5          | 649.1           |
| <b>Total</b>               | <b>2,229.1</b> | <b>2,296.9</b>  |

\* Source: Budget (Scotland) Bill 2009/10

\*\* Source: Scottish Budget Spending Review 2007

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IMPLEMENTATION

In 2008/09 Transport Scotland, in line with the Scottish Government, implemented three standards relating to Financial Instruments. These are Financial Reporting Standards 25, 26 and 29 as modified by the FReM. From April 2009 the Agency will move to full IFRS adoption and will be re-budgeting on this basis. The main areas affected by IFRS adoption will be roads capital schemes, roads maintenance expenditure and PFI schemes.

## RELATIONSHIP WITH SUPPLIERS

Transport Scotland is committed to prompt payment of bills for goods and services received, and aims to settle all undisputed invoices within contract terms. From April to October 2008 an average of 98% of invoices were being paid within 30 days of receipt. From October 2008, in line with a UK wide initiative, the Scottish Government set a 10 day payment policy and between October and March 2009 Transport Scotland settled an average of 64% of invoices within this timescale. In March, 97% of all invoices were settled within the 10 day period.

## CONCESSIONARY TRAVEL SCHEME

The statutory budget limit for the Older & Disabled Persons Concessionary Travel Scheme was set at £180m for the financial year 2008/09 and actual costs have been below this threshold, meaning that no adjustments of payments to bus operators has been necessary.

## **BOARD MEMBERS' INTERESTS**

Board members' interests are recorded in a "Register of Interests" maintained on the Scottish Government electronic HR system. A copy of this Register is available on request.

The 2008/09 assurance letters on internal control, which all directors in post as at 31 March 2009 completed, confirmed that no conflict of interest arose in the exercise of their duties.

The Director of Finance and Corporate Services, due to his former role as Finance Director of the UK Bus Division within First Group plc, had both shares and share options in First Group plc. This had previously been declared both in the Register of Interests and in the Annual Accounts, and additional control practices had been implemented in respect of contract negotiations. Since his departure (resigned 28 November 2008) no other Board Director has potentially conflicting interests.

The Statement of Internal Control revisits this subject following the publication of a Parliamentary Audit Committee Report (11 June 2009) on the First ScotRail Passenger Franchise Extension.

## **APPOINTED AUDITORS**

The accounts for 2008/09 are audited by auditors appointed by the Auditor General for Scotland. Audit Scotland carried out this audit and the notional fee for this service was £193k, which related solely to the provision of the statutory audit service.

## **FREEDOM OF INFORMATION**

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

## **SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR**

To date there have been no significant events since the end of the financial year.



David Middleton  
Chief Executive  
1 December 2009

## REMUNERATION REPORT

### REMUNERATION POLICY

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

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

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

Further information about the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com)

### SERVICE CONTRACTS

Civil Service appointments are made in accordance with the Civil Service Commissioner's Recruitment Code, which requires appointment to be made on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age. The retirement age for the Senior Civil Service rose from 60 to 65 from 1 October 2006 in line with the implementation of the Employment Equality (Age) Regulations 2006. However, once an individual's pension becomes payable, from age 60, that employee can choose to leave work and draw his or her pension at any time, subject only to compliance with the basic notice of leave requirements.

The rules for termination are set out in chapter 11 of the Civil Service Management Code. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.org](http://www.civilservicecommissioners.org)

During the year the following changes to the Corporate Board membership took place:

Dr Richard Scott – Director of Business Improvement – joined 1 August 2008

Mr Guy Houston – Director of Finance & Corporate Services – left 28 November 2008

Dr Malcolm Reed – Chief Executive – left 17 February 2009

Mr David Middleton – Chief Executive – joined 9 February 2009

Transport Scotland has two non-executive directors. Independent non-executive directors bring an external perspective to the consideration of corporate management issues. Non executive directors are appointed by the Chief Executive for an initial period of three years following an open competition. Such appointments can be terminated at one month's notice period. There is no provision for compensation for early retirement. Additionally, the non-executive directors do not participate in the Civil Service pension scheme.

Dr Iain Docherty and Dr Jacqueline Redmond, our non-executive Directors, have accepted an invitation to extend their service to Transport Scotland until 2010. They were initially appointed to our Board in May and June 2006 respectively for a period of three years. This extension to their appointment was agreed by Scottish Ministers.

#### **REMUNERATION GROUP**

For senior civil servants, Transport Scotland's remuneration committee is the Scottish Government's Remuneration Group. This Remuneration Group has six members, two of whom are non-executive directors. Their remit is to consider:

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

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

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



### **SALARY**

Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

Where a director has joined or left the Corporate Board during the year, their salary reflects only that which they received whilst a member of the board. Where an individual has been a member of the Board for only part of the year but they have been employed by the Department throughout the year, their annual salary has been reported on a “days served” basis as well as the full year equivalent salary.

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

### **BENEFITS IN KIND**

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

### **FEES**

Non-executive directors receive fees for regular attendance at monthly board meetings and quarterly Transport Scotland Audit Committee meetings. Non-executive members expenses incurred in attending these meetings are also reimbursed.

The fees of the non-executive members of Transport Scotland are as follows:

|                       | <b>£000</b> |
|-----------------------|-------------|
| Dr Jacqueline Redmond | 5.4         |
| Dr Iain Docherty      | 5.4         |

## EXECUTIVE DIRECTOR SALARY INFORMATION

The salary and the value of any taxable benefits in kind of the Corporate Board Members were as follows:

|                                       | 2008/09   | 2008/09                            | 2007/08   | 2007/08                            |
|---------------------------------------|---|------------------------------------|---|------------------------------------|
|                                       | Salary & Performance Related Pay (excl Pension Contributions) | Benefits in Kind (To nearest £100) | Salary & Performance Related Pay (excl Pension Contributions) | Benefits in Kind (To nearest £100) |
|                                       | £000  | £                                  | £000  | £                                  |
| <b>Chief Executive</b>                |   |                                    |   |                                    |
| Malcolm Reed (retired 17.02.09) (1)   | 175-180   | Nil                                | 125-130   | Nil                                |
| David Middleton (joined 09.02.09) (2) | 15-20   | Nil                                | n/a   | n/a                                |
| <b>Directors</b>                      |   |                                    |   |                                    |
| Jim Barton                            | 70-75   | Nil                                | 75-80   | Nil                                |
| Frances Duffy                         | 70-75   | Nil                                | 75-80   | Nil                                |
| Guy Houston (resigned 28.11.08) (3)   |   | Nil                                | 90-95   | Nil                                |
| Ainslie McLaughlin                    | 75-80   | Nil                                | 65-70   | Nil                                |
| Bill Reeve                            | 100-105   | Nil                                | 95-100  | Nil                                |
| Richard Scott (joined 01.08.08) (4)   | 40-45   | Nil                                | n/a   | n/a                                |

### Salaries include Performance Related Pay earned in the prior year and paid in the current year

- (1) Malcolm Reed retired from his position as Chief Executive and departed from Transport Scotland on 17 February 2009. By agreement Dr Reed was paid 6 months salary in lieu of notice. Dr Reed's annual salary for 2008/09 if he had remained in post all year would have been in the range £120k – £125k. As well as his basic salary for the month up to 17 February 2009 (£6,174.59) he received a payment in lieu of the agreed 6 month notice period plus a payment for 21.5 days outstanding annual leave entitlement. The amounts were:- payment in lieu of notice - £61,019.50 and payment for annual leave - £7,809.45.
- (2) David Middleton's annual equivalent salary for 2008/09 is in the range £100k - £105k (excluding PRP).
- (3) Guy Houston resigned from his position of Director of Finance & Corporate Services on 28 November 2008. Permission to disclose withheld.
- (4) Dr Richard Scott joined Transport Scotland on 1 August 2008 as Director of Business Improvement. Since the departure of the Director of Finance & Corporate Services in Nov 2008, Dr Scott has combined his role in Business Improvement with that of interim Director of Finance & Corporate Services. Dr Scott's annual equivalent salary for 2008/09 is in the range £60k - £65k.

## PENSIONS

Accrued pension represents the directors' total future entitlement to benefits payable from the Civil Service pension schemes based on reckonable service at 31 March 2009. The accrued pension includes service previous to becoming board members and/or service in other departments.

The cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in CETV quoted in the table below represents the real increase funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of period.

The Chief Executive and all Directors, except Bill Reeve, are members of the Principal Civil Service Pension Scheme (PCSPS) which provides benefits on a final salary basis at the normal retirement age. Transport Scotland's contributions to the scheme in respect of the Management Board amounted to £104,139 for the year to 31 March 2009. Bill Reeve is a member of the Railways Pension Scheme and Transport Scotland's contributions to that scheme were £20,400 for the year to 31 March 2009.

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

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

|                    | Lump Sum at age 60 as at 31 March 2009 | Real Increase in Lump Sum at age 60 | Accrued Pension at age 60 as at 31 March 2009 | Real Increase in Pension at age 60 | CETV as at 31 March 2009 | CETV as at 31 March 2008 | Real Increase in CETV in 2008/09 |
|--------------------|--|-------------------------------------|---|------------------------------------|--------------------------|--------------------------|----------------------------------|
|                    | £000                                   | £000                                | £000  | £000                               | £000                     | £000                     | £000                             |
| Malcolm Reed       | –                                      | –                                   | 5 to 10                                       | 0 to 2.5                           | 129                      | 94                       | 28                               |
| David Middleton    | 115 to 120                             | 0 to 2.5                            | 35 to 40                                      | 0 to 2.5                           | 736                      | 737                      | 8                                |
| Jim Barton         | 80 to 85                               | 0 to 2.5                            | 25 to 30                                      | 0 to 2.5                           | 558                      | 523                      | 1                                |
| Frances Duffy      | 60 to 65                               | 0 to 2.5                            | 20 to 25                                      | 0 to 2.5                           | 384                      | 353                      | 3                                |
| Guy Houston        |  |                                     |   |                                    |                          |                          |                                  |
| Ainslie McLaughlin | 75 to 80                               | 0 to 2.5                            | 25 to 30                                      | 0 to 2.5                           | 509                      | 468                      | 11                               |
| Bill Reeve         | 30 to 35                               | 0 to 2.5                            | 30 to 35                                      | 0 to 2.5                           | 464                      | 406                      | *n/a                             |
| Richard Scott      | 20 to 25                               | 0 to 2.5                            | 5 to 10                                       | 0 to 2.5                           | 162                      | 140                      | 14                               |

Calculated on age 60 or current age if over 60

\* Information from the Railway Industry Pension Scheme was not provided in this format

The CETV calculation for 2007/08 has been reassessed and there may be a slight difference between the final period CETV for 2007/08 and the beginning of 2008/09.

The above pensions data was supplied to Transport Scotland from the Department of Work & Pensions (DWP) for all of the directors with the exception of Bill Reeve for whom information was supplied by the Railway Industry Pension Scheme.

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



David Middleton  
Chief Executive  
1 December 2009



## STATEMENT OF AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

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

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

In preparing the accounts, the agency is required to:

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

The Principal Accountable Officer for the Scottish Administration has designated the Chief Executive of Transport Scotland as the Accountable Officer for the agency. His relevant responsibilities as the Accountable Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records are set out in the Memorandum to Accountable Officers issued by the Scottish Government.

### **STATEMENT REGARDING DISCLOSURE OF INFORMATION TO THE AUDITORS**

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

## STATEMENT ON INTERNAL CONTROL

### **Scope of Responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Transport Scotland's policies, aims and objectives set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned. This is in accordance with the Scottish Public Finance Manual (SPFM) issued by Scottish Ministers to provide guidance on the handling of public funds.

### **The purpose of the system of internal control**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve Transport Scotland's policies, aims and objectives. I can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise these risks, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, economically and effectively. This system of internal control has been in place in Transport Scotland for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts. It is in accordance with the guidance from Scottish Ministers.

### **The risk and control framework**

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

- the Transport Scotland Executive Board reviews strategic and operational risks to the agency's business and this is a regular agenda item at the monthly Executive Board meeting
- managers identify and evaluate risks to successfully deliver the agency's operation and control objectives when they prepare and monitor directorate and business management plans
- I hold regular meetings with Ministers where both strategic and operational risks are discussed
- my staff work closely with their counterparts in the Scottish Government's Transport Directorate to ensure that risk management systems are compatible, there is clear accountability for managing risks, joint action is taken where appropriate to manage risks, and the Scottish Government is kept informed of risks as appropriate.

During 2008/09 a high level Risk Strategy has been put in place setting out a consistent approach to the implementation of risk management within Transport Scotland at strategic, programme and project levels. A Risk Management Committee has been set up, responsible for developing a Risk Framework, for maintaining the Corporate Risk Register, for facilitating the production and management of risk registers within project teams and Directorates and for enhancing the management of risk across all areas of the business.

Transport Scotland has established an Audit Committee which is chaired by one of the non-executive directors, Dr Jacqueline Redmond, and it is within the remit of the Transport Scotland Audit Committee to review the risk management and strategy adopted across the organisation.

#### **Review of effectiveness**

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

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

Risks to information are being managed and controlled and the agency is working towards meeting the mandatory requirements set out in the Security Policy Framework developed by the Cabinet Office. A range of measures will be implemented over 2009/10 to ensure all key guidelines are met.

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

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

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

## INTERNAL AUDIT REPORTS 2008/09

|   | Audit Area & Scope                    | Outcome  |
|---|---------------------------------------|--|
| 1 | Land acquisition and disposal         | <b>Assurance provided: Substantial</b><br>Risk, control and governance arrangements in place over Land Acquisition and disposal processes were found to be good.   |
| 2 | Road scheme design                    | <b>Assurance provided: Substantial</b><br>Risk, control and governance arrangements in place over Road Scheme Design processes were found to be good.  |
| 3 | Business planning and risk management | <b>Assurance provided: Reasonable</b><br>While the audit acknowledged that risk management is an area under development by Transport Scotland the current status is not uniform across the agency. Again while a new IT strategy has been identified, it will not be implemented until 2009/10. These areas will be scrutinised during 2009/10 to ensure that the required progress is made. |
| 4 | Bridge maintenance programme          | <b>Assurance provided: Substantial</b><br>Risk, control and governance arrangements in place over Bridge Maintenance and Data Migration were found to be good.   |

On 12th June 2009 the Parliamentary Audit Committee published a report reviewing the governance surrounding the three year extension of the First ScotRail Franchise. While welcoming the finding by Audit Scotland that the franchise is being managed effectively the report was critical of some controls not being fully adhered to during the negotiations to safeguard against any potential conflict of interest. Although these controls were already part of Transport Scotland's control framework they have been subsequently reinforced and become standing agenda items at any decision-making forum.

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



David Middleton  
Chief Executive  
1 December 2009



## INDEPENDENT AUDITOR'S REPORT

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

I have audited the financial statements of Transport Scotland (the agency) for the year ended 31 March 2009 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to agency Board Members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the agency, Chief Executive and auditor**

The agency and Chief Executive are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Agency's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and that part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the Management Commentary and the section Striving Towards Excellence included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects

- the expenditure and receipts shown 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.

In addition, I report to you if, in my opinion, the agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the agency's compliance with Scottish Government guidance and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chief Executive's Introduction, Who We Are And What We Do, Delivery Against Our Priorities, Concessionary Travel And Integrated Ticketing, Key Achievements 2008/09 and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## BASIS OF AUDIT OPINION

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## OPINIONS

### **Financial statements**

In my opinion

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, of the state of affairs of Transport Scotland as at 31 March 2009 and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- information which comprises the Management Commentary and the section Striving Towards Excellence included in the Annual Report is consistent with the financial statements.

## REGULARITY

In my opinion in all material respects

- the expenditure and receipts shown 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.



**Alastair Swarbrick, CPFA** Osborne House  
Assistant Director 1 Osborne Terrace  
Audit Scotland Edinburgh  
9 December 2009 EH12 5HG

## OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

|   | note | 2                   | 3&4              | 5              | 31 Mar 2009      | 31 Mar 2008      |
|---|------|---------------------|------------------|----------------|------------------|------------------|
|   |      | Staff costs<br>£000 | Other<br>£000    | Income<br>£000 | Total<br>£000    | Total<br>£000    |
| <b>Administration Costs</b>               |      |                     |                  |                |                  |                  |
| Staff Costs                               |      | 10,402              | 0                | 0              | 10,402           | 10,752           |
| Other Administration Costs                |      | 0                   | 5,673            | 0              | 5,673            | 5,219            |
| <b>Total Administration Costs</b>         |      | <b>10,402</b>       | <b>5,673</b>     | <b>0</b>       | <b>16,075</b>    | <b>15,971</b>    |
| <b>Programme Costs</b>                    |      |                     |                  |                |                  |                  |
| Motorways and Trunk Roads                 |      | 1,665               | 854,648          | (9,266)        | 847,047          | 765,518          |
| Rail Services in Scotland                 |      | 84                  | 702,798          | 0              | 702,882          | 678,118          |
| Concessionary Fares                       |      | 357                 | 193,010          | 0              | 193,367          | 174,274          |
| Rail - Major Public Transport<br>Projects |      | 862                 | 132,091          | 0              | 132,953          | 258,155          |
| <b>Total Programme Costs</b>              |      | <b>2,968</b>        | <b>1,882,547</b> | <b>(9,266)</b> | <b>1,876,249</b> | <b>1,876,065</b> |
| <b>Net Operating Costs</b>                |      | <b>13,370</b>       | <b>1,888,220</b> | <b>(9,266)</b> | <b>1,892,324</b> | <b>1,892,036</b> |

All income and expenditure is derived from continuing activities.

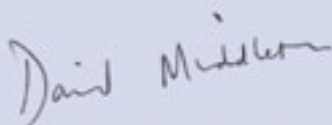
## STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

|  | note | 2008/09        | 2007/08          |
|--|------|----------------|------------------|
|  |      | £000           | £000             |
| Net gain in revaluation of tangible<br>fixed assets      | 13   | 218,449        | 1,083,669        |
| Net gain relating to prior years                         | 11   | (16,669)       | (28,169)         |
| <b>Recognised Gain/(Loss) for the<br/>Financial Year</b> |      | <b>201,780</b> | <b>1,055,500</b> |

The notes on pages 59 to 82 form part of these accounts

**BALANCE SHEET AS AT 31 MARCH 2009**

|   | note | 31 Mar 2009       | 31 Mar 2008       |
|---|------|-------------------|-------------------|
|   |      | £000              | £000              |
| <b>FIXED ASSETS</b>                           |      |                   |                   |
| Tangible Assets                               | 6    | 14,964,936        | 14,672,146        |
| Intangible Assets                             | 7    | 0                 | 3                 |
| <b>Debtors &gt; 1 year</b>                    | 8    | 3,768             | 3,379             |
| <b>CURRENT ASSETS</b>                         |      |                   |                   |
| Debtors                                       | 8    | 56,043            | 39,713            |
| Cash  |      | 0                 | 0                 |
| <b>Creditors &lt; 1 year</b>                  | 9    | (76,359)          | (142,785)         |
| <b>NET CURRENT LIABILITIES</b>                |      | (20,316)          | (103,072)         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>  |      | 14,948,388        | 14,572,456        |
| <b>Creditors &gt; 1 year</b>                  | 9    | (116,205)         | (114,563)         |
| <b>Provisions for Liabilities and Charges</b> | 10   | (68,520)          | (66,900)          |
|   |      | <b>14,763,663</b> | <b>14,390,993</b> |
| <b>TAX PAYERS EQUITY</b>                      |      |                   |                   |
| General Fund                                  | 11   | 8,118,955         | 7,930,197         |
| Donated Asset Reserve                         | 12   | 967               | 1,045             |
| Revaluation Reserve                           | 13   | 6,643,741         | 6,459,751         |
|   |      | <b>14,763,663</b> | <b>14,390,993</b> |



**David Middleton**  
Chief Executive  
1 December 2009

*The notes on pages 59 to 82 form part of these accounts*



## CASHFLOW FOR THE YEAR ENDED 31 MARCH 2009

|  | note | 31 Mar 2009 | 31 Mar 2008 |
|--|------|-------------|-------------|
|  |      | £000        | £000        |
| Net Cash Outflow from Operating Activities     | A    | (1,390,194) | (1,391,658) |
| Capital Expenditure and Financial Investment   | B    | (162,566)   | (136,376)   |
| Financing                                      | C    | 1,552,760   | 1,528,034   |
| <b>Net (Decrease)/Increase in Cash in year</b> |      | <b>0</b>    | <b>0</b>    |

The notes on pages 59 to 82 form part of these accounts

## NOTES TO THE CASHFLOW STATEMENT

|   | note | 31 Mar 2009 | 31 Mar 2008 |
|---|------|-------------|-------------|
|   |      | £000        | £000        |
| <b>A) Cashflow from operating activities</b>        |      |             |             |
| Net operating cost                                  | 11   | (1,892,324) | (1,892,036) |
| Adjustment for non-cash transactions                | 3/4  | 582,013     | 492,441     |
| In year adjustment on IT hardware depreciation      |      | 0           | (9)         |
| (Increase)/Decrease in debtors                      | 8    | (16,719)    | (3,493)     |
| (Decrease)/Increase in creditors                    | 9    | (64,784)    | (654)       |
| (Decrease)/Increase in provisions                   | 10   | 1,620       | 12,093      |
| Net cash outflow from operating activities          |      | (1,390,194) | (1,391,658) |
| <b>B) Cashflow from financial activities</b>        |      |             |             |
| Purchase of fixed assets                            | 6    | (162,566)   | (136,376)   |
| Net cash inflow/(outflow) from investing activities |      | (162,566)   | (136,376)   |
| <b>C) Cashflow from financing activities</b>        |      |             |             |
| From the consolidated fund – current year           | 11   | 1,552,760   | 1,528,034   |
| Net Financing                                       |      | 1,552,760   | 1,528,034   |

# NOTES TO THE ACCOUNTS

## I. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The accounting policies adopted are described below and have been applied consistently in dealing with items considered material in relation to the accounts.

### I.1 ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention, modified where appropriate for the revaluation of fixed assets.

### I.2 TRUNKINGS/DETRUNKINGS

The trunking or detrunking of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures detrunked are effectively dealt with as disposals in accounting terms at nil consideration. The associated profit or loss is processed through the general fund.

### I.3 PRIOR YEAR ADJUSTMENTS

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

### I.4 CHANGE OF ACCOUNTING POLICY

In 2008/09, Transport Scotland in line with the Scottish Government, implemented the three standards relating to financial instruments. These are Financial Reporting Standards 25, 26 and 29 as modified by the FReM.

### I.5 TANGIBLE FIXED ASSETS

Tangible fixed assets are categorised into infrastructure (including assets under construction) and non-infrastructure assets. Infrastructure assets consist of roads, land and building within the highway perimeter, bridges, other structures and roadside communications. Non-infrastructure assets include land and buildings, information and technology equipment, software licences and other specifically identified ring-fenced projects. Title to the freehold land and buildings shown in the accounts of Transport Scotland is held by the Scottish Ministers.

#### Capitalisation Policy

The road network is capitalised to the extent that it leads to an increase in the capacity of the network. Expenditure on road building schemes is capitalised when it is reasonably certain that the scheme will proceed. Where a scheme is subsequently withdrawn, all cumulative costs are written off to the Operating Cost Statement. Any retained land or buildings are transferred to land and building held for resale and valued at market rates.

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

|   |         |
|---|---------|
| Land and Buildings                              | £10,000 |
| Information and Communications Technology (ICT) | £1,000  |
| Plant and Machinery                             | £5,000  |

Items falling below these limits are charged as an expense and shown in the Operating Cost Statement. Furniture and fittings are not capitalised unless part of a specially identified ring-fenced project such as a major relocation project.

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

## Valuation

### Infrastructure Assets – the road network

The road network is valued at depreciated replacement cost as it is deemed to be specialist in nature. It is valued using a standard costing system, uplifted annually for indexation and periodically updated when new schemes become available as comparators.

The indexation factors applied are:

|                      |  |
|----------------------|--|
| Roads and structures | Price Adjusted Formulae Indices (“Baxter’s Index”) published online by the Building Cost Information Service |
| Land                 | Land indices produced by the Valuation Office Agency (VOA)   |

The estimated unexpired life of all fixed assets is re-assessed annually and the valuation adjusted where necessary.

### Assets Under Construction

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

### Land and Buildings

Land and property released from road schemes and now deemed surplus to requirements are re-valued at open market value for disposal purposes.

### Information Technology

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

## 1.6 DEPRECIATION

### Infrastructure Assets – the road network

Roads and associated street furniture have condition calculations done annually and the resultant increase or decrease in condition is reflected in the net asset value.

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

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

|  | Life in Years   |
|--|-----------------|
| Road surface, sub-pavement layer, fencing, drainage and lighting | 20 to 50        |
| Road bridges, tunnels and underpasses                            | 20 to 120       |
| Culverts, retaining walls and gantries                           | 20 to 120       |
| Road communications assets                                       | 15 to 50        |
| Assets under construction  | no depreciation |

### Non-Infrastructure Assets

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

|                                  | Life in Years                                     |
|----------------------------------|---|
| Freehold buildings               | 5 to 100  |
| Leasehold buildings              | shorter of length of lease or specific asset life |
| Surplus property awaiting resale | no depreciation                                   |
| IT Equipment                     | 3 to 10   |

### 1.7 DONATED ASSETS

Donated tangible fixed assets are capitalised at their valuation on receipt and this value is credited to the valuation reserve. Any subsequent revaluations are also accounted for through this reserve. Each year an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Operating Cost Statement.

### 1.8 INTANGIBLE FIXED ASSETS

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

### 1.9 RAIL INFRASTRUCTURE EXPENDITURE

Rail infrastructure expenditure is split between capital and resource. The expenditure classified as capital relates to infrastructure expenditure that is capital in nature, but the asset created or enhanced is recorded on the balance sheet of Network Rail rather than the agency. The recorded capital expenditure reflects both direct activity in the year and the costs, in terms of capital and interest, for projects undertaken by Network Rail and recovered over a 30 year period.

### 1.10 OPERATING INCOME

Operating income relates directly to the operating activities of Transport Scotland. It principally comprises fees and charges for services provided on a full-cost basis to external customers in both the public and private sectors. It includes not only income appropriated in aid of the estimate but also income due to the Consolidated Fund, which in accordance with the FReM is treated as income. Operating income is stated net of VAT.

### 1.11 ADMINISTRATION AND PROGRAMME EXPENDITURE

The Operating Cost Statement is analysed between administration and programme income and expenditure. This classification of income and expenditure between administration and programme follows the definition of administration costs as defined by HM Treasury.

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

Programme costs reflect the costs of operating, maintaining, managing and improving the road and rail infrastructure in Scotland over which Transport Scotland has responsibility.

### 1.12 CAPITAL CHARGE

A charge reflecting the cost of capital utilised by Transport Scotland is included in the Operating Cost Statement. The charge is calculated based on the average value over the year for all assets less liabilities at the real rate set by HM Treasury (currently 3.5%). Donated assets are excluded from this calculation.

### 1.13 PENSIONS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), more details of which can be found in note 2. The PCSPS is an unfunded multi-employer defined benefit scheme. Transport Scotland's contributions are recognised as a cost in the year. This complies with FRS 17.

### 1.14 PRIVATE FINANCE INITIATIVE (PFI) TRANSACTIONS

PFI transactions are accounted for in accordance with *Technical Note No 1 (Revised), How to account for PFI Transactions*, as required by FReM.

Transport Scotland currently has two existing PFI schemes (see note 16 for more details). In both cases the balance of risks and rewards has been found to rest with the PFI operator and consequently the PFI unitary charge payments are treated as an operating cost.

Where at the end of the PFI contract, all or part of the asset reverts back to Transport Scotland ownership, the expected fair value of the asset at the balance sheet date is reflected as an asset under construction. This allows the proper allocation of payments between the cost of services and the acquisition of the residual asset.

### 1.15 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.

### 1.16 PROVISIONS

Transport Scotland provides for legal and constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best professional estimate available. Provisions are charged to the Operating Cost Statement unless they will be capitalised as part of additions to fixed assets.

#### Land and Property Acquisition

Land and property acquisition provision relates primarily to the estimates made at the point of taking entry to compulsory purchased land. A valuation provided by the Valuation Office Agency is charged to the project at the point of taking entry to the land.

#### Early Departure Costs

Transport Scotland is required to meet the additional cost of benefits for those employees who retire early until they reach the age of 60 at which point the liability is assumed by the PCSPS. The cost of these benefits are provided in full when the employee retires.

### 1.17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In accordance with FRS 12, where there is a risk of a liability arising as a result of a past event but the amount and/or timing of the event is uncertain, estimates are included in the provisions or contingent liabilities based on an assessment of risk. This holds true for contingent assets as well.

### 1.18 VAT

Most of the activities of Transport Scotland fall outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is non-recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. To avoid the distortion of competition, VAT can be recovered on certain categories of expenditure under s41 of the VAT Act 1994.

Transport Scotland is not separately registered for VAT. The quarterly VAT return is completed centrally by the Scottish Government.

From 2007/08, apart from any timing difference, any outstanding VAT balances have been transferred to the Scottish Government.



## 2. STAFF NUMBERS AND COSTS

| Staff costs comprise:        |                 |              |               | 2008/09         |              |               | 2007/08         |        |       |
|------------------------------|-----------------|--------------|---------------|-----------------|--------------|---------------|-----------------|--------|-------|
|                              | Permanent Staff | Others       | Total         | Permanent Staff | Others       | Total         | Permanent Staff | Others | Total |
|                              | £000            | £000         | £000          | £000            | £000         | £000          | £000            | £000   | £000  |
| Wages & salaries costs       | 5,782           | 2,840        | 8,622         | 7,392           | 1,144        | 8,536         |                 |        |       |
| Social Security costs        | 500             | 0            | 500           | 598             | 0            | 598           |                 |        |       |
| Other pension costs          | 1,280           | 0            | 1,280         | 1,618           | 0            | 1,618         |                 |        |       |
| <b>Total Cost</b>            | <b>7,562</b>    | <b>2,840</b> | <b>10,402</b> | <b>9,608</b>    | <b>1,144</b> | <b>10,752</b> |                 |        |       |
| Staff costs in programme     | 2,968           | 0            | 2,968         | 526             | 0            | 526           |                 |        |       |
| <b>Total net staff costs</b> | <b>10,530</b>   | <b>2,840</b> | <b>13,370</b> | <b>10,134</b>   | <b>1,144</b> | <b>11,278</b> |                 |        |       |

| Average numbers of persons employed |                 |           |            |                 |           |            |                 |        |       |
|-------------------------------------|-----------------|-----------|------------|-----------------|-----------|------------|-----------------|--------|-------|
|                                     | Permanent Staff | Others    | Total      | Permanent Staff | Others    | Total      | Permanent Staff | Others | Total |
| Trunk Roads Major Projects          | 58              | 12        | 70         | 52              | 5         | 57         |                 |        |       |
| Trunk Road Maintenance              | 57              | 2         | 59         | 49              | 2         | 51         |                 |        |       |
| Rail                                | 69              | 17        | 86         | 65              | 17        | 82         |                 |        |       |
| Strategy & Investments              | 32              | 5         | 37         | 30              | 6         | 36         |                 |        |       |
| Finance and Other                   | 63              | 21        | 84         | 59              | 15        | 74         |                 |        |       |
| <b>Total average staff numbers</b>  | <b>279</b>      | <b>57</b> | <b>336</b> | <b>255</b>      | <b>45</b> | <b>300</b> |                 |        |       |

Permanent staff are civil servants who have an employment contract with the agency.

Wages & Salaries include gross salaries, performance pay or bonuses received in year, overtime, London weighting or London allowances, recruitment and retention allowances, private office allowances, ex-gratia payments and any other allowance to the extent that it is subject to UK taxation. The payment of legitimate expenses is not part of salary.

Transport Scotland had four staff granted early retirement in 2008/09, only one of whom was funded directly by the agency under flexible early retirement terms and no staff retired early on ill-health grounds.

The average annualised sick days for full time equivalent staff is 7.42 days.

In 2008/09 a further provision for migration costs of £197k was added to staff costs to cover the relocation of staff from Edinburgh to Glasgow in accordance with the Scottish Government's relocation policy.

## **PENSION COSTS**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Transport Scotland is unable to identify its share of the underlying assets and liabilities. The scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the costs of benefits met by monies funded by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Price Index. Members who joined from October 2002 could opt for either the defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). In 2008/09 no employees opted to open a partnership pension account.

For 2008/09, employers' contributions of £1,805k were payable to the PCSPS at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2007/08 were between 17.1% and 25.5%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The 2008/09 salary bands have been revised but the rates remain the same.

The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

### **(A) CLASSIC SCHEME**

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

### **(B) PREMIUM SCHEME**

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

### **(C) CLASSIC PLUS PENSION SCHEME**

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

### **(D) NUVOS PENSION ACCOUNT**

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

### **(E) PARTNERSHIP PENSION ACCOUNT**

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit

of 3% of pensionable salary (in addition to the employer's basic contribution). Employers may also contribute a further 0.8% of pensionable salary to cover the cost of the future provision of lump sum.

### 3. OTHER ADMINISTRATION COSTS

|  | note  | 2008/09      | 2007/08      |
|--|-------|--------------|--------------|
|  |       | £000         | £000         |
| Rent, rates & building costs                     |       | 2,420        | 2,380        |
| Office furniture                                 |       | 94           | 56           |
| Communications                                   |       | 770          | 764          |
| Travel   |       | 641          | 656          |
| Consultancy                                      |       | 491          | 384          |
| Audit fee  |       | 193          | 175          |
| Training   |       | 210          | 111          |
| Information Technology                           |       | 331          | 115          |
| Recruitment                                      |       | 75           | 138          |
| Subscriptions                                    |       | 35           | 48           |
| Other  |       | 413          | 392          |
| <b>Total administration costs</b>                |       | <b>5,673</b> | <b>5,219</b> |
| <b>Non-cash items included in the above are:</b> |       |              |              |
| Depreciation                                     | 6 & 7 | 524          | 535          |
| Audit fee  | 11    | 193          | 175          |
| Amortisation on donated assets reserve           | 12    | (77)         | (77)         |
| <b>Total non-cash administration costs</b>       |       | <b>640</b>   | <b>633</b>   |

## 4. OTHER PROGRAMME COSTS

|  | note | 2008/09          | 2007/08          |
|--|------|------------------|------------------|
|  |      | £000             | £000             |
| <b>Roads</b>                               |      |                  |                  |
| Capital Maintenance                        |      | 88,434           | 116,804          |
| Current Maintenance                        |      | 158,034          | 132,056          |
| Payment on PFI contracts                   | 16   | 32,328           | 35,648           |
| Roads Capital Charge                       |      | 510,340          | 483,058          |
| Roads Asset Valuation Adjustment           |      | 42,411           | 0                |
| Forth Replacement Crossing                 |      | 21,682           | 0                |
| Other                                      |      | 1,419            | 496              |
| <b>Rail</b>                                |      |                  |                  |
| ScotRail Franchise                         |      | 322,110          | 294,333          |
| Rail Infrastructure in Scotland Capital*   |      | 228,593          | 232,957          |
| Rail Infrastructure in Scotland Resource** |      | 138,030          | 132,075          |
| Rail Small Projects                        |      | 7,039            | 12,216           |
| Scotland's Railways                        |      | 3,842            | 0                |
| Other                                      |      | 3,184            | 6,537            |
| <b>Concessionary Travel</b>                |      |                  |                  |
| Smartcard Applications                     |      | 11,369           | 9,433            |
| Concessionary Travel Schemes               |      | 181,641          | 164,568          |
| <b>Other Public Transport</b>              |      |                  |                  |
| Major Public Transport Projects - Rail     |      | 128,250          | 250,640          |
| Transport Information                      |      | 1,805            | 1,026            |
| Strategic Transport Projects Review        |      | 2,036            | 6,236            |
| <b>Total other programme costs</b>         |      | <b>1,882,547</b> | <b>1,878,084</b> |

\* The Rail Infrastructure in Scotland Capital figure of £228,593k was paid directly to Network Rail.

\*\* The Rail Infrastructure in Scotland Resource figure of £138,030k was paid to Network Rail via DfT as part of a transitional arrangement until the end of the current Control Period on 31 March 2009.

|  | note | 2008/09        | 2007/08        |
|--|------|----------------|----------------|
|  |      | £000           | £000           |
| <b>Non-cash items included in the above are:</b>   |      |                |                |
| <b>Roads</b>                                       |      |                |                |
| Capital charge                                     | 11   | 510,340        | 483,058        |
| Depreciation                                       | 6    | 30,773         | 12,473         |
| Road asset valuation adjustment – new schemes      |      | 42,411         | 0              |
| Road asset valuation adjustment – existing schemes |      | (2,150)        | (3,723)        |
| <b>Total other programme costs – non-cash</b>      |      | <b>581,373</b> | <b>491,808</b> |



## 5. OPERATING INCOME

|                               | 2008/09      | 2007/08      |
|-------------------------------|--------------|--------------|
|                               | £000         | £000         |
| <b>Programme income</b>       |              |              |
| Rental income - properties    | 397          | 1,058        |
| Erskine Bridge                | 0            | 1,484        |
| Sale of land and property     | 8,869        | 3            |
| <b>Total programme income</b> | <b>9,266</b> | <b>2,545</b> |

Operating income principally arises from:

- 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.

## 6. TANGIBLE FIXED ASSETS

|   | Road Network      | Assets under Construction | Land & Buildings | IT           | Leasehold Improvements | Total             |
|---|-------------------|---------------------------|------------------|--------------|------------------------|-------------------|
|   | £000              | £000                      | £000             | £000         | £000                   | £000              |
| <b>At replacement cost or valuation</b> |                   |                           |                  |              |                        |                   |
| At 1 April 2008                         | 16,356,006        | 554,041                   | 1,333            | 3,995        | 4,062                  | 16,919,437        |
| Detrunckings                            | (23,023)          | 0                         | 0                | 0            | 0                      | (23,023)          |
| Capital Additions                       | 0                 | 162,515                   | 0                | 51           | 0                      | 162,566           |
| Disposals                               | 0                 | 0                         | 0                | 0            | 0                      | 0                 |
| Revaluation                             | 295,354           | 15,371                    | 0                | 0            | 0                      | 310,725           |
| Current valuation adjustments           | (40,278)          | 0                         | 0                | 0            | 0                      | (40,278)          |
| Historic valuation adjustments          | (5,992)           | 4,554                     | 0                | 0            | 0                      | (1,438)           |
| Transfers and reclassifications         | 204,299           | (204,299)                 | 0                | 0            | 0                      | 0                 |
| Balances at 31 March 2009               | <b>16,786,366</b> | <b>532,182</b>            | <b>1,333</b>     | <b>4,046</b> | <b>4,062</b>           | <b>17,327,989</b> |
| <b>Accumulated Depreciation</b>         |                   |                           |                  |              |                        |                   |
| At 1 April 2008                         | 2,245,368         | 0                         | 0                | 1,261        | 662                    | 2,247,291         |
| Detrunckings                            | (4,748)           | 0                         | 0                | 0            | 0                      | (4,748)           |
| Charge for the year                     | 30,197            | 0                         | 0                | 682          | 415                    | 31,294            |
| Disposals                               | 0                 | 0                         | 0                | 0            | 0                      | 0                 |
| Revaluation                             | 92,276            | 0                         | 0                | 0            | 0                      | 92,276            |
| Current valuation adjustments           | (17)              | 0                         | 0                | 0            | 0                      | (17)              |
| Historic valuation adjustments          | (3,043)           | 0                         | 0                | 0            | 0                      | (3,043)           |
| Transfers and reclassifications         | 0                 | 0                         | 0                | 0            | 0                      | 0                 |
| Balances at 31 March 2009               | <b>2,360,033</b>  | <b>0</b>                  | <b>0</b>         | <b>1,943</b> | <b>1,077</b>           | <b>2,363,053</b>  |
| Net Book Value at 31 March 2009         | 14,426,333        | 532,182                   | 1,333            | 2,103        | 2,985                  | 14,964,936        |
| Net Book Value at 31 March 2008         | 14,110,638        | 554,041                   | 1,333            | 2,734        | 3,400                  | 14,672,146        |
| <b>Asset Financing</b>                  |                   |                           |                  |              |                        |                   |
| Owned                                   | 14,426,333        | 351,202                   | 1,333            | 2,103        | 2,985                  | 14,783,956        |
| PFI reversionary Interest*              | 0                 | 180,980                   | 0                | 0            | 0                      | 180,980           |
| Net Book Value at 31 March 2009         | 14,426,333        | 532,182                   | 1,333            | 2,103        | 2,985                  | 14,964,936        |

\*Reversionary interest is based on the current net book value of the schemes with the balance being built up and indexed over the life of the contract until they revert back to Transport Scotland ownership.

Detrunings are transfer of the asset to local authorities with the corresponding entry flowing through the General Fund (see note 11).

Revaluation is based on indexation for all road network assets apart from land. Land is valued at market rates based on information supplied by the Valuation Office Agency. All revaluation movement is reflected through the revaluation reserve (see note 13).

Adjustments arise in a number of situations, for example, on the completion of road schemes the transfer from Assets Under Construction which are recorded at cost to the Road Network which is valued at depreciated replacement cost, there will usually be an adjustment. Similarly, adjustments can arise through the more accurate measurement of the dimension of the assets and these will be reflected through the Operating Cost Statement, General Fund or Revaluation Reserve as appropriate to circumstance.

Transfers and reclassifications are the costs of completed assets being transferred out of Assets Under Construction.

## 7. INTANGIBLE FIXED ASSETS

|   | Software<br>Licences |
|---|----------------------|
|   | £000                 |
| <b>At replacement cost or valuation</b> |                      |
| At 1 April 2008                         | 53                   |
| Capital additions                       | 0                    |
| Disposals                               | 0                    |
| Transfers and reclassifications         | 0                    |
| Balances at 31 March 2009               | 53                   |
| <b>Accumulated Amortisation</b>         |                      |
| At 1 April 2008                         | (50)                 |
| Charge for the year                     | (3)                  |
| Additions                               | 0                    |
| Disposals                               | 0                    |
| Transfers and reclassifications         | 0                    |
| Balances at 31 March 2009               | (53)                 |
| Net Book Value at 31 March 2009         | -                    |
| Net Book Value at 31 March 2008         | 3                    |

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

## 8. DEBTORS

| 8a   | Analysis by type                                   | as at                             |               |  |              |
|--|--|-----------------------------------|---------------|--|--------------|
|  |  | 31 Mar 2009                       | 31 Mar 2008   |  |              |
|  |  | £000                              | £000          |  |              |
| <b>Amounts falling due after more than one year:</b> |  |                                   |               |  |              |
| Other Debtors of which:                              |  |                                   |               |  |              |
|  | Damage Claims                                      | 2,372                             | 2,532         |  |              |
|  | Land for resale                                    | 425                               | 853           |  |              |
|  | Other  | 971                               | (6)           |  |              |
|  |  | 3,768                             | 3,379         |  |              |
| <b>Amounts falling due within one year:</b>          |  |                                   |               |  |              |
|  | Trade debtors                                      | 471                               | 25            |  |              |
|  | Prepayments & accrued income                       | 55,552                            | 39,603        |  |              |
|  | Other  | 20                                | 85            |  |              |
|  |  | 56,043                            | 39,713        |  |              |
| <b>8b Intra-Government Balances</b>                  |  |                                   |               |  |              |
|  |  | Amounts falling due within 1 year |               | Amounts falling due after more than 1 year |              |
|  |  | as at                             | as at         | as at                                      | as at        |
|  |  | 31 Mar 2009                       | 31 Mar 2008   | 31 Mar 2009                                | 31 Mar 2008  |
|  |  | £000                              | £000          | £000                                       | £000         |
|  | Other central government bodies                    | 20                                | 4             | 0  | (155)        |
|  | Local authorities                                  | 26,805                            | 24,792        | 0  | 429          |
|  | Public corporations and trading funds              | 390                               | 0             | 0  | 0            |
|  | <b>Intra-Government Balances</b>                   | <b>27,215</b>                     | <b>24,796</b> | <b>0</b>                                   | <b>274</b>   |
|  | <b>Balances with bodies external to government</b> | <b>28,828</b>                     | <b>14,917</b> | <b>3,768</b>                               | <b>3,105</b> |
| <b>Total Debtors</b>                                 |  | <b>56,043</b>                     | <b>39,713</b> | <b>3,768</b>                               | <b>3,379</b> |



## 9. CREDITORS

| 9a Analysis by type  | as at                                |             | as at   |             |
|--|--------------------------------------|-------------|---|-------------|
|  | 31 Mar 2009                          | 31 Mar 2008 | 31 Mar 2009                                   | 31 Mar 2008 |
|  | £000                                 |             | £000  |             |
| <b>Amounts falling due after more than one year:</b>       |                                      |             |   |             |
| Other Creditors of which:                                  |                                      |             |   |             |
| PFI – excess reversionary interest in year one of contract | 104,939                              |             | 109,546                                       |             |
| Retentions on road schemes                                 | 9,259                                |             | 2,915   |             |
| Other  | 2,007                                |             | 2,102   |             |
|  | 116,205                              |             | 114,563                                       |             |
| <b>Amounts falling due within one year:</b>                |                                      |             |   |             |
| Trade creditors  | 504                                  |             | 2,337   |             |
| Accruals and deferred income                               | 71,249                               |             | 135,939                                       |             |
| PFI – excess reversionary interest in year one of contract | 4,607                                |             | 4,509   |             |
|  | 76,359                               |             | 142,785                                       |             |
| <b>9b Intra-Government Balances</b>                        |                                      |             |   |             |
|  | Amounts falling due within<br>1 year |             | Amounts falling due after<br>more than 1 year |             |
|  | as at                                | as at       | as at   | as at       |
|  | 31 Mar 2009                          | 31 Mar 2008 | 31 Mar 2009                                   | 31 Mar 2008 |
|  | £000                                 | £000        | £000  | £000        |
| Other central government bodies                            | 78                                   | (3)         | 0   | 0           |
| Local authorities  | 9,658                                | 11,765      | 26,146  | 21,441      |
| Public corporations and trading<br>funds                   | 0                                    | 0           | 0   | 0           |
| <b>Intra-Government Balances</b>                           | 9,737                                | 11,762      | 26,146  | 21,441      |
| <b>Balances with bodies external<br/>to government</b>     | 66,622                               | 131,023     | 90,058  | 93,122      |
| <b>Total Creditors</b>                                     | 76,359                               | 142,785     | 116,205                                       | 114,563     |

## 10. PROVISIONS FOR LIABILITIES AND CHARGES

|  | Land and<br>Property<br>Acquisition | Major Projects | Migration and<br>Other | Damages | Total    |
|--|-------------------------------------|----------------|------------------------|---------|----------|
|  | £000                                | £000           | £000                   | £000    | £000     |
| Balance as at<br>1 April 2008              | 61,037                              | 3,500          | 1,424                  | 939     | 66,900   |
| Provided in year                           | 51,048                              | 982            | 2,009                  | 114     | 54,153   |
| Provisions not<br>required written<br>back | (1,077)                             | 0              | 0                      | 0       | (1,077)  |
| Provisions utilised<br>in year             | (50,628)                            | 0              | (218)                  | (610)   | (51,456) |
| Balance as at<br>31 March 2009             | 60,380                              | 4,482          | 3,215                  | 443     | 68,520   |

## 11. GENERAL FUND

The General Fund represents the total assets less total liabilities, to the extent that the total is not represented by other reserves and financing items.

|   | note | 2008/09            | 2007/08            |
|---|------|--------------------|--------------------|
|   |      | £000               | £000               |
| Balance as at 1 April 2008                              |      | 7,930,197          | 7,834,712          |
| <b>Net Parliamentary funding</b>                        |      | <b>1,552,760</b>   | <b>1,528,034</b>   |
| <b>Net operating cost for the year</b>                  |      | <b>(1,892,324)</b> | <b>(1,892,036)</b> |
| Non cash charges:                                       |      |                    |                    |
| Auditors remuneration                                   | 3    | 193                | 175                |
| Cost of capital charge                                  | 4    | 510,340            | 483,058            |
| In year adjustments relating to prior year transactions |      |                    |                    |
| Detrankings   | 6    | (18,275)           | 0                  |
| Adjustment to infrastructure fixed assets               | 6    | (2,949)            | (28,169)           |
| Adjustment to PFI assets                                | 6    | 4,554              | 0                  |
| Realised element of the revaluation reserve             | 13   | 34,459             | 4,422              |
| Balance as at 31 March 2009                             |      | 8,118,955          | 7,930,197          |

## 12. DONATED ASSET RESERVE

The donated asset reserve represents assets not paid for but owned by Transport Scotland.

|                                 | £000  |
|---------------------------------|-------|
| <b>Gross Value</b>              |       |
| Balance at 1 April 2008         | 1,161 |
| Additions in year               | 0     |
| Balance at 31 March 2009        | 1,161 |
| <b>Amortisation</b>             |       |
| Balance at 1 April 2008         | 116   |
| Amortisation in year            | 78    |
| Balance at 31 March 2009        | 194   |
| Net Book Value at 31 March 2009 | 967   |
| Net Book Value at 31 March 2008 | 1,045 |

## 13. REVALUATION RESERVE

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

|   |      | 2008/09   | 2007/08   |
|---|------|-----------|-----------|
|   | note | £000      | £000      |
| Balance as at 1 April 2008                  |      | 6,459,751 | 5,380,504 |
| Net gain/(loss) on revaluation              | 6    | 218,449   | 1,083,669 |
| Realised element of the revaluation reserve | 11   | (34,459)  | (4,422)   |
| Balance as at 31 March 2009                 |      | 6,643,741 | 6,459,751 |

## 14. CAPITAL COMMITMENTS

As at 31 March 2009 Transport Scotland's commitment to make future capital payments on major road schemes is set out below. The main works contract has been awarded and the commitment has not been reflected elsewhere in the accounts.

|   | 2008/09 | 2007/08 |
|---|---------|---------|
|   | £000    | £000    |
| Total contracted capital commitments for which no provision has been made | 441,956 | 539,418 |

## 15. COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2009 Transport Scotland was committed to making the following future payments in respect of operating leases:

|                              | 2008/09          | 2007/08          |
|------------------------------|------------------|------------------|
|                              | £000             | £000             |
|                              | Land & Buildings | Land & Buildings |
| Rentals due within 1 year    | 0                | 0                |
| Rentals due within 2-5 years | 0                | 0                |
| Rentals due thereafter       | 1,422            | 1,444            |
| Total                        | 1,422            | 1,444            |

## 16. COMMITMENTS UNDER PFI INITIATIVES

Transport Scotland has entered into the following off-balance sheet PFI contracts:

- a) M6 (M74) – the contract covers the design, construction, financing and operation of 28.3km of the new Scottish motorway as well as the operation and maintenance of 90km of new and existing Scottish motorway. Payments are made under a shadow toll regime. The toll period began in July 1997 and expires in July 2027. The estimated capital value of the asset is £251m. Included in assets under construction is an amount of £138m representing the reversionary interest of the asset.
- b) M77 – this is a joint Public Private Partnership (PPP) entered into by the Scottish Government, East Renfrewshire and South Lanarkshire Councils. The project covers the design, construction, financing and operation of 15km of the new Scottish motorway and a new 9km local link road between the new motorway and the A726 trunk road. Payments are made under a shadow toll regime. The toll period began in April 2005 and expires in April 2035. The estimated current capital value of the asset is £106m. Included in assets under construction is an amount of £43m representing the reversionary interest of the asset.

The total amount charged to the Transport Scotland Operating Cost Statement in respect of these schemes is:

|                   | 2008/09       | 2007/08       |
|-------------------|---------------|---------------|
|                   | £000          | £000          |
| M6 (M74) Motorway | 31,604        | 35,268        |
| M77               | 8,613         | 8,060         |
| <b>Total</b>      | <b>40,217</b> | <b>43,328</b> |

Less capital element of unitary charge:

|                       | £000          | £000          |
|-----------------------|---------------|---------------|
| PFI capital repayment | (7,889)       | (7,680)       |
| <b>Total</b>          | <b>32,328</b> | <b>35,648</b> |

Imputed finance lease obligations under off-balance sheet PFI contracts due during the next year, analysed between those periods where the commitment expires:

|                                   | M6(M74)       | M77          | Total         |
|-----------------------------------|---------------|--------------|---------------|
|                                   | £000          | £000         | £000          |
| Rentals due within 16 to 20 years | 31,472        | 0            | 31,472        |
| Rentals due within 21 to 25 years | 0             | 0            | 0             |
| Rentals due within 26 to 30 years | 0             | 9,078        | 9,078         |
| <b>Total</b>                      | <b>31,472</b> | <b>9,078</b> | <b>40,550</b> |

The amount charged to the Operating Cost Statement excludes any adjustments for the capital element of the unitary charge.



## 17. OTHER FINANCIAL COMMITMENTS – RAIL

Transport Scotland is committed to pay an income stream to Network Rail in accordance with the Deed of Grant and to First ScotRail under the Franchise Agreement.

Network Rail - The current control period for Network Rail runs from April 2004 to March 2009. During 2008/09 the Office of the Rail Regulator published a new determination which governs the charges allowed by Network Rail for the period from April 2009 to March 2014.

First ScotRail - During 2008/09 Scottish Ministers extended the First ScotRail Franchise by three years to 2014.

The total amount charged to the Transport Scotland Operating Cost Statement in respect of these schemes is:

|                | 2008/09        | 2007/08        |
|----------------|----------------|----------------|
|                | £000           | £000           |
| Network Rail   | 366,622        | 365,032        |
| First ScotRail | 322,110        | 294,333        |
| <b>Total</b>   | <b>688,732</b> | <b>659,365</b> |

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

|                            | Network Rail   | First ScotRail | Total          |
|----------------------------|----------------|----------------|----------------|
|                            | £000           | £000           | £000           |
| Expiry within 1 to 5 years | 364,300        | 290,100        | 654,400        |
| <b>Total</b>               | <b>364,300</b> | <b>290,100</b> | <b>654,400</b> |

## 18. FINANCIAL INSTRUMENTS

Prior to implementation of International Financial Reporting Standards in 2010/11, financial instruments have been reviewed and presented in line with FRS 25, 26 and 29 (as modified by the FReM).

Transport Scotland has not made any additional provisions after reviewing for these standards.

## 19. CONTINGENT LIABILITIES

Contingent Liabilities under FRS12 are defined as past events where it is possible that transfer of economic benefits will be required to settle but no reliable estimate can be made.

### **19a Contingent Liabilities disclosed under FRS12**

Transport Scotland has the following guarantee in place:

- funding received by Strathclyde Partnership for Transport from the European Union for work on the Glasgow Airport Rail Link Project (850k euros / £787k)

### **19b Possible Contingent Liabilities not required under FRS12 but included for parliamentary and accountability purposes**

Transport Scotland has provided the following:

Contracts including indemnity clauses where risk is either considered part of the normal course of business or is not quantifiable:

- operating agreement (ScotRail Franchise Agreement) with indemnity dated 2004 to First ScotRail
- indemnity clause in roads contracts to compensate Network Rail for any damage or loss of access
- operating agreement with indemnity dated 2005 to tie Ltd for the promotion of EARL project

Guarantees / Letters of Comfort:

- S54 guarantees issued as part of rail rolling stock procurement process
- Scottish Government underwriting First ScotRail pension fund in line with that provided to other train operators by DfT
- letter of underwriting to Edinburgh Airport Limited (subsidiary of BAA) dated 2006 for the Edinburgh Airport Rail Link Project promoted by tie Limited

Other contingent liabilities:

- Monklands Canal - maintenance of pipes under trunk roads

## 20. RELATED PARTY TRANSACTIONS

Transport Scotland is an agency of the Scottish Government. The Scottish Government is regarded as a related party with which the agency had various material transactions during the year. Transport Scotland also had significant transactions with local authorities during the year.

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

## 21. NOTIONAL CHARGES

The following notional charges have been included in the accounts:

|                         |      | 2008/09        | 2007/08        |
|-------------------------|------|----------------|----------------|
|                         | note | £000           | £000           |
| Cost of capital charges | 4    | 510,340        | 483,058        |
| Auditors remuneration   | 3    | 193            | 175            |
|                         |      | <u>510,533</u> | <u>483,233</u> |

The cost of capital is calculated as 3.5% of assets less liabilities over the year, excluding donated assets and any cash balances.

## 22. LOSSES AND SPECIAL PAYMENTS

|                                |             | 2008/09 | 2007/08 |
|--------------------------------|-------------|---------|---------|
|                                | No of cases | £000    | £000    |
| Total cash losses              | 13          | 631     | 0       |
| Details of cases over £250,000 | 0           | 0       | 0       |
| Including - Claims abandoned   | 5           | 9       | 0       |
| - Active claims                | 8           | 622     | 0       |

All the active claims refer to the National Concessionary Travel Schemes where it is a legal requirement to make payments in advance. Normally any overpayments would be adjusted in the following months but the difficult trading conditions experienced during the year has resulted in several bus operators ceasing to trade and not allowing for the recovery of overpayments.

## ANNEX A



# TRANSPORT SCOTLAND DIRECTION BY THE SCOTTISH MINISTERS

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

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



Signed by the authority of the Scottish Ministers

*Dated 17 January 2006*

# ANNEX B

## A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

### THE 2008/09 AUDIT OF TRANSPORT SCOTLAND

1. I have received the audited accounts of Transport Scotland for the year ended 31 March 2009. The auditor has given an unqualified opinion on the accounts. However, I have decided to report to Parliament on the remuneration arrangements relating to the departures of the Chief Executive and the Director of Finance and Corporate Services, both of whom left during the financial year.
2. I submit these accounts and the auditor's report in terms of sub-section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under sub-section 22(3) of the Act.

#### Background

3. Transport Scotland is an executive agency of the Scottish Government. It began operating in January 2006 and manages the trunk road network, the railway network and concessionary travel schemes in Scotland.
4. In 2008/09 Transport Scotland's total net outturn was £2.055 billion. Its net operating costs for the year were £1.892 billion, with staff costs accounting for £13.370 million of this total.

#### Departure arrangements

5. The remuneration report in Transport Scotland's financial statements for 2008/09 shows that both the Chief Executive and the Director of Finance and Corporate Services left the organisation during the financial year ending 31 March 2009.
6. The Chief Executive retired from his position on 17 February 2009. His retirement date was planned for November 2009 but the Scottish Government and the Chief Executive agreed that it would be mutually convenient for him to finish in February. The Chief Executive's contractual notice period was three months. In this instance, the Scottish Government exceptionally agreed to pay him six months' salary in lieu of notice, totalling £61,000, along with untaken annual leave, as they considered it would provide organisational advantages in respect of Transport Scotland's delivery programme.
7. The departure of the then Director of Finance and Corporate Services ('the Director') was of particular interest to the Scottish Parliament's Public Audit Committee ('PAC'). The Director left Transport Scotland on 28 November 2008. His departure occurred close to the publication of my report on *The First ScotRail passenger rail franchise*, which contained commentary about him holding shares and share options in First Group (the company contracted to provide most passenger rail services in Scotland).
8. The auditor's report notes that the Director left Transport Scotland by mutual agreement and that the Scottish Government, in order to facilitate the departure, put in place a compromise agreement. The auditor reviewed the remuneration arrangements and confirmed that they were in accordance with rules and regulations, and that the Scottish Government had concluded that the arrangements represented value for money.



9. Transport Scotland's annual report and accounts do not contain details of the remuneration paid to the Director during 2008/09. The Scottish Government has indicated that, under the Data Protection Act 1998, Transport Scotland is not able to disclose this information without the Director's consent. The Director's contract of employment had no specific clause requiring him to disclose the information, and he declined to allow the information to be disclosed, as permitted by the 2008/09 Government Financial Reporting Manual (a document produced by HM Treasury and applied by all of the UK devolved administrations).
10. The auditor reported that, whilst he considered the non-disclosure to comply with guidance, and that legal advice has concluded that for Transport Scotland to disclose the information would breach its responsibilities under the Data Protection Act 1998, a key principle in the use of public money is that its use is open and transparent, and open to public scrutiny. This is recognised in the Scottish Public Finance Manual in relation to Severance, Early Retirement and Redundancy Terms, which states that "any undertakings about confidentiality should leave transactions open to proper public scrutiny". To ensure that there is effective transparency and public scrutiny in the remuneration to senior staff within public bodies it was the auditor's view that:
- the contracts of senior staff should include the requirement for them to disclose their remuneration within the annual accounts and report of the relevant body as standard, with no option to refuse disclosure; and
  - compromise agreements, whilst being a legitimate method of enabling effective organisational management, should not prevent the appropriate disclosure of remuneration information, including compensation packages.

### Conclusion

11. I fully support the views of the auditor in relation to disclosure and will be asking all auditors carrying out public audit work on my behalf to continue to encourage disclosure of all remuneration, wherever possible.
12. The information in this report has been provided in accordance with legal obligations. These include the need to process personal information relating to the former Director of Finance and Corporate Services in accordance with his legal rights under the Data Protection Act 1998.



**ROBERT W BLACK**  
**Auditor General for Scotland**  
**11 December 2009**





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

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

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

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

ਇਸ ਦਸਤਾਵੇਜ਼/ਕਾਗਜ਼ਾਤ ਦੀਆਂ ਹੋਰ ਕਾਪੀਆਂ, ਮੰਗੇ ਜਾਣ 'ਤੇ, ਆੱਡਿਓ ਟੇਪ ਉੱਪਰ ਅਤੇ ਵੱਡੇ ਅੱਖਰਾਂ ਵਿਚ ਅਤੇ ਕੰਮਿਊਨਿਟੀ ਭਾਸ਼ਾਵਾਂ ਦੇ ਵਿਚ ਮਿਲ ਸਕਦੀਆਂ ਹਨ, ਕ੍ਰਿਪਾ ਕਰਕੇ ਸੰਪਰਕ ਕਰੋ:

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