

TRANSPORT
SCOTLAND
CÒMHDHAIL ALBA

Annual Report & Accounts

For the year ended 31 March 2022

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Introduction

Foreword

by Chief Executive

I am proud to present Transport Scotland’s Annual Report and Accounts for 2021-22, which sets out our performance against the objectives contained in our soon to be published corporate plan for 2021-22. These reflect the key contribution we make to developing and improving the transport system for the people of Scotland, in line with the Scottish Government strategic objectives.

I took up post as Interim Chief Executive in July 2022, after the close of financial year 2021-22. I am grateful to staff across Transport Scotland (TS), for their continued dedication and significant efforts working collaboratively in order to deliver on a varied and important agenda during 2021-22.

TS continues to be impacted by the ongoing challenges brought about by the last two years of the COVID-19 pandemic, our response to that emergency and now the transition out to a business as usual state. The arrival of the Omicron variant in 2021, and the challenges it brought, served as a reminder that we must remain prepared and able to adapt quickly in order to ensure that we can support public transport operators to operate essential services safely across all modes of transport. Our objectives were also heavily influenced by the Climate Change Emergency and the need to reduce carbon emissions, and this has also been reflected in our approach to transition from the pandemic.

As we move through this transition, guided by the updated Strategic Framework, we will continue to review and assess information and ultimately provide appropriate guidance and support to the public and to our stakeholders. We must consider how we deliver Scotland’s public transport system, reducing inequalities, whilst at the same time delivering long-term reductions in transport emissions in line with climate change targets.

Over the last year, we have faced a number of challenges across the business including the resilience of Ferry services and transition to Scottish Rail Holdings. At the same time we worked through a critical budget process to support our economic recovery. Mindful of the wellbeing and resilience of our staff, we have moved to hybrid working across the Agency.

Our agency response to these challenges reflects the expertise and commitment of our staff across all of our business areas. We have benefited from our collaborative and creative approach in meeting these challenges head-on, however, we have learned important lessons from our experience and remain alert to the challenges that lie ahead.

The first annual Delivery Plan for Scotland's National Transport Strategy (NTS2), which was published in the last financial year, has remained a live document for 2021-22 in order to deal with potential uncertainties arising as a consequence of the transition out of the pandemic. The Plan sets out the actions being taken across the Scottish Government to achieve the Strategy's vision, priorities and outcomes.

This year has also seen the publication of the Strategic Transport Projects Review (STPR2) <https://www.transport.gov.scot/our-approach/strategy/strategic-transport-projects-review-2/>. This document contains 45 recommendations which seek to make transport in Scotland more sustainable. When implemented, the changes and measures will help deliver the four priorities of our National Transport Strategy, and will assist us in tackling climate change, reducing inequalities and improving general health and wellbeing.

There has been a firm focus within our investment priorities on how transport can protect our climate and improve our lives.

The past year has also seen substantial progress on a number of projects, including the significant growth of our Charge Place Scotland (CPS) Network, Ultra Low Emissions Vehicles, Rail Decarbonisation, growth in Rail Freight, Smart Ticketing, the A9 Dualling, the A77 Maybole Bypass and A92/A96 Haudagain improvements projects.

We have continued to work with the UK Government and the devolved administrations to develop a new relationship with the European Union.

Despite the challenges that we have faced, much has been delivered across the breadth of the organisation. My thanks must also go to my predecessor, Hugh Gillies, in his capacity as Interim Chief Executive, the Senior Management Team and to my colleagues across Transport Scotland for their efforts in achieving such significant milestones across a diverse range of programmes. I am immensely grateful to all those colleagues and to our partners across Scotland who continue to work with us to deliver positively for the people of Scotland. I look forward to working with the team in the new financial year.



Michelle Quinn
Interim Chief Executive
Transport Scotland

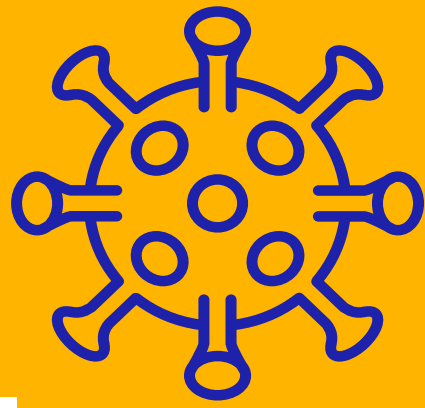
The story of 2021-22

Transport Scotland's aim is to help deliver the Scottish Government Strategy of creating a healthier, fairer and more prosperous Scotland for communities, business and visitors. We seek to create and nurture sustainable and inclusive growth, increase the wellbeing of the people of Scotland and reduce inequalities.



Operational highlights

Sustaining and monitoring the transport system through the transition from the Covid-19 pandemic.



Supported delivery of the 26th UN Climate Change Conference (COP26) in Glasgow

October / November 2021.

Publication of STPR2 recommendations.

Development of NTS2 monitoring & evaluation reports.

Promotion of cycling, walking and active travel



Significant growth in Scotland's electric vehicle charging network



Improvements to trunk road network

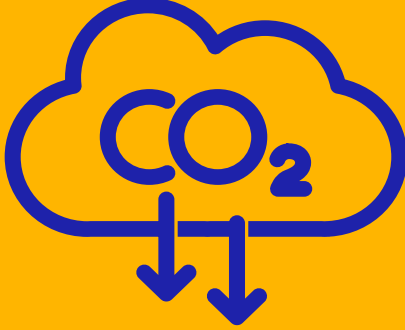


Developing smart ticketing and mobile travel apps




Rail services transition to government control

Financial highlights



£46 million
new and re-cycled funds for low carbon loans to consumers and businesses



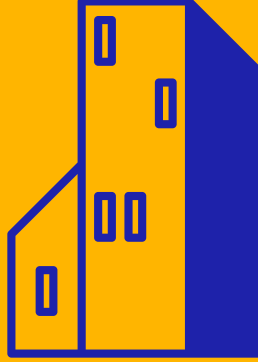
£6.2 million
grant for bus retro-fit programmes



£1.4 million
funding for road active travel schemes via operating companies



£0.75 million
to local authorities through 'plugged in places' to support switch to electric vehicles



£3.6 million
grant funding claimed by Scotland's four main cities to establish Low Emission Zone (LEZ) enforcement systems



£62.5 million
for walking and cycling infrastructure



£2.2 million
paid out under the Bus Partnership Fund



£185.5 million
funding for the operation of the ferry services

Case Study 1 UN Climate Change Conference UK 2021 (COP26)

- Scotland hosted the 26th UN Climate Change Conference (COP26) in Glasgow from 31 October to 13 November 2021.
- We continue to lead the way in international collaboration on the decarbonisation of transport. The Scottish Government has signed five international agreements supporting the global decarbonisation of the transport sector, including the Joint Declaration on Zero Emission Vehicles, which was agreed as part of COP26, and the 'Under2' Coalition Leaders Action Document.
- Our commitment to reduce car kilometres travelled, by 20% by 2030 has been integrated into The 'Under2' Coalition Leaders Action Document, a clear example of our ambitions to set the bar globally. In order to support this commitment, we are offering free bus travel for people under the age of 22; have committed to providing over half a billion pounds for bus priority infrastructure and almost tripling the active travel budget by the end of this parliament.
- A significant number of Transport Scotland staff mobilised for the operational delivery of the conference, alongside many more partners. The COP26 transport planning and operational delivery aimed to deliver a safe, secure and resilient transport network to the event, while maintaining business as usual and providing a first-class delegate experience, with public transport and active travel at its core. Transport Scotland led on the single Transport Plan collaborating with a range of delivery partners across local government and transport operators. Fundamental to delivery were the conference shuttle bus, delegate travel smartcard and the Travel Demand Management (TDM) Marketing/ Communications Campaign.

- In total, 28,146 delegate travel smartcards were issued providing COP26 delegates with free use of public transport to and from the venue. The dedicated conference Shuttle bus carried 101,784 passengers with an average of 8,030 passengers per day. As part of the Marketing/ Communications campaign, Transport Scotland and partners coordinated 27 webinars, engaging more than 119 businesses, and issued 16 daily travel bulletins to more than 260 subscribers. The campaign advised people on where to get the most up-to-date travel information and helped commuters prepare and plan ahead with the aim of keeping transport networks moving during the two-week event.
- Transport Scotland co-led the Transport Co-Ordination Centre with Glasgow City Council (GCC) and successfully resolved 127 transport related incidents, as well as contributing to the monitoring and resolution of some of the 400 protests staged in Glasgow throughout the duration of the conference.



101,784
shuttle bus passengers



28,146
delegate travel smartcards








8,030
passengers per day

Case Study 2

STPR 2 - A Blueprint for Transport Investment

- Our new National Transport Strategy (NTS2) is a live document and sets out a strategy for change. The actions we are taking forward are outlined in the NTS2 Annual Delivery Plan, and a core part of this plan is the second Strategic Transport Projects Review (STPR2).
 - We published STPR2 in January 2022, with recommendations, which are now out for consultation. These recommendations seek to make transport in Scotland more sustainable and support people to make better, more informed choices on how they travel. When implemented, the changes will help deliver the four priorities of NTS2 and will play a key role in helping to make the country fairer and greener.
 - STPR2 considers the transport needs of Scotland’s people and communities, and examines active travel (walking, wheeling, cycling), bus, ferry, rail and motorways and trunk roads as well as passenger and freight access to major ports and airports. These needs are reviewed from national and regional perspectives to reflect their different geographies, travel patterns and demands. STPR2 also provides an overview of transport investment, mainly infrastructure and other behavioral change recommendations, that are required to deliver the NTS2 priorities.
 - STPR2 has 5 key objectives, outlined in Figure 1 (see overleaf).
 - Our teams worked with partners to review ideas for future transport projects and consulted with local working groups as well as the general public, in order to ascertain potential impacts on the environment, child well-being and the island communities.
 - Our aims in taking forward STPR2 and in seeking views on it are to:
 - ✓ Make it easier for people to use active travel (walk, wheel and cycle)
 - ✓ Change travel choices and behaviours
 - ✓ Make public transport more accessible and affordable
 - ✓ Stop using fossil fuels which put harmful gases into the atmosphere
 - ✓ Make the transport network safer and more hard wearing
 - ✓ Make better long-distance connections (travel to and from other countries).
- The recommendations cover the whole of Scotland, but they will also be designed to meet the needs of different parts of the country.

Figure 1 STPR2 Key Objectives

	 Take Climate Action	 Addresses Inequalities & Accessibility	 Improves Health & Wellbeing	 Supports Sustainable Economic Growth	 Increases Safety & Resilience
STPR2 aligns with and supports Scottish Government Policies	Climate Change Plan Update CCPu (2020) & Route Map target Net Zero Carbon by 2045 and a world leading 20% reduction in car km by 2030	Delivering a Just Transition to Net Zero in a way that delivers fairness and tackles inequality Addressing Child Poverty	Cleaner Air For Scotland 2 (2021) & Delivery Plan - STPR2 recommendations will deliver further air quality improvements	Infrastructure Investment Plan (2021-2026) - sets the context for future investment in transport to deliver an effective response to the COVID-19 pandemic and climate change. The draft Fourth National Planning Framework (NPF4) - presents the opportunity to embed the importance of 'place' across land-use planning and transport.	National Transport Strategy 2 and Scotland's Road Safety Framework to 2030
STPR2 meets the second National Transport Strategy (NTS2) priorities	Takes climate action	Reduces inequalities	Improves our health & wellbeing	Helps deliver inclusive economic growth	Increase the safety of the transport system and meet casualty reduction targets
STPR2 reflects NTS2's Sustainable Investment and Travel Hierarchies	Reducing the need to travel unsustainably	Enhances choice and access to active travel and public transport	Priority given to walking and wheeling, then cycling	Making better use of existing capacity	Maintain and safely operate existing assets
STPR2 meets Transport Planning Objectives to deliver	A sustainable transport system that contributes to Zero Emissions	An inclusive transport system that improves affordability/ accessibility of public transport	A cohesive transport system that enhances communities as places - supporting health/wellbeing	An integrated transport system that contributes to sustainable inclusive growth	A reliable and resilient transport system – safe and secure for users
STPR2 recommendations meet its stated purpose	Create better connectivity with sustainable, smart, cleaner transport options	Improve accessibility for residents, visitors and business	Create better connectivity with sustainable, smart, cleaner transport options	Enable and sustain economic growth. Improve accessibility for residents, visitors and business	Improve accessibility for residents, visitors and business

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Overview

In the Performance Report, we will present a review of the Agency’s achievements during 2021-22. We will set out, across a range of key indicators, the Agency’s progress against its objectives and highlight our vision for the Agency and the risks and challenges faced during the year.

The sections “The Story of 2021-22”, “Our Highlights” and our “Chief Executive’s Foreword” also form part of the Performance Report for 2021-22.

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

The Chief Executive is the Accountable Officer for the Agency, appointed by the Permanent Secretary to the Scottish Government. She is supported by a senior management team comprising eight Executive Directors. Each oversees one or more transport modes and/or policy areas and are in turn supported by a range of teams covering all aspects of business delivery within their respective areas. We also support Scottish Ministers in prioritising future transport policy, strategy and investments and the delivery of a low carbon economy. Figure 2 to the right, identifies the current structure within the Agency.



Figure 2 Transport Scotland : Directorate Structure

Our Business Model

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

Our aim is to help create an accessible Scotland, with a safe, integrated, cost-effective and reliable transport network, helping to deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.

Our core principles are:

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

Our Vision

Our Vision is outlined within our NTS2 and we seek to create a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, sustainable and inclusive economic growth and equal opportunity for all.

Figure 3 overleaf, summarises our objectives underpinning this vision, for the year 2021-22, and provides an overview of our performance against these.





Figure 3 Summary of Performance

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Our Key Risks and Challenges

Our key risks and challenges relate to our arrangements to enable appropriate provision of transport services and transport infrastructure that achieve the outcomes aligned with the Scottish Government’s national performance framework within the resources available.

Additional challenges in 2021-22 related to the continuing need to provide an effective organisational response to the impact of the COVID-19 pandemic and the transition to business as usual, the continued wider political and economic uncertainties associated with the impact of EU Exit, and the obligations conferred by the Climate Change Plan update (CCPu).

The impact of the pandemic on the work of the Agency and the drive to deliver our objectives has continued to be significant. Our resources have had to be re-focused to ensure that essential services continue to operate safely, whilst the management of our people continues to take on great significance so that we can protect their wellbeing and resilience in order to deliver appropriately on our business objectives. This has resulted in even more diverse risk assessments in many areas and the position will remain fluid as we move through and out of the crisis, utilising and developing previously untapped data resources, including public surveys, accessing data from transport operators and stakeholder groups. As a result of these measures the achievement of our objectives has not been impacted.

Our work and responses are underpinned by a programme management approach and this involves honing organisational structures to cut across traditional team boundaries and bring together a variety of different skills from many business areas, in order to build a coherent and credible response.

There has been a change in our immediate priorities in supporting the public transport system in the face of reduced passengers and consequential reduction in revenue coupled with increased costs incurred to help make public transport safe. The Transport Transition Plan, is a continuously evolving document designed to map and monitor the transition out of the pandemic. There will continue to be emerging risks relating to the continuing consequences of the transition, and we will continue to adapt in order to achieve our priorities. The Phase One recommendations, contained within our STPR2, focus on accelerating economic recovery and lay the groundwork for an inclusive, greener transport network.

The CCPu details the Scottish Government’s approach to ‘Green Recovery’ and proposals to build a resilient, sustainable and inclusive society. This will require significant contribution from us to enable transport emissions targets to be met.

The Abellio Rail Franchise ended on 31 March 2022, and Section 70 of the Railway Act places a duty on Scottish Ministers to provide or secure the provision of services when a franchise agreement is terminated or comes to an end and no further franchise agreement has been entered into. To that end, our teams have been working to secure the successful transition of ScotRail services into government control. The transition brings with it significant people and resource challenges and our teams have been working hard to ensure appropriate controls and mitigations are in place to facilitate and maintain an efficient transfer, such as the development and review of a robust framework agreement, organisational structure and Grant-in-Aid funding status.



The pandemic and its aftermath, have brought continued and significant challenges in fraud identification and prevention. This risk has increased in relation to changes to controls and governance, more staff and colleagues working remotely and increased risk of the threat from cybercrime and mandate fraud due to having to rapidly embrace new ways of working electronically. We have adapted to provide robust and effective contract management monitoring processes, clear authorisation levels, effective budget monitoring and continued segregation of duties to mitigate the potential for fraudulent activity. We have also strengthened our approach to dealing with cybercrime through additional training and achieving cybercrime essential accreditation. We recognise that world events, such as the developing situation in Ukraine, mean that the importance of cyber security has never been more in focus. In the digital age we place significant reliance on technology and consequently, the risk from cyber threats is possibly one of the biggest risks to our organisation.

We must ensure our systems and processes are resilient and protected against the threat of cyber attack, and that our policies are well supported by staff training and awareness.

These risks, and the principal risks, in relation to Rail, Ferries, Low Carbon and Climate Change, can also be seen through pages 20-26.

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

Our overall approach to Risk Management is also highlighted within the Governance Statement. The following pages summarise examples of key risks faced during 2021-22, the mitigating actions taken and further actions planned.

Key Risks: Climate Change

Key Risk

If Transport Scotland (TS) fails to adequately deliver robust transport policies arising out of the CCPu, to enable our emissions targets to be achieved, this would result in legal and reputational damage for the Scottish Government and Transport Scotland.

Mitigating Actions

- Support TS Directors' participation in Global Climate Emergency (GCE) programme board.
- Develop positive policies and narrative case studies that show demonstrable progress.
- Disseminate research findings to TS Directors and relevant policy teams.
- Engagement with policy leads across TS on process to complete CCPu.
- Internal and external stakeholder engagement.
- Respond to committee scrutiny.
- Compile CCPu monitoring & evaluation framework and prepare for next CCPu.



Key Risks:

Resourcing & Wellbeing

Key Risk

If we do not manage our resources of people, protecting their wellbeing and building their resilience, deploying our staff resource to the most critical parts of TS, then we will not have the capability and capacity to deliver appropriately on our business objectives and will fail to maintain competence and compliance while managing concurrent pressures such as the impact of COVID-19, Winter resilience and EU Exit.

Mitigating Actions

- Engagement with People Directorate to discuss devolved and smooth recruitment processes.
- Consider future shape of organisational response to concurrent pressures.
- Monthly monitoring of staffing levels and budget, reviews with Directors to agree baseline staffing and complements moving forward.



Key Risks: Asset Management

Key Risk

If we are unable to maintain our transport infrastructure to the level required for its safe operation while balancing the rising backlog of repairs then this could lead to unavailability or unpredicted asset failure of significant elements which would consequently result in our failure to meet statutory and regulatory requirements and also cause reputational and economic damage.

Mitigating Actions

- Work with Scottish Government (SG) Finance and Ministers to align priorities to assets with greatest potential for significant network disruption e.g. major bridges and network structures.
- Develop strong asset management based approach to a long term plan for renewal of life expired assets.
- Continue to review lessons learned and embed appropriate levels of resilience.
- Develop a 10 year Infrastructure Investment Plan which seeks to bring together all Roads Directorate future programmes in order to inform capital investment decisions.



Key Risks:

ScotRail Mobilisation - People impact

Key Risk

If there are people and resource challenges, including recruitment and HR processes, with the activation of Scottish Rail Holdings (SRH) or ScotRail Trains Ltd (SRT), failure to get the right people in place in a timely manner, including key senior staff, then this puts at risk the smooth transition from the current ScotRail franchise to the Scottish Government owned operator.

Mitigating Actions

- Discussions at Board and Senior Management level.
- Daily update meetings and weekly dialogue between the Scottish Rail Holdings (SRH) project team and Transport Scotland HR.
- Robust planning to identify issues, critical and key tasks, timescales and the requirement for HR support, with risk monitored through the project team.
- Ensure Chief Exec, Finance Director and Business Director in place.
- Strengthened internal TS Team working on project.



Key Risks: Major Incidents

Key Risk

If Major Incidents occur then there will be an impact on the operation of an effective strategic transport network resulting in failure to ensure resilience of networks and Transport Scotland operations in the face of major incidents covering ferry, aviation, trunk road and rail networks.

Mitigating Actions

- Ensuring ScotRail trains and Network Rail maintain and develop their service contingency plans for a range of specific operational risks to service delivery.
- Continue to implement trunk road improvements in Winter Planning, Incident Response (including our Multi Agency Response Team (MART), and mitigation of other unplanned disruptive events such as landslides.
- Maximise benefits from the improved Traffic Scotland operator service (commenced March 2022) in the strategic monitoring, response and operation of trunk roads.
- Ensure plans in place to cover Air & Ferries requirements.
- Apply lessons learnt from severe weather events.
- Undertake ad-hoc reviews of incidents with Network Rail and ScotRail trains to ensure lessons are continually learned, and ensure forward planning arrangements are in place to mitigate adverse weather impacts.



Key Risks: Future Transport

Key Risk

If future transport uncertainty impacts on our ability to deliver CCPu/NTS Delivery Plan, then this may be viewed as incomplete, seen to under deliver or be inaccurate, resulting in reputational damage for TS and SG, also adding to dissatisfaction from citizens of Scotland and the transport sector.

Mitigating Actions

- COVID-19 Transport Transition Plan work themes now re-organised under Transport Futures workplan to look ahead to support Recovery Strategy.
- Engagement and Communications activities refreshed to reflect revised Strategic Framework and revised Strategic Intent.
- Future of Public Transport work reviewed with Fair Fares Review commissioned to ensure a sustainable and integrated approach to public transport fares.



Key Risks: Budget

Key Risk

If the agreed budget for TS is insufficient then we will be unable to fund all on-going operational requirements, ministerial priorities and projects resulting in reputational damage to Ministers and TS.

Mitigating Actions

- Detailed forecasting regularly updated and reviewed with appropriate action taken should issues arise.
- Regular dialogue with Ministers and SG colleagues regarding budget pressures.
- Review changes in transition plan to update forecast and seek to minimise costs wherever possible.



Performance Summary

Transport Scotland's soon to be published Corporate Plan 2021-22 sets out how we will help create a sustainable, inclusive, safe and accessible transport system, and thereby deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.

The focus of our Corporate Planning continues to be on how we will support, through our NTS2, the transport focused National Outcomes within the National Performance Framework (NPF) and the Programme for Government (PfG). The PfG is steered by the longer term vision in the NPF and it's aim is to set out the actions required in order to deliver the outcomes within the NPF. **Figure 4** highlights the purpose and values of the NPF, and our work involves developing new policies and projects as well as supporting existing ones.



Figure 4 The National Performance Framework.

The National Transport Strategy for Scotland (NTS2)

Scotland's National Transport Strategy 2 (NTS2) <https://www.transport.gov.scot/our-approach/strategy/strategic-transport-projects-review-2/> has set out an ambitious and compelling vision for our transport system for the next 20 years. It seeks to protect our climate and improve the lives of the people of Scotland.

NTS2 draws heavily on an evidence based approach and has been developed through a collaborative approach involving a wide range of partners.

The move to low and zero carbon transport is essential to our future wellbeing, and the Scottish Government has made one of the most ambitious climate commitments in the world to achieve net-zero greenhouse gas emissions by 2045. Over the 20-year period of this Strategy, the role of transport in achieving this target will be crucial and will require further development and use of low carbon technology. It will also require significant societal changes, including a reduction in the demand for unsustainable travel.

We published our first Annual Delivery Plan for NTS2 in December 2020, and this has remained a live document throughout 2021-22, given the ongoing uncertainty as a result of the COVID-19 pandemic, and the potential for new or amended actions to tackle on-going and future developments.

We have published a framework for monitoring and evaluating the National Transport Strategy and a baseline report setting out the position <https://www.transport.gov.scot/publication/monitoring-and-evaluation-2019-baseline-report-may-2022-national-transport-strategy-nts2/>. This will be followed by annual monitoring and evaluation reports from 2023, as required by the Transport (Scotland) Act 2019.

Despite the uncertainty surrounding the longer term impacts of the pandemic, we remain focused on the priorities underpinning our vision, to deliver a transport system that reduces inequality, that takes climate action, helps deliver inclusive economic growth, and improves our health and wellbeing. As this remains central to our recovery, we focused this first Delivery Plan on addressing the impacts of COVID-19 as a core component of taking forward our longer term strategy.

Our actions in the Delivery Plan are underpinned by both the Sustainable Travel Hierarchy and the Sustainable Investment Hierarchy. We will continue to prioritise walking, wheeling, cycling and public and shared transport options in preference to single occupancy private car use, encouraging people back on to public transport post-COVID-19, when it is safe and appropriate to do so. We will also aim to reduce the need to travel unsustainably, and make better use of and enhance existing infrastructure before investing in new capacity.

In addition, our aim to deliver on NTS2's vision and priorities, will contribute to achieving the Scottish Government's child poverty reduction targets to reduce child poverty levels by 2030, with interim targets to be achieved by 2023. It will also help achieve our greenhouse gas emissions targets, including to reduce emissions to net zero by 2045, with interim targets of a 75% reduction by 2030 and a 90% reduction by 2040 in a just way.

Our Transport Transition Plan will continue to develop in order to tackle the challenges posed by COVID-19 and provide a safe transport system to meet the needs of the country and to keep Scotland moving. It will also seek to sustain and build on some of the positive changes in travel behaviours we have seen over the last year.

Both the Delivery Plan and the Climate Change Plan Update will continue to be key strategic documents which will retain a focus on our green recovery from the COVID-19 pandemic.

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Our Vision and Priorities

Figure 5 demonstrates our Vision, which is underpinned by four Priorities, each with three associated Outcomes. These continue to form the heart of the Strategy and will be the basis upon which we take decisions and evaluate the success of Scotland's transport policies going forward. Inclusiveness and equality are key ingredients of our Strategy.

Our Vision

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



Figure 5 Our Vision

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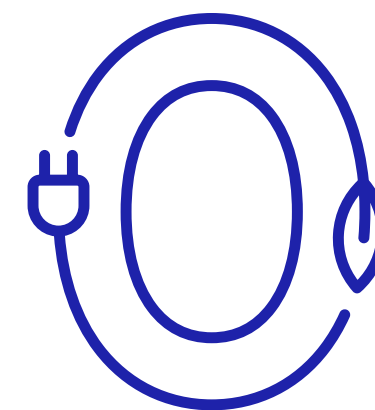
Our Corporate Plan, and the supporting Annual Business Plans, set out our key objectives and delivery priorities and how we will support the national outcomes shown in Figure 4.

We identified five key overarching objectives for Transport Scotland, as shown in Figure 6, and the following pages explain how we achieved them through our Business Objectives contained within our Corporate Plan.

Objective

1

We will support the transition to net zero by taking forward actions to support the Climate Change Plan update (CCPu).



Objective

2

We will support the Covid Recovery Strategy by ensuring an equitable, sustainable and integrated approach to public transport.



Objective

3

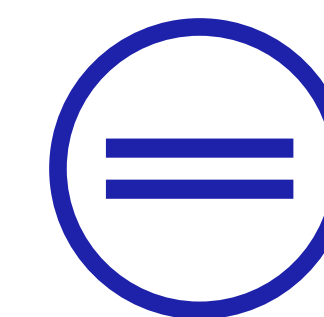
We will complete a Strategic Transport Projects Review (STPR2).



Objective

4

We will continue to implement the National Transport Strategy (NTS2) by reducing inequalities, taking climate action, helping deliver inclusive economic growth, and improving our health and wellbeing.



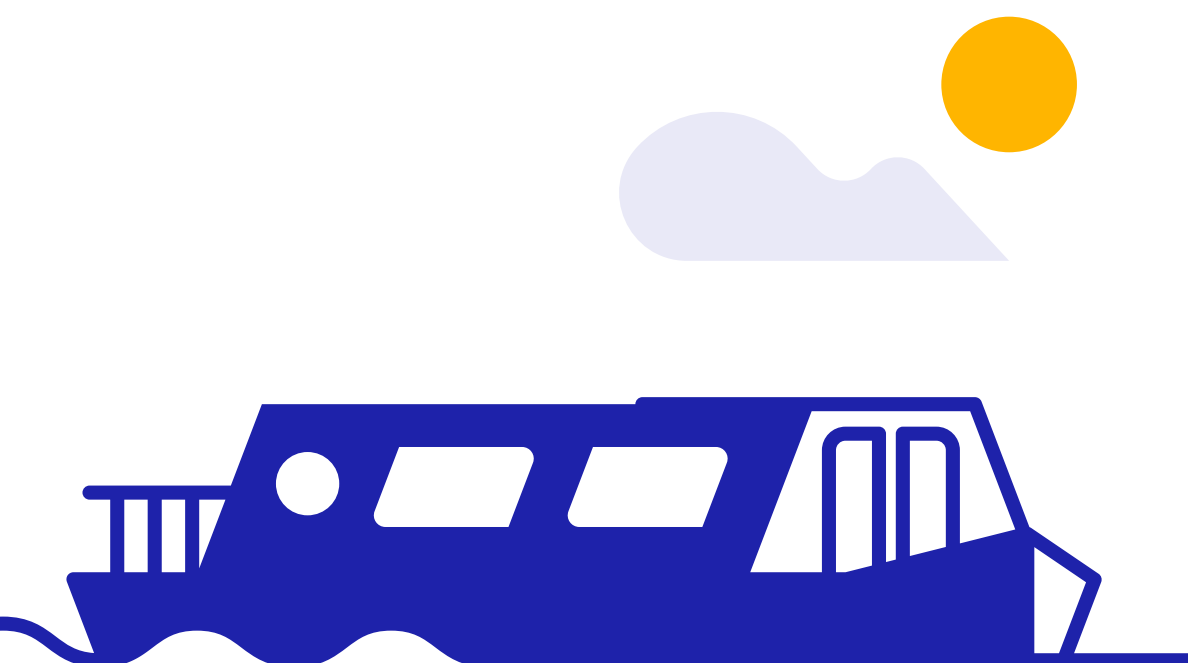
Objective

5

We will put the wellbeing of our staff at the heart of our delivery by supporting their ongoing development and work-life balance and achieving the right blend of skills and knowledge across our organisation.



Figure 6
Our Key Objectives



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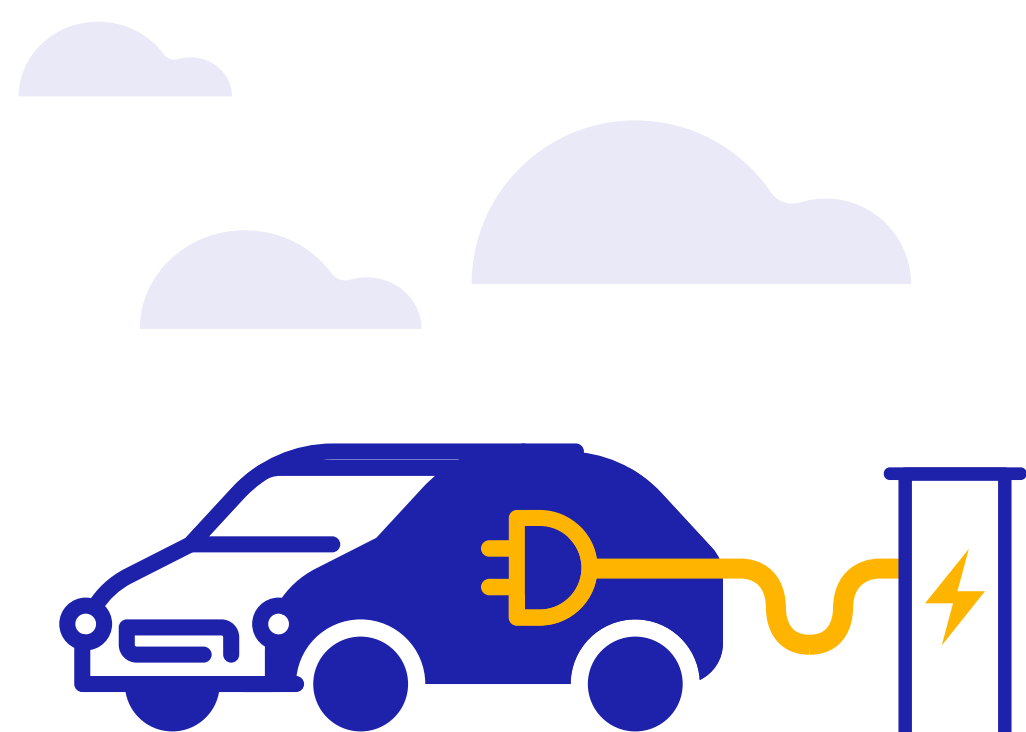
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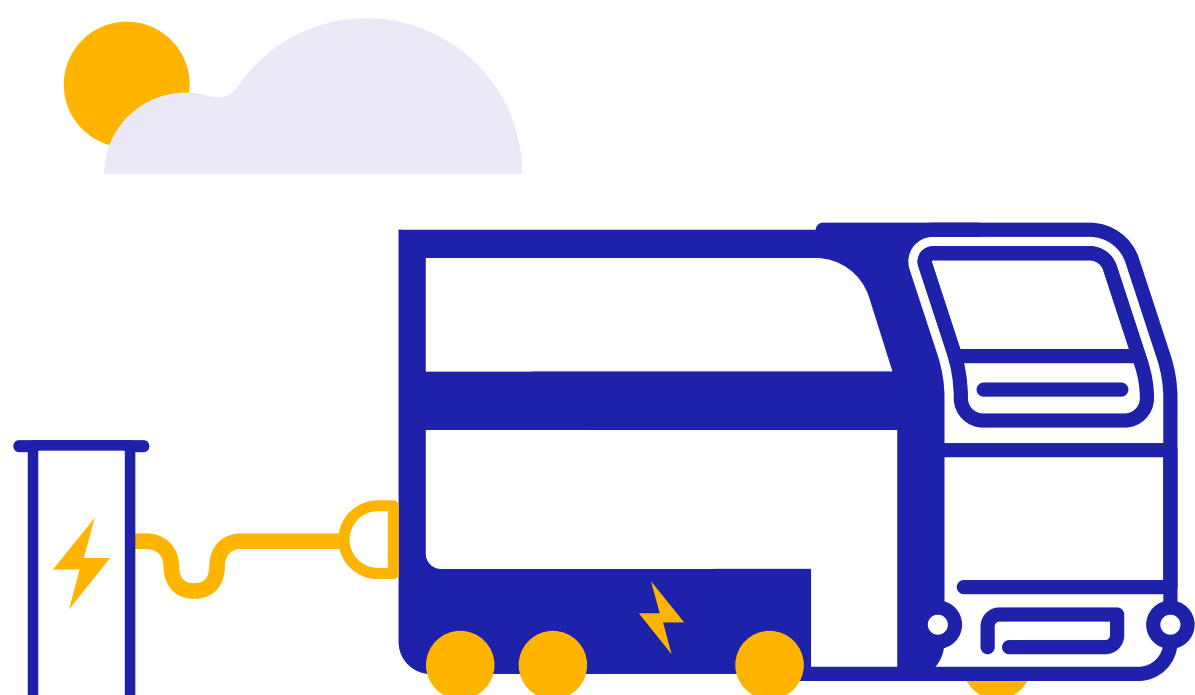
We will support the transition to net zero by taking forward actions to support the Climate Change Plan.



Our plan was to:	What we achieved:
<p>Ensure consumers and businesses benefit from affordable, reliable and accessible infrastructure that supports the uptake of zero emission vehicles.</p>	<ul style="list-style-type: none"> Continued growth of Charge Place Scotland (CPS) Network, now over 2,200 chargers, the most comprehensive coverage in the UK outside of London. Largest Electric Vehicle (EV) charging network migration in the world, giving over 30,000 members access to a modern, customer facing service. Agreed programme with Scottish Futures Trust (SFT) to plan the future of Electric Vehicle charging infrastructure.
<p>Support strategically coordinated investment in the charging network that enables wider energy and transport system benefits and efficiencies.</p>	<ul style="list-style-type: none"> Published our vision for electric vehicle charging in Scotland. Consulted on requirements for installing charge-points in new buildings. £60 million public/private funding to scale up investment in EV charging. 9,000 grants to homeowners to install EV chargers at their home, and 200 businesses installed EV chargers at their premises. Developed guidance for fleet operators to convert depots for battery-electric fleets.
<p>Incentivise the uptake of Ultra Low Emission Vehicles (ULEVs) while supporting NTS priorities and sustainable transport outcomes.</p>	<ul style="list-style-type: none"> Funded the Scottish public sector to install 900 charge-points. Introduced 33 specialist zero emission vehicles across the public sector. Provided interest free loans to 2,000 homes and business to help make the switch to zero emission vehicles. Developed a Community Transport pilot to expand access to electric vehicles. Awarded £62 million, and leveraged £59 million from the private sector, to deliver 276 zero emission buses and associated charging infrastructure.
<p>De-carbonise Scotland's passenger rail services by 2035, ahead of the UK's target of 2040.</p>	<ul style="list-style-type: none"> Approved construction of electrification for sections of the network. Approved single option development for decarbonisation. Contracts agreed for construction of new Electrical Power Feeder Stations.

Our plan was to:	What we achieved:
<p>Continue to work with rail industry partners to consolidate and accelerate progress with supporting rail freight to play an increasing role in Scotland’s green economic recovery and long-term economic growth.</p>	<ul style="list-style-type: none"> Continued growth of rail freight. Carbon Logistics event at COP26 expanded to meet demand. Commitment to Scottish Logistics rail freight workshops for 2022-23.
<p>Demonstrate environmental sustainability through the delivery of environmental protection, community benefit, climate change mitigation/adaptation and air quality initiatives across our operations, projects and maintenance activities.</p>	<ul style="list-style-type: none"> Published Low Emission Zones (LEZ) regulations. Formal LEZ scheme submissions received from four cities during 2022. £3.6 million grant funding claimed for LEZ enforcement systems. Further £6.2 million grant funding for bus and coach retro fitting. £3.85 million funding for Low Emission Zone Support Fund.
<p>Take forward actions to support the Climate Change Plan and transport’s response to the Global Climate Emergency and meet our emission reduction targets.</p>	<ul style="list-style-type: none"> Publication of the Route Map to 20% reduction in car kilometres by 2030. Publication of Strategic Transport Projects Review (STPR2) January 2022. Commitment to support walking, cycling and wheeling.

We will support the COVID-19 Recovery Strategy by ensuring an equitable, sustainable and integrated approach to public transport.



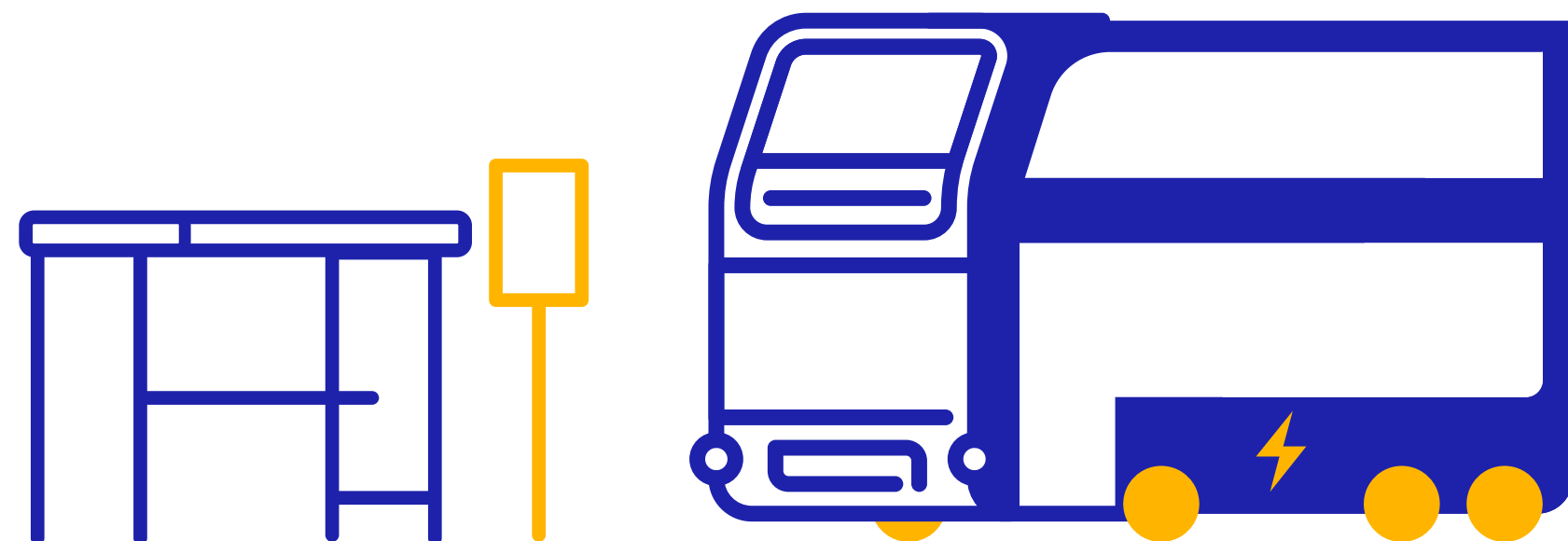
Our plan was to:	What we achieved:
Support the growth of supply chains and innovation that capitalises on Scotland’s strengths and support sustainable economic growth.	<ul style="list-style-type: none"> Supported the LOCATE drive train test facility. Delivered Heavy Duty Vehicles joint programme with Scottish Enterprise. Developed Zero Emission Truck Taskforce to co-design a pathway to climate neutral HGVs across Scotland.
Support a Just Transition and growth of new skills while minimising avoidable disruption.	<ul style="list-style-type: none"> Worked with Skills Development Scotland to support the transition to zero emission Heavy Vehicles. Published a report on skills for zero emission mobility. Worked with Energy Skills Partnership to deliver electric and hydrogen vehicle skills development in Scotland’s colleges.
Ensure the successful development and delivery of Scotland’s Rail Enhancements Portfolio, including effective management of the Rail Enhancement Budget.	<ul style="list-style-type: none"> Construction of new stations underway at Dalcross, East Linton and Reston. East Linton station due to open in Spring 2023. Approval obtained for re-opening of the Levenmouth branch, with new stations at Cameron Bridge and at Leven. Commencement of electrification of the route to Barrhead from Glasgow Central.
Support the resilient and efficient operations of Scotland’s Railway, ensuring we plan for and mitigate the impacts of COVID-19 and other disruption and adapt the timetables to the changing demand.	<ul style="list-style-type: none"> Ensured though the pandemic that rail services and capacity aligned with demand. Supported rail public transport for major events.

Our plan was to:	What we achieved:
<p>Lead national projects, and support regional projects, with local transport authorities and operators to deliver more multi modal smart ticketing and payment options, and improve travel data provision.</p>	<ul style="list-style-type: none"> • Administered Smart Pay Grant Fund. • Developed the Transport Scot Pass Collect app service. • Delivered the multi-modal COP26 Travel Pass. • Progressed the Mobility as a Service (MaaS) Investment Fund pilot projects. • Assisted with technical and digital integration for the Young Persons' (Under 22s) Free Bus Travel Scheme.
<p>Fund Local Authorities and Regional Transport Partnerships to develop and deliver bus priority infrastructure projects in partnership with bus operators.</p>	<ul style="list-style-type: none"> • Awarded grants worth a total of £25.8 million to 11 local Bus Partnerships covering 28 local authorities across Scotland. • First step towards delivering the over £500 million of long term investment in bus priority infrastructure re-affirmed in the Programme for Government.
<p>Develop, consult on and publish bus and smart related guidance and regulations emanating from the Transport (Scotland) Act 2019.</p>	<ul style="list-style-type: none"> • Input to consultation on the Membership of the National Smart Ticketing Advisory Board and the ongoing progress through Parliamentary process.
<p>Fund active travel delivery partners to work in partnership with Local Authorities and others to deliver active travel infrastructure projects and sustainable and active behaviour change work.</p>	<ul style="list-style-type: none"> • £62 million funding for 14 'Places for Everyone' projects. • £0.75 million for Cycling UK. • £1.6 million for Scottish Cycling Repair Scheme. • £1.3 million in Bikeability training for schools in 31 local authorities.

Our plan was to:	What we achieved:
Supporting operational delivery of the National Transport Strategy policies on mobility, active travel, accessibility and reallocation of road space.	<ul style="list-style-type: none"> £1.4 million of investment on Active Travel projects on the trunk road.
Review current structure and governance around provision of ferry services. Continue to support and manage existing lifeline ferry service contracts, and complete the award of the Clyde and Hebrides Ferry Services (CHFS) 3 Contract	<ul style="list-style-type: none"> Completed phase 1 of Project Neptune to review governance arrangements on CHFS contracts. £185.5 million on the operation of the CHFS and Northern Isles Ferry Services (NIFS) ferry networks including the provision of £16.2 million of additional financial support to assist with the financial impact of the pandemic. Committed funding to support the award of contracts to deliver two major vessels to serve Islay.
Restore and facilitate new International routes/services and improve international connectivity	<ul style="list-style-type: none"> Worked with Scotland’s airports and airlines towards growth and restoration of international connectivity. Consulted on the launch of new routes and campaigns.
Establish new working arrangements with UK Government and other devolved nations in light of the UK’s withdrawal from the EU, and prepare for any future constitutional changes taking into account international, EU and UK level developments.	<ul style="list-style-type: none"> Established Transport Inter-ministerial Group. Reviewed new arrangements for Trade and Cooperation Agreements.

We will complete a Strategic Transport Projects Review (STPR2).

Our plan was to:	What we achieved:
<p>Ensure an effective and efficient transition to the operation of ScotRail services by a company owned by the Scottish Government</p>	<ul style="list-style-type: none"> • Robust mobilisation programme to facilitate the transition of ScotRail services into Scottish Government ownership and control. • Activated two arm's length companies and established robust governance and financial arrangements.
<p>Continue to safely operate and maintain the trunk road network, allowing it to contribute to Scotland's sustainable economic recovery from the COVID-19 pandemic.</p>	<ul style="list-style-type: none"> • Forth Road Bridge Expansion Joint Replacement works. • Structural maintenance programme and works at M8 Woodside Viaduct. • Improved the resilience of the trunk road network.
<p>Progress the A9 Dualling programme between Perth and Inverness and the A96 Dualling programme between Inverness and Aberdeen.</p>	<ul style="list-style-type: none"> • Completed the dualling of A9 Luncarty to Pass of Birnam. • Progressed the procurement for A9 Tomatin to Moy. • Gained Ministerial consent to proceed on 6 of the 7 sections of the A9 dualling programme. • Continued design work for the remaining section at Dunkeld with a preferred route option expected to be announced later in 2022. • Commenced a review of the A96 corridor due to report by the end of 2022. • Continued to progress the preparation stages of the A96 Dualling Inverness to Nairn (including Nairn Bypass) scheme.



Our plan was to:	What we achieved:
<p>Design and Deliver a programme of discrete projects supporting local and regional economies sustainably</p>	<ul style="list-style-type: none"> • Completed construction of the A77 Maybole Bypass project which opened to traffic in January 2022. • Completed the construction of the A92/A96 Haudagain Improvement Project, which opened in May 2022. • Progressed necessary governance procedures for A737 Improvements at Beith. • Progressed work on finding a medium and long term solution to the A83 Rest and Be Thankful, with proposals for the medium term solution by late 2022. • Continued to progress design work on the A82 Tarbet to Inverarnan.
<p>Support and deliver best practice in all Transport Scotland’s procurement activity</p>	<ul style="list-style-type: none"> • Completed 41 regulated procurements with a value in excess of £108 million. • Delivered a wide range of Community Benefits through our contracts. • Promoted the use of collaborative procurement opportunities to ensure value for money. • Updated procurement governance systems to promote best practice throughout Transport Scotland.

We will continue to implement the National Transport Strategy (NTS2)

Our plan was to:

Work with key stakeholder and partners on the implementation of the 2030 Road Safety Framework to support the delivery of the safe system and ambitious targets where the number of people being killed or seriously injured on our roads will be halved by 2030.

Deliver NTS2, prepare an annual delivery plan and monitoring framework

What we achieved:

- Continued progress on the implementation of the Framework.
- First Framework delivery plan developed and published.
- Received approval for road safety improvement fund of £15 million.

- Publication of NTS2 Delivery Plan.
- Publication of first Monitoring and Evaluation Report for NTS2.



We will put the wellbeing of our staff at the heart of our delivery by supporting their ongoing development and work-life balance and achieving the right blend of skills and knowledge across our organisation.

Our plan was to:	What we achieved:
Work collaboratively to ensure we provide honest, professional advice, guidance and support that is clear and inclusive	<ul style="list-style-type: none"> • Comprehensive communications. • Health and safety teams managing approach to hybrid working and re-designed office environment.
Continue to provide a range of financial and corporate systems in support of our organisational objectives	<ul style="list-style-type: none"> • Increased liaison with core Scottish Government on new and emerging technologies. • Delivery of laptop refresh programme.
Continue to look at how we deliver our services, with an improvement mind-set, ensuring they are efficient, effective and continue to meet the needs of our people	<ul style="list-style-type: none"> • Delivered Risk Management Health Check exercise. • Delivered training programme on data protection and compliance. • Developed improved processes for recruitment.



Performance Analysis: Supporting Net Zero and Climate Change

Electric Vehicles and De-Carbonisation

Since the new Charge Place Scotland (CPS) network operator contract was awarded in March 2021, there has been a successful migration of over 2,000 charge-point assets and 30,000 member accounts, making the Scottish Network the largest EV charging network in the world at this point. The network continues to grow, with over 500 new members joining each week, and over 30,000 charging sessions commencing on a weekly basis.

In July 2021, we published a joint report with Scottish Futures Trusts (SFT) on the future of public EV charging infrastructure, which focused on leveraging commercial investment across Scotland, through public/private partnership. This will form the basis of a new joint programme we are taking forward in 2022-23 with SFT, which will set out plans for future EV charging infrastructure.

We completed Phase 1 of a project designed to develop the fleets procurement framework in order to drive efficiencies in public sector fleet transition, and we also provided in excess of £13 million of funding to local authorities and public bodies to facilitate and support fleet decarbonisation activity.

We provided £46 million in new and recycled funds in year, to provide Low Carbon Transport Loans for consumers and businesses, and we further enhanced the payment management processes in order to support the impact of COVID-19 on loan repayments. To date the scheme has seen some of its highest rates of applications, exceeding pre-pandemic levels.

We also distributed, through our 'Plugged In Communities' programme, £0.75 million in grants to continue support for the third sector and communities switch to EV's.

In July 2021, we undertook a consultation on EV charge point requirements in carparks of residential and non-residential buildings, with a view to legislation being brought before parliament in Autumn 2022. We announced a new £60 million public/private funding scheme to assist with scaling up and commercialising investment in electric vehicle charging across Scotland.

We commenced work with the Energy Directorate and Investment finance division on Zero Emission (ZE) infrastructure for transport. This programme rests on the three pillars of, transport policy, energy policy and commercial investment, and is an "umbrella programme" under which a number of projects will ultimately sit. We have completed work on the production of scenarios and demand forecasts for zero emission electricity and hydrogen by mode of transport, every year to 2032, 2040 and 2045, and these will be published in tandem with the Energy Directorate's Whole System Energy Scenarios.

Rail Action

In 2021-22 we approved the construction of electrification to Barrhead and to Levenmouth. We also approved construction of electrification on the Haymarket to Dalmeny section of the Network, thus signifying the first step towards decarbonisation of the route from Edinburgh to Aberdeen, and the single option development for the East Kilbride, Borders Railway, and Fife area decarbonisation.

Contracts have been entered into by Network Rail with the National Grid, for construction of new Electrical Power Feeder Stations at Elderslie, Newton, Tweedbank (Borders Railway) and Thornton (Fife Circle). This will further support the decarbonisation programme. The upgrade of the existing Portobello Feeder Station has also been contracted.

The growth of rail freight continues, with Scottish volumes now larger than the pre-pandemic period. We are currently investigating potential early gains for rail freight that will arise from the structure clearance work being undertaken as part of the decarbonisation programme to accommodate electrification equipment. This work will enhance the loading gauge of Scotland's rail freight network by increasing structure clearance to enable larger freight vehicles and containers to be carried to and from a greater number of locations. The loading gauge has already been increased, between Carstairs and Grangemouth, and the results of this work will help to unlock new markets for rail freight on key Scottish routes.



Low Emission Zones

The Low Emission Zones (Emission Standards, Exemptions and Enforcement) (Scotland) Regulations 2021 and, The Low Emission Zones (Scotland) Regulations 2021, both came into force in May 2021. LEZ regulation guidance was published in October 2021, which was supplementary to the LEZ technical guidance published in the summer of 2021. Formal LEZ scheme submissions were received from the 4 cities of Aberdeen, Glasgow, Dundee and Edinburgh in 2022. We continue to work with local authorities, DVLA and other partners to ensure that any enforcement regime is designed in a consistent manner. In 2021-22 £3.6 million in grant funding was claimed by four cities to help establish their LEZ enforcement systems.

The Bus Emission and Abatement Retrofit (BEAR) programme has already awarded grants totalling £12.4 million to Scottish bus and coach operators for the retrofitting of 762 mid-life vehicles from 2018-2021, and in 2021-22 a further £6.2 million in grant awards was made available in BEAR Phase 4.

The Low Emission Zone Support Fund also awarded £3.85 million in grants in 2021-22, to assist with the disposal of non compliant vehicles and upgrade/retrofit or move to sustainable transport/electric bikes. In excess of 1,000 non-LEZ compliant vehicles have been disposed of since the fund opened.



Climate Change

The Climate Change Plan update (CCPu) was published in December of 2020, and in 2021-22, we progressed delivery of the policies in the CCPu, including the publication of the Route Map to achieve our world leading commitment of a 20% reduction in car kilometres by 2030.

The publication of the STPR2 took place in January 2022 and lays the groundwork for an inclusive and sustainable transport network for Scotland including a step change in mass public transport for our two largest cities and encouraging freight shift from road to rail.

In 2021-22, we formalised policies to decarbonise transport, including a commitment to ensure that at least £320 million or 10% of all the transport capital budget is spent on supporting walking, cycling and wheeling, by 2024-25. We have also committed to extending nationwide free bus travel to all young people resident in Scotland under 22 years old and ensuring all appropriate roads in built-up areas have a safer speed limit of 20 mph by 2025. We are also working with the UK Government (UKG) to establish zero emission HGV trials and at COP26, the Scottish Government signed five international agreements supporting the global decarbonisation of the transport sector.

We will continue to engage with the public on Climate Change throughout the process to further develop transport decarbonisation policies for the next Climate Change Plan.



Sustainable Growth

We supported the development of the LOCATE drive train test facility, due to be delivered in Summer 2023, overseen by the Hydrogen Accelerator programme in partnership with St Andrews University and Michelin Scotland Innovation Parc.

We announced and funded 15 projects through the Heavy Duty Vehicles (Land air, sea) joint programme with Scottish Enterprise. We developed new Zero Emission Mobility Innovation Challenge Fund business cases, to commence in 2022-23, to support Scottish companies investing in the rapid development of components, systems and vehicles needed to meet Mission Zero.

We commenced a Zero Emission Truck Taskforce to develop a decarbonisation pathway for HGVs over the next 12 months spanning vehicle trials, energy infrastructure, business models and the potential role of biofuels. Key industry stakeholders and membership bodies have reviewed and support the detailed proposal. Scotland also signed a Global Memorandum of Understanding on decarbonising Medium to Heavy Duty Vehicles during COP26.

We are currently working with Skills Development Scotland to undertake an evidence gathering exercise in order to determine the extent to which Scotland has the skills necessary to support the transition to zero emission Heavy Vehicles. Identifying existing capacity, skills gaps, and where further support is needed across manufacturing and design, supply chains, repair and maintenance, refuelling, and research and development.

We are also working with the Energy Skills Partnership to support electric and hydrogen vehicle skills development in Scotland's colleges. This will involve building capacity and delivering EV and hydrogen skills training, as well as the purchase of shared resources to assist with training. We will promote and make available to Small and Medium Enterprises (SMEs), garages and dealerships, a range of courses and qualifications to help them understand the importance of developing their staff's skills to realise the economic opportunities from the shift to EVs.

Scotlands Railways

The Construction of new stations is underway at Dalcross (Inverness Airport), East Linton and Reston. Reston station opened to the public in May 2022 and East Linton is due to open in Spring 2023. The opening of the Levenmouth branch was announced in 2021-22, with new stations being provided at Cameron Bridge and at Leven. In addition, the Electrification of the route to Barrhead from Glasgow Central has begun.

As a cornerstone of Scotland's Rail Recovery Taskforce we ensured throughout the pandemic that rail services and capacity aligned with demand, initially enabling key workers to commute, and latterly supporting the gradual return to workplaces and strong leisure market growth. We have continued to support rail public transport for major events, with an enhanced travel plan for COP26 which showcased Scotland's Railway to a Global audience. Similarly, we have worked to ensure industry partners provide for passengers and freight during increasingly frequent extreme weather events.

Smart Ticketing

Since May 2021 we have accepted a further 10 applications via our Smart Pay Grant Fund. This fund provides support to bus operators to accept contactless payment. Over 95% of bus services are now able to use this payment method.

In July 2021 we supported ScotRail to launch their mobile app ticketing service. This provides passengers with the choice to purchase advance single and return journeys, using digital mobile app tickets, whilst in September 2021 we completed a project to ensure that over 60% of bus operators can provide data for 'How Busy is My Bus', including on-board seating capacity information for passengers as well as real time bus location data on the Triline Scotland website and app.

In October 2021 we delivered the COP26 Travel Pass which resulted in delegates and volunteers travelling free during the COP26 conference period.

This interoperable, multi-modal smartcard was issued to over 28,000 delegates and enabled over 141,000 journeys to be made on bus, rail, tram and subway.

We have continued with the Mobility as a Service (MaaS) Investment Fund pilot projects, with the final being announced in December 2021. The five pilots (HITRANS "GO-HI", Tactran's "Enable", Dundee City Council's "GetGo Dundee", the University of St Andrews' "MaaSplan" and SEStran's "Go SEStran") are vital in providing an evidence base for MaaS in Scotland, thus helping us to become an international leader in Smart Mobility.

We supported the technical integration of the Young Persons' (Under 22s) Free Bus Travel Scheme. Launched in January 2022 by the First Minister, this scheme provides free travel on all buses in Scotland, excepting some premium-fare night buses and City Sightseeing buses. This means nearly half of Scotland's population now has access to free bus travel through our various national concessionary schemes.

In February 2022, the Transport Scot Pass Collect app was released supporting 16-21 Young Scot (YS)/National Entitlement Card (NEC) holders with accessing free bus travel. The new mobile application lets those aged 16-21, who already have a YS, NEC or non-Young Scot branded NEC, to transfer free bus travel onto their NEC card, without having to apply for a replacement card.

We continue to work on our 2019 PfG commitment, for procurement of Digital Travel Data Services. This will enhance journey planning data services for Scotland, and enable open travel data provision for all modes of public and active travel transport, enhancing the travel data provided by Triline Scotland. We also continue to make improvements to our concession schemes, for example working with ferry companies to enable smart ticketing to be integrated with our back-office technology for concessionary travel.

Over the past year we launched, analysed and published the consultation on the 'Membership of the National Smart Ticketing Advisory Board (NSTAB) - Consultation Analysis'. NSTAB will advise Scottish Ministers on smart ticketing development and a 'technical standard', aiding improvements in smart and integrated travel across the modes. The consultation analysis recommends the Board's composition and process for advising Scottish Ministers. This can be found at the following link: [Membership of the National Smart Ticketing Advisory Board Consultation | Transport Scotland](#)



Active Travel

We have provided £62.5 million to fund 14 major segregated walking and cycling infrastructure ‘Places for Everyone’ projects.

We also supported Cycling UK with a £0.75 million capital and £1.5 million revenue investment to facilitate the operation of the Scottish Cycling Repair Scheme and Shift initiative. We also invested over £1.3 million in Bikeability training for schools in 31 local authorities.

NTS2 Policies

We have committed to investing in active travel as we work towards our 2030 vision for walking, wheeling and cycling to be the most popular choices for shorter everyday journeys. In May 2021 we provided £1.4 million funding for trunk road active travel schemes for delivery through our Operating Companies. This includes the construction of schemes at A9 Latheron, A82 Alltsigh and the A96 between Lhanbryde and Loch Oire. A further scheme is currently under construction on the A78 between Seamill and Ardrossan. A significant number of schemes have been investigated and designed for delivery in future years and a programme has been agreed for financial year 2022-23.

Ferry Services

We have invested £185.5 million to subsidise the provision of ferry services to serve communities on the Clyde and Hebrides and Northern Isles Ferry networks. Supporting island communities through and beyond the COVID-19 pandemic is a complex issue, not least for ferry operators and services, and we continue to provide additional financial support (in line with the contracts) over and above the normal monthly grant payments to assist with the financial impact of restrictions. This has ensured that our operators can continue to provide essential lifeline services.

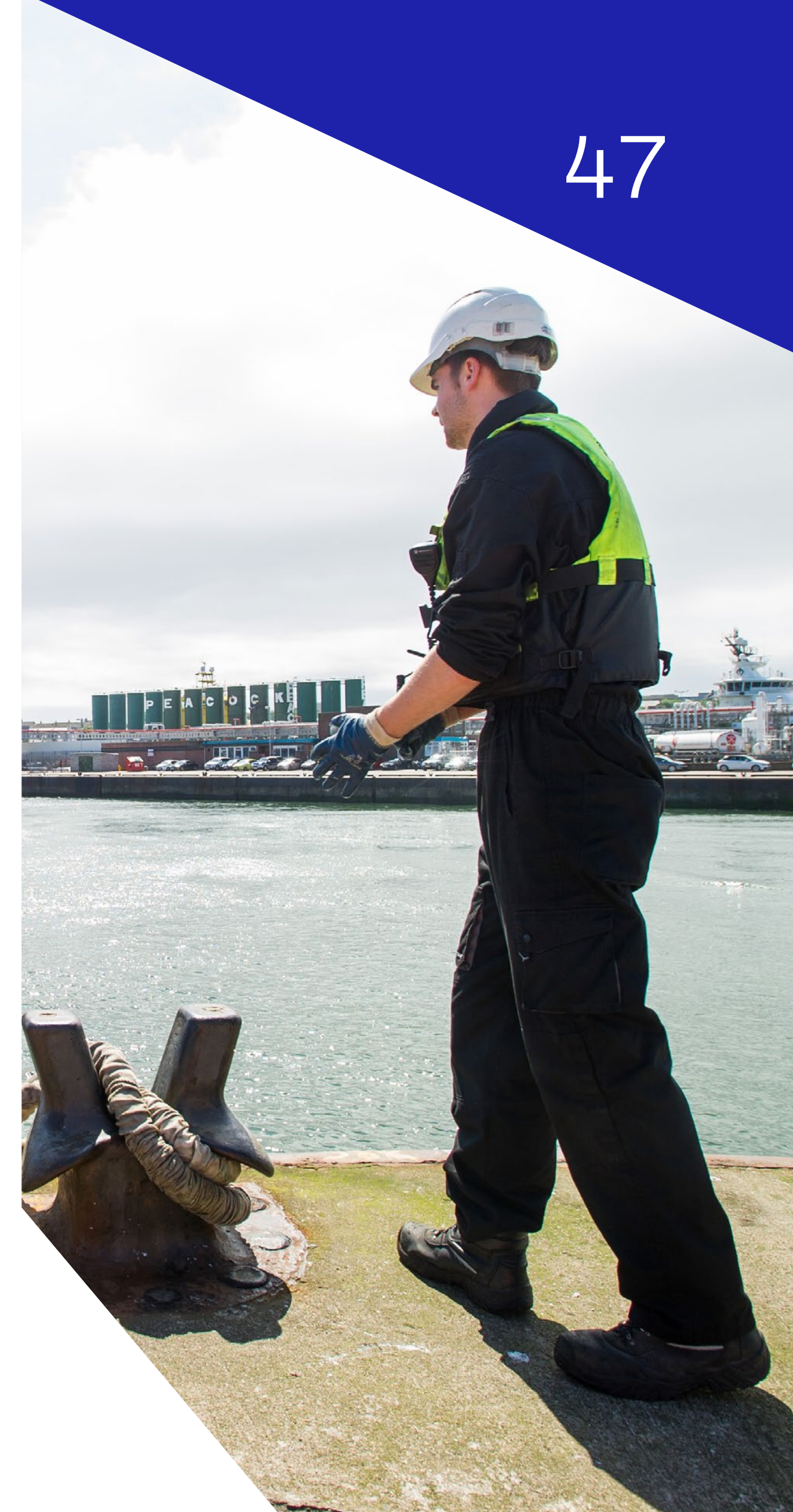
We have awarded funding for contracts for two new major vessels to serve Islay, and have secured second hand tonnage in the form of the MV Loch Frisa to serve Mull.

We have concluded an assessment of the model of delivery of ferry services in Scotland to ensure our approach delivers good outcomes for communities, value for money, accountability and transparency. The assessment report will deliver a list of options and we will engage with key stakeholders throughout 2022 and beyond.

We have worked closely with the maritime sector in Scotland [during the extreme challenges of Brexit and the Pandemic] to improve the contribution it makes to Scotland's economy and its international connectivity. We have provided financial support to the Scottish Maritime Cluster to underpin its work in promoting all aspects of the sector in Scotland to a global audience.

Together with Caledonian Maritime Assets Limited (CMAL), Ferguson Marine Port Glasgow and the Scottish Government, we fully accepted the recommendations contained within the March 2022 Audit Scotland report on New Vessels for the Clyde and Hebrides. Our partners continue to work with us towards implementing these recommendations, albeit many were already underway prior to the report being prepared, and they have been incorporated into recent procurements, such as those for the 2 new vessels for Islay.

Scottish Ministers acknowledge the need to address delays in ferry infrastructure and have committed to investing a further £580 million in the Infrastructure Investment Plan. Transport Scotland continues to work with CMAL, Calmac and other partners to take forward port investment and new vessel projects as set out in the plan.



Aviation

In 2021-22 the Scottish Government continued to work with Scotland’s airports and airlines towards the restoration and growth of international connectivity that is essential for inbound tourism, business connectivity and the economy as a whole. The importance of our international connectivity is recognised in the Programme for Government (PfG), and while there were international travel restrictions throughout this period, our route development and recovery work remained ongoing, which included Transport Scotland attendance at route development forums to actively engage with key aviation stakeholders.

We also supported the creation of an additional element within VisitScotland’s demand building campaign, ‘Scotland is Calling’, with a ‘Fly direct’ campaign launched to highlight that Scotland is again well connected to our key markets by air this spring/summer.

We also welcomed the launch of WestJet’s new services between Scotland and Toronto, routes that we helped to secure. Looking at ways to improve Scotland’s international connectivity was just one aspect of our public consultation on developing a Scottish Government aviation strategy, which also asked questions on how to improve connectivity in the Highlands and Islands and meet our environmental commitments.

EU Withdrawal and Constitutional changes

A Transport Inter-ministerial Group for Transport Matters has been established following the review of intergovernmental relations, undertaken jointly by the governments of the four UK nations. New arrangements have also been set up in relation to the specialised committees established as part of the Trade and Cooperation Agreement between the UK Government and the European Union.



Strategic Transport Projects Review (STPR2)

Rail Transition

As a result of the decision that ScotRail services would be provided by the Operator of Last Resort (OLR) when the franchise agreement with Abellio ScotRail Ltd (ASR) terminated in March 2022, we implemented a robust mobilisation programme to facilitate the transition of ScotRail services into Scottish Government ownership and control.

Two arm's length companies have been activated: Scottish Rail Holdings Ltd (SRH) and ScotRail Trains Ltd. (SRT). SRH is wholly owned by the Scottish Ministers and oversees the delivery of rail services by SRT, which is a wholly owned subsidiary of SRH.

The Transport Scotland Transition and Mobilisation Team effectively managed the delivery of circa 1,400 separate work streams, including the transfer of contracts and rolling stock leases. As a key part of the transition, over 5,000 Abellio ScotRail staff have transferred to SRT.

Robust governance and financial arrangements were also established. These are set out in a Framework Agreement between Scottish Ministers and SRH, and a Grant Agreement between Scottish Ministers, SRH and SRT. These documents, setting out roles and responsibilities, came into force on 1 April 2022 when the successful transition of ScotRail passenger services into Scottish Government ownership and control was completed.

Bringing ScotRail passenger services under Scottish Government control marks a new beginning for ScotRail and puts passengers and staff firmly at the heart of our rail services. It's a historic occasion and one that marks a key milestone in the Scottish Government's ambitious PfG to support a greener, fairer, more prosperous Scotland.



Major Project Delivery

Design work for the remainder of the A9 Dualling programme continued to progress, with the statutory process well underway for seven of the remaining eight schemes. Six of these seven sections going through the statutory process have now received Ministerial consent to proceed, with Made Orders for four schemes published in the second half of 2021. Design work for the remaining section at Dunkeld continues with a preferred route option expected to be announced by the end of 2022. In addition, the A9 Luncarty to Pass of Birnam scheme achieved final completion in December 2021.

We continued to progress procurement for the A9 Dualling Tomatin to Moy. We have also progressed assessment of the optimal procurement approach for the remaining schemes for when the statutory process is complete, this will inform the decision making on the procurement approach to complete the programme.

We also continued to progress and monitor construction of the A77 Maybole Bypass which opened to traffic in January 2022 and the A92/96 Haudagain Improvement Project, which opened in May 2022.

We have agreed to conduct a transparent, evidence-based review of the A96 corridor which is underway and will report by the end of 2022. In addition, we continue to progress the preparation stages of the A96 Dualling Inverness to Nairn (Including Nairn Bypass) scheme with a view to completing the statutory process.

We continue to review the medium and long term solutions required at the A83 Rest and Be Thankful, with a view to moving as quickly as possible to deliver a long term solution.

Finalised proposals for a medium term route have been brought forward to late 2022 and we expect to announce a preferred route option for the long term solution by Spring 2023. We are exploring methods to reduce the timescales to bring forward both the medium and long term routes as soon as possible, whilst continuing to maximise the availability of the A83 and the Old Military Road (OMR).

We continue to progress the A82 Tarbet to Inverarnan and A9/A82 Longman junction schemes through the design process. We also continue to progress the A9/A96 Inshes to Smithton, A720 Sheriffhall and A90/A937 Laurencekirk schemes through the statutory process.

Trunk Road Network

In 2021-22, our supply chain partners continued to implement COVID-19 secure operating procedures that allowed them to manage, maintain and operate the trunk road network effectively and safely. Despite being a challenging year for our contractors who faced resource and material pressures, investment was made in road and bridge maintenance which helps address the trunk road network's maintenance backlog.

We completed the Forth Road Bridge Expansion Joint Replacement works, and delivered the structural maintenance programme and commencement of propping works at M8 Woodside Viaduct. We also continued with works at the A83 Rest and Be Thankful and with investigations on ice accretion on the Queensferry Crossing.

Sustainable Procurement

Transport Scotland's procurement commitments contribute towards the Scottish Government's vision for a sustainable, inclusive, safe and accessible transport system. During the reporting period Transport Scotland undertook 41 regulated procurements with a value in excess of £108 million. We maintained our commitment to continuous improvement and high capability in terms of our procurement activity.

During the COVID-19 pandemic, public transport has played a vital role in keeping Scotland moving safely, helping people attend vaccination appointments and other essential travel once lockdown restrictions were eased. A significant amount of our procurement spend was allocated to keeping public transport operating effectively in the reporting period.

We continue to implement a wide range of Community Benefits into our contracts and to promote our procurements with a view to providing opportunities for SMEs and Supported Businesses.



Implementing the National Transport Strategy (NTS2)

Road Safety

We continue to make progress on the implementation of the Road Safety Framework 2030. Engagement with stakeholders continues as we work collaboratively through a three-tier governance structure comprising of the Strategic Partnership Board, the Operational Partnership Group and 3 Local Partnership Forums.

The first delivery plan of the Framework has been developed in conjunction with key stakeholders and was published in September 2021. It contains 60 quantifiable deliverables, setting out immediate national actions that our delivery partners have taken forward in 2021-2022 and identifying where actions are longer term from 2022-2030.

We also continue to make progress on the commitment to develop a national strategy of 20 mph zones and limits in Scotland and a National Speed Management Review. This supports the delivery of the STPR2 and the PfG commitments.

We have also received approval, and implemented the governance structure for a road safety improvement fund of £15 million that will be available to road safety partners to deliver safety measures in 2022-23.

Monitoring NTS2

The publication of our first Monitoring and Evaluation Report for the NTS2 provides a baseline, and a snapshot of 'where we are' in relation to the key indicators that have been identified and agreed within NTS2. The NTS2 Monitoring and Evaluation Strategy was published in August 2021 and set out the approach to reporting on the performance of NTS2.

Staff Wellbeing and Development

Working collaboratively

Our corporate, back office teams continue to forge strong working relationships with colleagues across all business areas throughout Transport Scotland, core Scottish Government and with external partners.

Prior to, and during COP 26, our news and digital teams delivered a comprehensive communications and marketing strategy for the event, with continuous support, media handling, digital promotion and public travel management service, all delivered in conjunction with colleagues across government and local authorities. The teams professional approach and clarity of message played an important part in the overall success of the event.

COVID-19 has also impacted significantly all of our back office functions. Our HR, Corporate Communications, Health & Safety and Workplace teams were responsible for managing our approach to a more hybrid form of working during the latter part of the financial year. This work was delivered within an ever changing environment, and in the background of the gradual easing of national restrictions, and the subsequent planning for this. We have successfully delivered a new re-designed office environment, including changing furniture configurations, additional signage, implementation of one way systems and additional equipment such as hand sanitisers, all of this to ensure that our colleagues can feel safe as they return to the work place. One of the most important aspects of this process was the development of clear guidance to support colleagues, and to that end, our teams also provided a number of virtual Q&A sessions for staff prior to return.



Corporate Systems

The continuing impact of the pandemic, and our transition out of it, has seen our information technology (IT) teams working closely with colleagues within Scottish Government to ensure that we remain well placed to benefit from new and emerging technologies. During the last year, our teams have worked to ensure we realise all of the benefits emanating from the introduction of MicroSoft Teams. They have developed an in depth understanding of this tool and have provided detailed guidance for staff on best practice. This in turn has helped us realise the full potential of this crucial communication system, as we continue to work remotely and ultimately in a much more hybrid manner.

We have also delivered a sizeable laptop refresh programme, refreshing over 400 laptops, to ensure staff are able to remain connected, and have access to the most robust tools, which allow them to continue to deliver their objectives.

Efficient Service Delivery

Our corporate teams have also delivered on a series of improved Governance processes during this financial year. Within the area of Risk Management, we completed a detailed risk health check exercise, which reviewed the processes within each Directorate for identifying risk, the forums for discussion and provided an analysis of risk mitigation practices . This exercise has served as a baseline for the introduction of further improved risk management procedures across TS, which in turn will allow us to link even more successfully in this area with colleagues from Scottish Government.

Our information governance and data protection team has also been focussed on our correspondence performance, compiling monthly reports to our senior management team on completion rates and quality checks. The team also delivered a number of training sessions for staff throughout the year on a variety of aspects of data protection responsibilities. This in turn culminated in our annual data protection compliance check, which recommended expanding our network of Information Asset Owners (IAO).

Our HR team has continued to work closely across all business areas to better understand their recruitment needs, so that we can ensure that we build a robust knowledge base, meet needs and have the colleagues in post who can help deliver our objectives.

Social Inclusion and Community Benefits

We aim to work in partnership with communities and to deliver social benefits across Scotland as a consequence of our work. We have been able to demonstrate this in a number of ways during 2021-22:

A9 Dualling: Luncarty to Pass of Birnam

- 65 new jobs and 65 work placements have been delivered on site, including 7 apprenticeship and 10 graduate posts. The project has championed local sub-contracts including Small and Medium Enterprises (SMEs), supported businesses and third sector enterprises, with 51% of the total spend on sub-contractors being through SMEs.
- The A9 project has achieved 99.5% of spend on sub-contracts within Scotland (target 80%) with over 98% spent within 60 miles of site (target 40%), and almost 50% within 30 miles of site (target 20%), maximising the economic growth within Scottish and local economies.
- The team has been involved in 77 nursery, school, college and university engagements involving 4,026 pupils and students with the aim of inspiring young people to pursue possible careers in engineering and construction, and encouraging STEM (Science, Technology, Engineering and Maths) subjects from an early age.

65
new jobs



99.5%
spend on sub-contracts within Scotland



4,026
pupils and students



Academy 9

- We continue to deliver the award-winning, Academy9 educational initiative. In addition to promoting learning in relation to STEM subjects in schools, the programme increases pupils' awareness of civil engineering-related careers.
- To date, 27 schools have been involved in 231 events, with over 7,080 pupil and 860 teacher engagements along the length of the A9 Dualling corridor. In addition, we held a "Sustainable Solutions – Roads of the Future Challenge" to coincide with Glasgow's hosting of COP26. The Challenge focused on sustainability, the environment and climate change and involved a further 15 schools throughout the UK with over 200 pupils and 18 teachers participating.

A77 Maybole Bypass

- Overall, the project has provided six Modern Apprentice and five Graduate Apprentice opportunities, whilst two apprentices from the local community employed by the project contractor continue to obtain work experience and training as part of the Graduate Apprenticeship Civil Engineering Scheme, alongside three interns studying in their fourth year of University.
- The project provided 11 site opportunities across admin, document control, community liaison and cleaning. In addition, it provided training placements for senior pupils from local Academies to shadow key project personnel on site.
- 30 sub-contracts were awarded, 27 of those, to SME's.
- Community Engagement activities have included attendance at Community Council Meetings and meetings with various other Community Groups, South Ayrshire Council and various training and employment providers in the area. The Contractor visited local primary schools, and Academies providing shadow training, learning places and work experience for students, together with hosting site visits by Colleges/ University.

A92/A96 Haudagain Improvement

- The project has provided 145 community engagement activities, 16 work placements for school pupils, college and university students and employment opportunities for 7 apprentices and 5 graduates.
- 17 of the 21 sub-contracts awarded on the project have been to SME's, two of which were awarded to a supported business or social enterprise.

Sustainable Procurement

- We continue to undertake our procurement activity in a sustainable manner by ensuring that each project procurement strategy considers sustainability and utilises collaborative contracts where appropriate. As well as including a fair work requirement in our procurements, we remain at the forefront of implementing community benefits into our contracts and promoting our procurements to provide opportunities for SMEs and Supported Businesses. Details of our procurement spend figures will be published in Transport Scotland's Annual Procurement Report later in 2022.

Ferry Services

- CalMac Ferries Limited (CFL) conduct early engagement with relevant stakeholders internally and in the market so that community benefits reflect relevant community needs, for example; targeted employment and training such as modern apprenticeships; education support Initiatives such as placements and school visits; enabling SMEs, third sector and supported businesses to compete for business as contractors or sub-contractors and other Community initiatives.
- Serco Northlink Ferries (SNF) endeavour to ensure they operate within a 50-mile radius of ports and are island based to allow Serco to support the island economies. SNF also sponsor Shetland Junior Football Association for the next two years, and both are working together on designs for the home and away strips.
- On board SNF promotes products made by the social enterprise COPE Ltd through their brand Shetland Soap, which enables those with learning or physical disabilities to gain employment in Shetland. They also promote food lines that have been produced in Shetland, Orkney and Caithness. The team work closely with the island craft associations and host Meet the Buyer days on a regular basis.

Forward Look

As an agency of the Scottish Government we remain focused on the priorities underpinning our vision, to deliver a transport system that reflects Scottish Ministers' National Transport Strategy priorities of reducing inequality, tackling climate change, delivering inclusive economic growth, and improving our health and wellbeing. This includes an ambitious statutory climate change target that serves to demonstrate commitment to a reduction in greenhouse gas emissions and net zero by 2045.

As part of our plans for a green recovery, we will support people to make active travel choices, and our actions set out in our NTS Delivery Plan (NTS2) and our Strategic Transport Projects Review (STPR2), serve to reinforce our Sustainable Travel and Investment Hierarchies. We will continue to promote walking, wheeling and cycling, and shared transport options in preference to private car use.

The Investment Hierarchy is also at the core of our STPR2 and is reflected in the funding allocated for transport in the Scottish Government Capital Spending Review, as well as in specific projects and programmes within the Infrastructure Investment Plan published during the year. In addition to prioritising low carbon spending, the hierarchy also reflects a priority of maintenance of existing assets over creation of new infrastructure. This will allow direct spending on the trunk road network in order to address the maintenance backlog identified in the latest condition report.

In addition to decarbonising Scotland's railway by 2035 we also plan to continue to address station accessibility on our rail network. We plan to continue to support Strathclyde Passenger Transport to complete the ongoing Glasgow Subway Modernisation, which will also improve accessibility. We continue to operate the National Concessionary Travel Scheme for older and disabled people, which has now been extended to people under 22.



The financial statements for the year ended 31 March 2022 have been prepared in accordance with the Accounts Direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000, and in accordance with The HM Treasury Financial Reporting Manual (FRM). The financial statements are consolidated within the Scottish Government Consolidated Resource Accounts.

The accountable officer authorised these financial statements for issue on 7 October 2022.

The Scottish Government Consolidated Resource Accounts are published at Government finance: Financial reports and accounts - gov.scot <https://www.gov.scot/policies/government-finance/financial-reports-and-accounts/#:~:text=Scottish%20Government%20Consolidated%20Accounts.%20The%20Consolidated%20Accounts%20reflect,and%20defined%20in%20the%20Government%20financial%20reporting%20manual>

Significant accounting policies

The areas where accounting judgements have significant impact are outlined within note 1.2.3 and include the valuation of the trunk road network, recognition and valuation of provisions and accruals.

Valuation of the Trunk Road Network

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

Recognition and the valuation of provisions

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

Valuation of accruals

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

Public Private Partnerships (PPP)

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

We also have PPP agreements in the form of Non-Profit Distributing (NPD) contracts for the M8/M73/M74 Motorway Improvements Project, with Scottish Roads Partnership (SRP) and Aberdeen Roads Limited (ARL) for the Aberdeen Western Peripheral Route (AWPR)/Balmedie to Tipperty (B-T). Both SRP and ARL are contractually obliged to provide the infrastructure and related services to the public on our behalf.

We have reviewed the degree of control exercised by each of the parties in existing PPP contracts and conclude that the degree of control we retain satisfies the requirements that the related assets created are required to be accounted for on our Statement of Financial Position (SFP). Details of the accounting treatment can be found in notes 1 and 16 in the annual accounts.

For details of the differences between NPD and PFI contracts, see the Scottish Futures Trust website at www.scottishfuturestrust.org.uk



Financial performance and use of resources

During the year, our budget can be subject to revision and adjustment via the Scottish Government Autumn Budget Revision (ABR) and Spring Budget Revision (SBR). The table to the right shows the movement in our budget and comparison with the outturn for 2021-22. More detail on performance can be found in our Performance Analysis section.

	Original Budget 2021-22 £000's	ABR Adjust £000's	SBR Adjust £000's	Revised Budget 2021-22 £000's	Out Turn 2021-22 £000's	Variance £000's
Rail Service	1,460,612	77,392	5,000	1,543,004	1,520,477	22,527
Concessionary Travel	405,714	4,939	(15,250)	395,403	384,693	10,710
Motorways and Trunk Roads	673,827	(92)	6,334	680,069	688,835	(8,766)
Ferries	297,292	388	-	297,680	258,174	39,506
Air	107,825	8,900	-	116,725	89,271	27,454
Other Transport	335,276	3,792	(4,834)	334,234	287,002	47,232
Local Authority Grants (RTP and Cycling) / Support for Active Travel / Inter Island Ferries	58,447	-	-	58,447	55,255	3,192
Total DEL	3,338,992	95,319	8,750	3,425,561	3,283,707	141,854
AME	-	-	-	15,000	15,000	0
AME Capital	-	-	-	-	(1,789)	1,789
ODEL PFI Resource	131,229	-	-	131,229	128,583	2,646
ODEL PFI Capital	-	-	-	-	-	0
Total	3,470,221	95,319	(8,750)	3,571,790	3,425,501	146,289

Other Transport includes : Sustainable and Active Travel and Low Carbon expenditure.

Financial performance and use of resources (contd)

Resources to fund our operating costs and capital investment programme were allocated in the Scottish Government Budget 2021-22. The choice between public and private funding is governed by suitability for alternative forms of finance (including value for money). The policy decision set out in the 2021-22 budget is to maximise investment by utilising all available forms of finance (whilst working within a 5% affordability envelope for revenue financed schemes) in light of significant capital constraints.

A total of £3,425 million of budget cover was allocated from the Scottish Government Departmental Expenditure Limit (DEL) budget (20-21: £3,458 million). Annually Managed Expenditure (AME) relates to movement in provisions for both land compensation claims and orders for investment in land required to progress projects, with £15 million AME this year also reflecting the present value of Low Carbon Loan repayments due over a number of years. The £131 million ODEL budget (20-21: £131 million) funds expenditure in respect of on-balance sheet PFI/PPP projects.

This is scored against resource and includes payments for the, M77, M80 and M6 schemes. These form part of the overall budget of the Scottish Government.

The figures highlighted on previous page include the further costs and savings identified in relation to COVID-19 measures, in order to continue to support stakeholders and bodies providing services for Transport Scotland throughout 2021-22. The table below provides a summary of the approved additional financial support by transport mode in year, and the corresponding spend.

Transport Mode	Additional Funding Approved 2021-22 £000's	Corresponding Spend 2021-22 £000's	Additional Funding Approved 2020-21 £000's	Corresponding Spend 2020-21 £000's
Rail	188	188	421	421
Bus	97	93	191	123
Light Rail	18	18	22	22
Ferry Services	21	16	38	36
HIAL	0	0	22	14
Canals	0	0	2	1
Total	324	315	696	617

Outturn Analysis

The DEL underspend of £141.9 million, comprises a cash underspend of £181.3 million, offset by a non-cash overspend of £39.4 million. The cash underspend reflects the net position, with savings and slippages being partially offset by a number of pressures experienced over various directorates.

The Scottish Government entered the 2021-22 financial year with a number of unfunded commitments and all parts of the organisation, including agencies, were tasked with finding capital and revenue savings in order to balance the budget. The underspend position reported to the right reflects the agreed Transport Scotland contribution to Scottish Government savings.

Additional funding required to cover overall cost pressures reported above, including COVID-19 measures, was allocated as part of the Spring Budget Revision. The Omicron variant is no longer anticipated to exert further pressure on the overall resource position, however, we will continue to review the transition of public transport out of the pandemic, in order to define what public transport provision will be appropriate for the future and the basis on which it should be supported.

Transport Scotland 2021-22	Budget £000's	Actual £000's	Variance £000's
Resource – Operating Costs	1,469,615	1,359,151	110,464
Resource – Investment	1,523,580	1,510,642	12,938
Resource Depreciation (Non-Cash)	136,150	175,605	(39,455)
Capital	296,217	238,309	57,908
DEL total	3,425,561	3,283,707	141,854
AME	15,000	13,211	1,789
PFI Resource (ODEL)	131,229	128,583	2,646
PFI Capital (ODEL)	0	0	0
Total	3,571,790	3,425,501	146,289



The main variances in year can be summarised as follows:

- There has been higher than expected fare box revenue on supported rail and bus and ferry services, leading to reduced requirements for COVID-19 support (£33 million).
- There have been slippages in a number of Major Rail Projects due to the on-going impact of COVID-19 (£28 million).
- There has been an underspend on Concessionary Travel, which relates to lower than anticipated costs on the take up of the Under 22 Scheme (£11 million).
- The Glasgow Subway Modernisation Grant support has been deferred (£35 million) and costs were also deferred for both the Edinburgh City deal and A801 (£32 million).
- There has been an underspend within Ferry Services, which includes the resource element of lower COVID-19 support (£2 million), reduced fuel costs (£11 million), delays in Ardrossan (£6 million) and Uig (£8 million) projects, reduction in Clyde and Hebrides Ferry Services (CHFS) Freight Fares Review (£5 million) and subsidy control reduction in capital grant contribution for Uig project (£6 million).
- There have been delays in the progress of the HIAL capital programme (£22 million), and costs have been re-profiled into subsequent financial years.
- There has been a lower than anticipated drawdown on the Bus Rapid Development Priority Fund (£32 million).

These underspends have been offset by the pressures in the following areas:

- There has been an overspend on Rail Infrastructure, due to Network Rail re-profiling of Renewals work which is largely offset by re-profiling of enhancement, reflected in Rail Major Transport Projects (£34 million).
- There was a higher than anticipated deposit payment for construction of the Islay vessel (£7 million) and a voted loan payment in relation to the MV Utne (£9 million).

The overspend in non-cash is a result of an increase in the depreciation of the road network, largely due to increased traffic in the transition out of the COVID-19 pandemic.

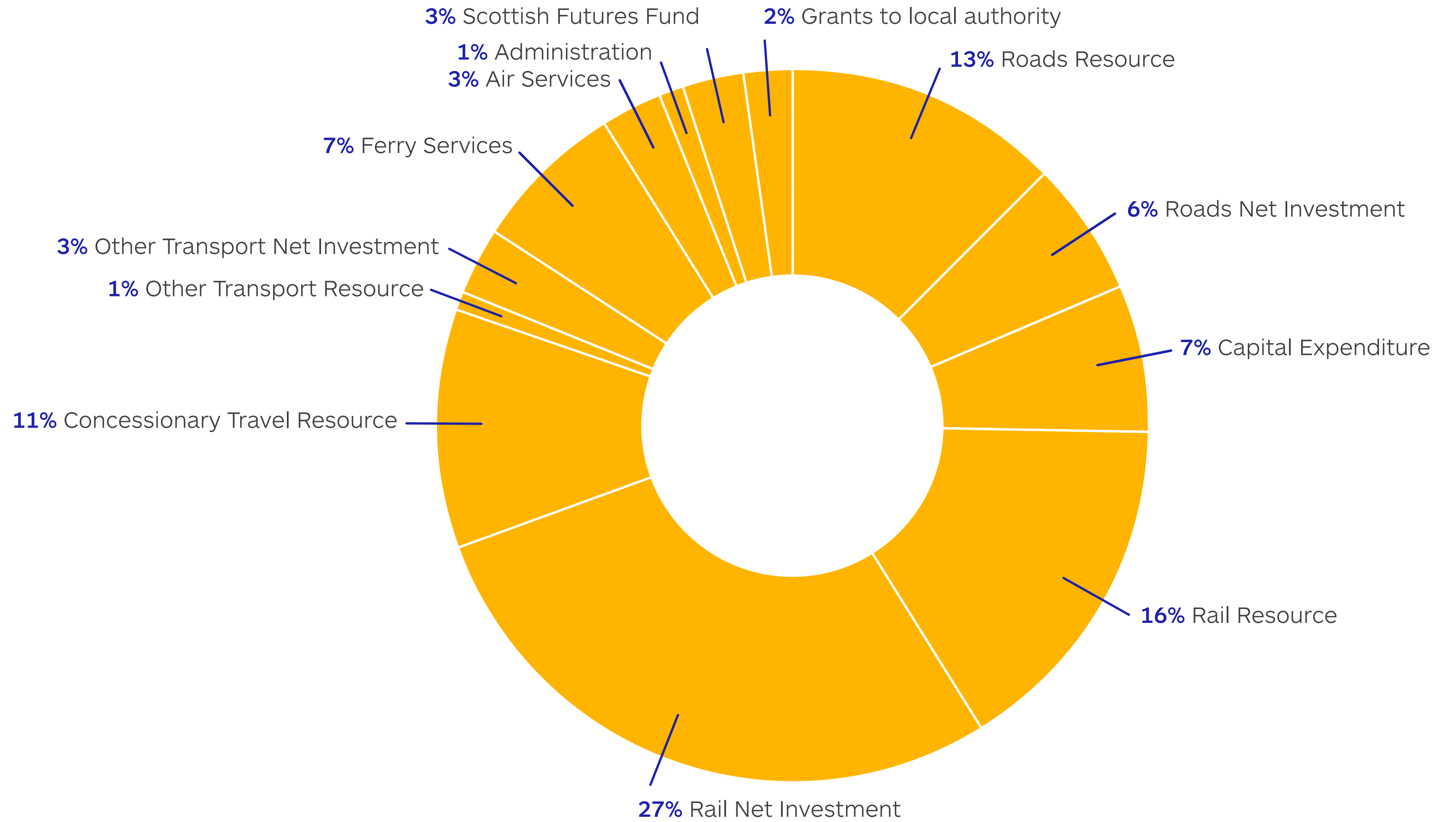
The AME outturn reflects the fact that provisions that were initially estimated were not required in year. The ODEL resource underspend reflects a decrease in anticipated costs as a result of a review of expenditure within the M8, M77 and M80.

The total underspend of £146 million (2020-21: £344 million underspend) represents approximately 4.1% (2020-21: 9.6%) of the overall budget.

The Statement of Comprehensive Net Expenditure (SoCNE) on page 82 identifies net operating costs of £3.189 billion. Capital expenditure is not recognised as in-year expenditure within the SoCNE, but the table to the right provides a reconciliation of overall outturn to SoCNE.

	£000's
Net Operating Costs per SoCNE	3,188,981
Add AME Resource	
Add: Additions to Intangible Assets (note 7)	0
Add: Additions to PPE (note 6)	176,128
Add: Additions to Investments (note 9)	70,526
Less: Disposals of Intangible Assets (note 7)	0
Less: Disposals of PPE (note 6)	(197)
Less: Repayments of Investments (note 9)	(9,938)
Less: Disposals on Assets held for Sale (note 8)	0
Less: De-trunkings (note 6)	0
Outturn per Management Commentary	3,425,501

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



Balance Sheet Analysis

The total asset base is £23.6 billion, the majority of which relates to the trunk road network. Movement in the balance this year relates to additions and de-trunkings in the year that mainly related to completion of the A9 dualling between Luncarty and Birnam, in addition to historic revaluations across a range of prior roads projects and the indexation and revaluation of the various component elements of the network in year.

There were no assets noted within the asset register, which were held for sale 2021-22.

There has been a decrease of £62 million within trade receivables in year, due to a lower level of prepayments made from the previous year (£39 million), largely as a consequence of a reduction of COVID Funding to Rail, and accrued income (£23 million). However, within trade payables, an increase of £24 million is due partly to increased payments to Bus Companies in year, together with an increase in payments relating to sustainable forms of travel. The level of accruals in year has also increased and this is a consequence of the lifting of some COVID restrictions and the timing of payments made.



Relationship with suppliers

We are committed to prompt payment of bills for goods and services and aim to settle all undisputed invoices within contract terms and also in line with the Scottish Government 10 day payment policy. We settled 96% of invoices within this timescale (20-21: 93%). The amount owed to trade creditors at the year-end as a proportion of the aggregate amount invoiced during the year, represented -7.3 days in proportion to the total number of days in 2021-22 (2020-21: -3.6 days).

Fraud Detection and Prevention

Transport Scotland has a dedicated Fraud Prevention Officer, who links directly with the Scottish Government Fraud Prevention Team. There is a published fraud identification and prevention plan, which is updated with relevant legislative changes as they occur, and provides clear guidance on the Agency's approach to, and methodology for, anti-corruption, bribery, whistle blowing and cyber-crime. Additional information can be found:

Fraud

Scottish Public Finance Manual - gov.scot
<https://www.gov.scot/publications/scottish-public-finance-manual/fraud-and-gifts/fraud/>

Gifts

Scottish Public Finance Manual - gov.scot
<https://www.gov.scot/publications/scottish-public-finance-manual/gifts/gifts/>

Future Spending Plans

The Scottish Draft Budget 2022-23 provides details of our spending plans that will help deliver sustainable economic growth. These allocations are included in the table below for the coming financial year*.

	2022-23* £000's
Resource – Operating Costs	1,319,717
Resource – Investment	1,553,604
Non-Cash	170,833
Financial Transactions	10,000
Capital	291,773
Total	3,345,927
ODEL	109,144
Total	3,455,071

*Source - Scottish Draft Budget 2022-23

The Policy

Climate change, and the move to a low carbon economy remain at the core of Transport Scotland's policy and decision making. The Climate Change Unit leads on climate change policy, setting the strategic direction and building the evidence base on how to reduce emissions from Scotland's transport sector to meet the targets set out in the Climate Change Act (2019). Also, NTS2 supports Scotland's ambitious climate change agenda and will help our transport system to deliver our emissions targets of a 75% reduction by 2030, and net-zero by 2045. We are committed to embedding the Sustainable Travel and Investment Hierarchies in our decision making.

Our Environment and Sustainability team lead on corporate climate change mitigation, including development and management of the TS Carbon Management Plan, and associated targets and statutory reporting. The team also leads on climate change adaptation for TS and is responsible for overseeing delivery of the 13 sub-outcomes associated with the second Scottish Climate Change Adaptation Programme (SCCAP2). These include Active Travel, Electric Vehicle Charging Network (ChargePlace Scotland), Cleaner Air for Scotland Strategy, STPR 2, and the Flood Risk Emergency Plan. In addition, current and future climate-related risks to transport associated with weather and other related events are captured within our disruption/resilience risk processes and contract documentation.

The Statistics

Transport Scotland are in a period of transition in relation to our corporate carbon emissions, in particular, our alignment with the Scottish Government's net-zero commitments and this year's requirement to set a date on which we expect to be Net Zero. We have conducted a thorough review of our emission sources in order to demonstrate an accurate view of our carbon footprint.

Within last year's Public Bodies Climate Change Duties reporting (PBCCD) homeworking emissions were captured using an emission factor developed by Sustainable Scotland Network's (SSN's). For the reporting year 2021-22 we have once again used SSN's emission factor. Our home working emissions are based on the total number of Transport Scotland staff minus the element captured under commute travel (on average 45 members of staff travelling to Buchanan House per month). Commute emissions were calculated using our previous commute travel to work survey.

We will also no longer be reporting two separate emissions sources and we will capture network energy as part of our corporate carbon emissions.

As noted in the table overleaf, during financial year 2021-22, Transport Scotland's total emissions have reduced by 16.9%.

We have continued to reduce emissions associated with Network Energy, with emissions reducing by a further 15% as part of the LED replacement programme.

We will publish Transport Scotland's Carbon Management Plan (CMP) 4th Edition which will redefine our corporate boundary widening the scope as data collection methods have improved.

Within the CMP, we will establish a date in which our corporate operations will be net-zero. The new plan will also define our scope of influence, and identify areas where the agency can work with stakeholders to reduce emissions in our supply chain.

This Performance Report has highlighted the achievements of the Agency and the contribution it made to the overall objectives of the Scottish Government, along with the risks and challenges faced during 2021-22.



Michelle Quinn

Interim Chief Executive

07 October 2022

Corporate Carbon Emissions (2021-22)						
Element		Metric	Baseline in 2015-16¹	Actual in 2020-21¹	Actual in 2021-22¹	% change compared to previous year
Total Emissions	-	tCO²e	22,222	6743.2	5601.458	-16.9%
Network Energy	Electricity	tCO ² e	20,847	6,102	5179.602	-15%
Office Energy	Electricity	tCO ² e	764.98	331.9	85.822	-74%
	Gas	tCO ² e	265.26	156.9	151.177	-3%
Travel	Business Travel	tCO ² e	187.72	7.9	24.547	+210%
	Commute Travel	tCO ² e	154.5	0	7.346	+100%
Hotel	Commute Travel	tCO ² e	-	2	2.023	+1.15%
Home Working	-	tCO ² e	-	140	146.1	+4.3%
Water	-	tCO ² e	3.13	2.5	0.534	-78.64%
Waste	Waste (BH)	tCO ² e	2.02	0	4.307	+100%

¹ t/CO²e figures are based on the UK Department for Business and Industrial Strategy GHG conversion factors, figures from 2021-22 have been calculated using the 2021 GHG conversion factors, 2020-21 use the 2020 factor and the CMP 3rd Edition (2015-16) baseline used the 2015 GHG conversion factors.



Accountability



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In this section, we will demonstrate how Transport Scotland meets its accountability requirements to Parliament. The Agency's auditors have reviewed it for consistency with the information contained in the financial statements for 2021-22 and their opinion, provided on pages **76-80** covers these disclosures.

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

Directors Report

The Chief Executive is the Accountable Officer for Transport Scotland as an agency of the Scottish Government and is appointed by the Permanent Secretary as the Principle Accountable Officer for the Scottish Government under terms set out in the letter of appointment, in line with guidance in the Scottish Public Finance Manual. The Chief Executive is supported by the Transport Scotland Senior Management Team, comprising eight Executive Directors with specific responsibilities delegated from the Chief Executive, in addition to a direct support team and secretariat responsible for handling official correspondence. The Executive Directors are in turn supported by their own staff, with responsibilities aligned to Transport Scotland's corporate objectives. In addition the non-executive members of Transport Scotland Audit and Risk Committee provide the Chief Executive with further assurance in that role and as members of major project boards.

Throughout 2021-22, we have continued to focus on and review our governance, structures and communications to ensure we sustain our response to the additional challenges resulting from the COVID-19 pandemic and our transition out of it. We have retained the working from home policy through the year for most of our staff, and we will continue to support them as we move to a position of hybrid working in the new financial year. We have continued to maintain and refine our processes of regular communication and updates in response to major issues such as the impact of COVID-19 and the changes resulting from it, the repercussions of withdrawal from the EU and other world events and resilience issues such as the war in Ukraine. We are continuing to utilise a hub model with a Transport Hub being the main communication centre for the agency, served by cells with responsibility for modes of transport, resilience, analysis, and Finance.

These activities have evolved and so during 2021-22 we have been able to restore much of our focus on delivery of major infrastructure projects; tackling climate change; promoting active travel; improving accessibility and moving to a low carbon economy, and in progressing the published National Transport Strategy informed by developing the Strategic Transport Projects Review for the next 20 years.

The Accountable Officer is also supported by an Audit and Risk Committee, chaired by a non-executive member (John Matheson who has held this position since July 2017), and including two further external members. Graeme Dickson was appointed on 7 March 2021, and Lesley Macleod was appointed on 1 August 2021.

Current Directors

- Hugh Gillies ; Interim Chief Executive (from 16 November 2021 until 4 July 2022; previously Director of Roads. Replaced as Interim Chief Executive by Michelle Quinn from 4 July 2022)
- Kerry Twyman - Finance and Corporate Services (from 7 June 2021)
- Stuart Greig; Low Carbon Economy
- Stewart Leggett; Roads (interim from 29 November 2021)
- Fiona Brown; Transport Strategy and Analysis (interim from 11 January 2022)
- Bettina Sizeland; Bus Accessibility and Active Travel (from 21 February 2022)
- Frances Pacitti; Aviation, Maritime, Freight and Canals
- Bill Reeve; Rail
- Lawrence Shackman; Major Projects (from 20 September 2021)

Directors and Non-Executive Members Interests

Directors' and Audit & Risk Committee Non Executive Members' interests are recorded on the electronic HR system. The 2021-22 statements of assurance completed by Directors in post as at 31 March 2022 also confirmed that no conflict of interest arose in the exercise of their duties. Details of the Transport Scotland Directors Registers of Interest can be viewed on our website.

Appointed Auditors

The financial statements for 2021-22 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 £189, 960 (2020-21: £186,170), which related solely to the provision of the statutory audit service. There were no payments made for non-audit work in the year.

Personal Data Related Incidents

There were no personal data related incidents in the 2021-22 (2020-21: none).

Statement of Accountable Officer's Responsibilities

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

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

In preparing the accounts, the Agency is required to:

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

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

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

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

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

The Scottish Public Finance Manual (SPFM) summarises the purpose of the Governance Statement as being to *‘provide a clear understanding of the organisation’s internal control structure and its management of resources. The Statement should be informed by work undertaken throughout the period to gain assurance about performance and risk management, providing an insight into the organisation’s risk profile and its responses to identified and emerging risks’*.

This Governance Statement describes our governance structures and their operation, including:

- an assessment of corporate governance with reference to compliance with generally accepted best practice principles and relevant guidance, and explanations where a different approach has been adopted;
- an assessment of the organisation’s risk management arrangements and risk profile, including, subject to a public interest test, details of significant risk-related matters arising during the period;
- a record of any written authorities provided to the Accountable Officer;
- details of any significant lapses of data security.

Accountable Officer’s scope of responsibilities

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

In 2021-22, the Transport Scotland Senior Management Team met weekly, a combination of in person and virtually, and topics under discussion included the review of corporate performance, the consideration of policy across the modes, the operation of the transport network and the governance and delivery of projects.

In addition, during 2021-22, the Senior Management Team were required to take account of the ongoing impact from COVID-19, and the restrictions which were in place. Changes in these restrictions impacted on the work of Transport Scotland, and this required to be monitored and assessed on a continual basis.

Transport Scotland Audit and Risk Committee

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

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

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

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

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

Principles of Corporate Governance in Transport Scotland

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

- giving leadership and strategic direction;
- defining control mechanisms to safeguard public resources;
- overseeing management of our activities;
- reporting on stewardship and performance.

Within Transport Scotland, that group is the Senior Management Team which adheres closely to these robust principles as follows:

Performance Review

All members of the Senior Management Team are set annual objectives on which their performance is appraised and recorded. These are focussed on our priority objectives, which are aligned with the Scottish Government National Performance Framework.

Performance against our objectives within the Corporate Plan is monitored throughout the year and measured against targets at year-end. Progress on key achievements is highlighted. In addition, every Directorate agrees more specific objectives and progress against these is reviewed and reported. Our financial management is undertaken within the context of the broader Scottish Government achievement of forecast outturn against allocated budget.

Accountability

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

Delegated Authority

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

Financial Management

The Senior Management Team reviews financial performance monthly as well as ensuring the timely production of the Annual Report and Accounts, in compliance with relevant guidance. Monthly financial reports considered by the Senior Management Team are shared with External Audit and Audit and Risk Committee Members. Our budgets are set in the context of the Scottish Government's annual budget process, and forecast expenditure is also reported monthly to Scottish Government Finance Directorate.

Programme and Project Management

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

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

The System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve our policies, aims and objectives. Consequently, reasonable and not absolute assurance of its effectiveness can be provided. The system of internal control is based on an on-going process designed to identify and prioritise risks, to evaluate their likelihood and impact and to manage them efficiently, economically and effectively in accordance with Scottish Government guidance. This system has been in place for the year ended 31 March 2022 and up to the date of approval of the Annual Report and Accounts.

Review of Effectiveness

I, as the Accountable Officer, have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of Internal Audit, Directors' assurance, the Audit and Risk Committee and external auditors.

Directors provide annual certificates of assurance covering their areas of responsibility. These are supported by completion of an internal control checklist, covering all areas of corporate governance. The content of this checklist is reviewed each year.

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

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

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

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

Audit Scotland external auditors, assess the extent to which they can place reliance on the individual reviews undertaken by Internal Audit to inform their opinion on the financial statements, depending on their relevance. Audit Scotland also undertakes a review of our internal audit arrangements.

Based on all of the above, I am satisfied that the corporate governance arrangements in place are appropriate and meet with best practice. There are no significant issues.

Internal Audit Reports 2021-22

The work undertaken to support the assurance opinions for each of the reviews, alongside those of our integrated assurance partners and Audit Scotland reports, the further response by Transport Scotland to the COVID-19 pandemic in ensuring support funding was provided to public transport networks, the implementation of audit recommendations and management response and engagement has resulted in Internal Audit providing an overall assessment of 'Reasonable Assurance' in respect of Transport Scotland's risk management, control and governance arrangements.

Audit Area & Scope	Outcome
1. Budgetary Affordability	Assurance Provided: Reasonable
2. Electric Vehicles – investment and regulation of the EV infrastructure, availability of charging etc. to demonstrate contribution towards climate change	Assurance Provided: Substantial
3. Fraud Prevention and Detection arrangements for support funding to Bus Operators	Assurance Provided: Reasonable
4. Risk Management – including risk management arrangements within Scottish Road Works Commissioner (SWRC)	Assurance Provided: Reasonable

Best Value

All public bodies in Scotland are responsible for achieving Best Value through sound governance, good management, public reporting on performance and a focus on improvement. Best Value provides a common framework for continuous improvement in public services in Scotland, and is a key foundation of the Scottish Government's Public Service Reform agenda. The Agency operates on the basis of continuous improvement and progress continues to be made across all business areas to improve, document and enhance systems and processes. We demonstrate achievement of best value through continually reviewing our achievements and processes across specific areas throughout the year. There is currently a review being conducted by the Finance and Corporate Services Team, which will facilitate going forward, a robust new process for conducting bespoke self-assessment exercises across all business areas and reporting these to senior management on a quarterly basis.

Risk Management

Risks are managed at the level most able to deal with them, with the most serious risks being escalated to the Senior Management Team, and where appropriate, to the Director General Net Zero. The Director of Finance and Corporate Services is the Risk Champion and Chairs the Risk Management Group. Each Directorate has a representative who is responsible for presenting their directorate's corporate risks to the group and providing assurance on their management.

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

- I review the strategic and operational risks to achieving our objectives, in conjunction with the Directors, regularly at Senior Management Team meetings;

- the Audit and Risk Committee provides oversight of our risk management processes and strategy and Corporate Risk Register;
- managers identify and evaluate risks to successfully delivering objectives when they prepare and review their plans;
- I regularly meet with our directors and ministers where both strategic and operational risks are discussed.

Our Risk Management Framework seeks to set out our approach to risk management and it continues to be reviewed and enhanced (in line with arrangements in Scottish Government) to improve the transparency of our systematic approach, identify risks and to link them to Corporate Planning and Objectives. The Risk Framework provides additional guidance on assessing risks and their impact, with a scoring system that recognises both likelihood and impact.

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

The most significant risks currently identified by the TS include those associated with our efforts to deliver robust transport policies arising out of the Climate Change Plan Update (CCPu) that will enable our emissions targets to be achieved. In addition, we continue to deal with the challenges surrounding the budget allocation for TS which has potential consequences for the funding of our policies and priorities.

In order to confront the significant challenges we face going forward, it remains imperative that TS is able to recruit, retain and develop appropriately qualified and skilled colleagues in order to deliver its agendas, including the on-going impact of COVID-19, the Cost of Living crisis, the Climate Emergency, winter and other resilience and EU exit. There have been particular staff resource challenges in 2021-22 across Transport Scotland.

This has been particularly acute in the TS Aviation, Maritime, Freight and Canals (AMFC) Directorate where their Director has indicated a number of concerns around delivery capability and risks associated with this. With regard to this, efforts are ongoing to further support the staff resource needs of this Directorate and indeed priority work areas in TS. This challenge continues to be highlighted and monitored as part of corporate risk discussions.

We must also continue to prioritise the well-being and resilience of our colleagues in order to achieve our objectives.

Managing information and information security

We are committed to ensuring information is managed and valued, with appropriate protection and use of our information assets. The handling of data and information carries significant risks and we take information security very seriously, in compliance with Scottish Government sponsored and adopted Security Frameworks and Data Handling policies.

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

- we treat information as a Scottish Government resource;
- we are all responsible for our information;
- we make information accessible to others who have a need to use it;

- we keep records of what we do;
- our information is accurate and fit for purpose;
- our information complies with regulations and legal requirements.

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

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

Counter Fraud / Review of risk of financial loss.

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

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

The Plan also includes a bespoke section on Cyber Resilience, in order to recognise its importance. Our IT team review and develop best practice, improve staff awareness and monitor our bespoke systems against exposure. We are a pilot organisation for Cyber Resilience within Scottish Government, and have achieved Cyber Essentials accreditation. We will commence preparations to obtain Cyber Essentials Plus accreditation in 2022-23.

The Plan also contains further guidance and advice in relation to emerging and increasing fraud risks as a consequence of the COVID-19 pandemic and the transition out of it. This has resulted in many significant new challenges for the public sector. We recognise that the need for heightened controls and robust governance is now greater than ever, and so we continue to develop and review mitigations in relation to potential Procurement and Mandate Fraud as well as ensuring robust controls across all new ways of working and raising staff awareness.

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

Details of cases of actual or attempted fraud that come to light during the financial year are reported within the Fraud Log that is reviewed by the Audit and Risk Committee, together with responses and any further mitigation. There were three cases of suspected fraud highlighted during the year, however, these continue to be investigated to ascertain if there is evidence of wrong doing or malpractice or if they can safely be closed (2020-21: none). Information continues to be shared with Police Scotland where this is deemed appropriate.

There is a separate Concessionary Fares Fraud Team due to its unique operating environment. We participate in the National Fraud Initiative (NFI) in Scotland, led by Audit Scotland, which matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Business Continuity

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

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

The plan was reviewed in response to the COVID-19 pandemic to ensure that it remained fit for purpose and provided sufficient assurance.

We continue to mitigate the impact of EU withdrawal, following the preparation and communications between Ministers, Scottish Government, UK Government and key partners in the process. This will involve staff across directorates implementing the revised arrangements reflected in the UK withdrawal agreement that have an impact on procurement and international travel and freight.

Throughout 2021-22, we continued to retain the focus of our resilience efforts on the impact of and the response to the COVID-19 pandemic and other unplanned national and international events. A framework of resilience and business continuity was implemented, which in turn formed part of the Scottish Government Resilience Response arrangements. In addition, we successfully conducted a live play resilience exercise in year, designed to test our senior management team response mechanism and crisis management processes.

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

Most of our staff have continued to work from home during 2021-22, but we are preparing to move to a more hybrid form of working going forward. Our approach will continue to be phased and collaborative, and we will seek discussion and feedback from colleagues in order to make the transition safe and successful.

The Audit and Risk Committee also continue to meet virtually and to maintain regular contact by correspondence. Our Internal Auditors continue to be alert to all resilience and ‘business as usual arrangements’.

All of these arrangements allow us to agree the measures required to ensure continued provision of public transport services and infrastructure.

Remuneration and Staff Report

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

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Equality, Diversity and Inclusion

Our ambition is to be a world-leading, diverse and inclusive employer where people can be themselves at work. We are committed to building a workforce of people with a wide range of backgrounds, perspectives, and experiences, who are valued for their unique contributions in an environment that is respectful, supportive and free of discrimination, harassment or bullying. Over the past two years, The Scottish Government’s strategic equality outcomes have continued to drive changes to what we do and how.

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

We are committed to increasing the diversity of our workforce and to ensure every colleague sets a diversity objective as part of their annual objectives. We encourage all colleagues to increase their diversity understanding through learning activities and accessing all of our diversity networks, and to ensure that everyone can link with an appropriate Diversity Champion in their area. We also direct colleagues’ to the provisions within the Equality Act 2010, so that they can fully understand how this affects their rights and responsibilities and ensure they know how to access support at all times.

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

The table on the left identifies the gender split within Transport Scotland for the year 2021-22.

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

Gender	2021-22			2020-21		
	Chief Executive and Directors	Employees	Total	Chief Executive and Directors	Employees	Total
Female	4	245	249	4	245	249
Male	5	317	322	5	354	359

Figures based on Agency numbers at the end of March 2022

Staff Relations

We give a high priority to the development of all our staff. Training, development and learning opportunities are all regularly reviewed, content checked and updated to reflect valued staff feedback.

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

The aim of the procedures is to:

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

The Annual People Survey is run across the UK Civil Service and the contract and survey design is managed by the Cabinet Office. All colleagues are encouraged to participate and to inform on what is working well and what could be improved across the organisation. We receive our own set of headline and directorate results from the survey.

The engagement index for the (Civil Service People Survey) CSPA 2021 survey was 66%. Our results across the headline categories remained broadly comparable on the previous year, with the highest scoring criteria being; Inclusion (85%), My Work (84%) and My Team (82%). Staff responses continue to help us to identify and develop actions and improvements to make Transport Scotland a great place to work for everyone, and we also provide regular updates on our progress against all actions.

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

In 2021-22 an average of 8.2 working days (2020-21: 4.9) were lost due to sickness absence per staff year for Transport Scotland.

In 2021-22, the percentage turnover for Transport Scotland was 4.9% (2020-21: 3.4%). There were 25 leavers within the period, and an average headcount of 503.4.

Health and Safety

Transport Scotland is committed to achieving the highest standards of health, safety and wellbeing for our staff, visitors, contractors and any others who may be affected by our acts or omissions. We continually engage to promote a positive health and safety climate and organisational culture, and we seek improvement through role specific and compulsory health and safety training and e-learning, which in turn is supported by the Health & Safety Adviser and Health & Safety Liaison Officers. We also have a bespoke and robust health and safety management system, which is set out clearly within our policy manual. This provides guidance on roles, responsibilities and proposals for achieving our health, safety and wellbeing goals, all of which are in alignment with Scottish Government Occupational Health & Safety strategies.

Trade Union Membership

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

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

Details on Trade Union facility time for the whole of Scottish Government, including Transport Scotland are published on the Scottish Government website at Facility time by Scottish Government trade union representatives: 2020-21 <https://www.gov.scot/publications/facility-time-by-scottish-government-trade-union-representatives-2020-21>. In future years, we will publish information relating to Transport Scotland separately.

Employment of disabled persons

We are a “Disability Confident Leader Employer”, which recognises our commitment and our positive attitude towards removing the barriers faced by disabled people. Our Recruitment and Retention Plan for Disabled People 2019 sets out the actions we are taking as an employer to support more disabled people into work in Scottish Government and to enable existing disabled employees to thrive and succeed at work.

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

The number of staff as at 31 March 2022 who had declared a disability employed by Transport Scotland was 52 (2020-21: 51).

Staff Costs

Details of Agency staff numbers and costs for the year are contained within Note 2 to the Accounts. Transport Scotland incurred £30.4 million in relation to staff costs in the year 2021-22 (2020-21: £27.7 million). Of this, £27.9 million was in relation to permanent staff, who are civil servants with an employment contract with Transport Scotland (2020-21: £25.6 million). The balance of £2.4 million related to agency staff (2020-21: £2.1 million).

The costs of staff employed on the design, procurement and management of capital projects undertaken by Transport Scotland, totalling £5.0 million (2020-21: 3.7 million) have been charged to capital expenditure in respect of the projects identified in the year, and these costs are included with the project costs in Note 4.

In addition, the agency paid out £12.4 million in professional consultancy costs in 2021-22 (2020-21: £10.4 million) in relation to professional services required in the procurement of key projects and the delivery of the Agency's transport objectives.

At the end of financial year 2021-22, the Agency headcount totalled 571, analysed in the table below. The full time equivalent (FTE) figure of Permanent staff was 488.6.

Staff Category	Headcount at 31 March 2022	Headcount at 31 March 2021
Permanent Staff	510	497
Agency Staff	23	28
Consultants employed	38	83
Total	571	608

Pension Liabilities

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

Remuneration Policy

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

- the need to recruit, retain, motivate and, where relevant, promote suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment, retention and, where relevant, promotion of staff;

- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- The Government's inflation target.

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

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

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

Service Contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at <https://www.civilservicecommission.independent.gov.uk/>

Whilst Transport Scotland does not have a Board with non-executive directors, the Audit and Risk Committee has three external members to ensure independent oversight and challenge: John Matheson - appointed as chair in July 2017; Graeme Dickson - appointed on 7 March 2021; and Lesley MacLeod - appointed on 1 August 2021.

Remuneration Group

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

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

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

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

Directors Remuneration (Salary, benefits in kind and pensions)

The single total figure of remuneration, comprising the salary, the value of any bonuses or taxable benefits in kind and the pension benefits of the directors for the year 2021-22, along with comparative figures are shown in the table overleaf.

Single total figure of remuneration

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

- 1** Roy Brannen left post as Chief Executive Officer on 15 November 2021. The £65k-£70k for year 2021-2022 represents salary to this date. 2021-2022 full year equivalent banding £105k-£110k.
- 2** Hugh Gillies left post as Director of Roads on 15 November 2021 at which time salary for 2021-2022 was £50k-£55k with a full year equivalent banding of £80k-£85k. Hugh took up post of Chief Executive Officer on 16 November 2021. Salary from 16 Nov 2021 was £35k-40k with a full year equivalent banding of £95k-£100k.
- 3** Alison Irvine left post as Director of Transport Strategy and Analysis on 17 December 2021. The £55k-£60k for year 2021-2022 represents salary to this date. 2021-2022 full year equivalent banding £80k-£85k.
- 4** Laura Murdoch left post as Director of Bus, Accessibility and Active Travel on 28 January 2022. The £65k-£70k for year 2021-2022 represents salary to this date. 2021-2022 full year equivalent banding £80k-£85k.
- 5** Michelle Quinn returned to post as Director of Major Projects on 5 January 2021. The £20k-£25k for 2020-2021 represents salary from return date to 31st March 2021. 2020-2021 full year equivalent banding £80k-£85k. Michelle then left the post on 18 April 2021. The £0k-£5k for 2021-2022 represents salary to this date. 2021-2022 full year equivalent banding of £80k-£85k.
- 6** Lee Shedden left post as Acting Director of Finance and Corporate Services on 6 June 2021. The £10k-£15k for year 2021-2022 represents salary from this date. 2021-2022 full year equivalent banding £75k-£80k.
- 7** Fiona Brown took up post as Interim Director of Transport Strategy and Analysis on 11 January 2022. The £20k-£25k for year 2021-2022 represents salary from this date. 2021-2022 full year equivalent banding £75k-£80k.

Directors	Salary		Bonus Payments		Benefits In Kind (To Nearest £100)		Pension Benefits (To Nearest £1,000)		Total	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Roy Brannen ¹	65-70	100-105	-	-	-	-	36,000	64,000	100-105	165-170
Hugh Gillies ²	85-90	80-85	-	-	-	-	45,000	57,000	125-130	140-145
Stuart Greig	75-80	75-80	-	-	-	-	31,000	31,000	105-110	105-110
Alison Irvine ³	55-60	80-85	-	-	-	-	22,000	31,000	75-80	110-115
Laura Murdoch ⁴	65-70	80-85	-	-	-	-	21,000	44,000	85-90	120-125
Frances Pacitti	80-85	80-85	-	-	-	-	31,000	32,000	110-115	110-115
Bill Reeve	110-115	110-115	-	-	-	-	(55,000)	55,000	55-60	165-170
Michelle Quinn ⁵	0-5	20-25	-	-	-	-	1,000	9,000	5-10	25-30
Lee Shedden ⁶	10-15	75-80	-	-	-	-	6,000	31,000	20-25	105-110
Fiona Brown ⁷	20-25	0	-	-	-	-	7,000	0	30-35	0
Lawrence Shackman ⁸	40-45	0	-	-	-	-	9,000	0	50-55	0
Bettina Sizeland ⁹	5-10	0	-	-	-	-	3,000	0	10-15	0
Kerry Twyman ¹⁰	75-80	0	-	-	-	-	44,000	0	120-125	0
Stewart Leggett ¹¹	25-30	0	-	-	-	-	4,000	0	30-35	0
Alasdair Graham ¹²	-	65-70	-	-	-	-	-	37,000	-	100-105

- 8** Lawrence Shackman took up post as Director of Major Projects on 20 September 2021. The £40k-£45k for year 2021-2022 represents salary from this date. 2021-2022 full year equivalent banding £75k-£80k.
- 9** Bettina Sizeland took up post as Director of Bus, Accessibility and Active Travel on 21 February 2022. The £5k-£10k for year 2021-2022 represents salary from this date. 2021-2022 full year equivalent banding £80k-£85k.

- 10** Kerry Twyman took up post as Director of Finance and Corporate Services on 7 June 2021. The £75k-£80k for year 2021-2022 represents salary from this date. 2021-2022 full year equivalent banding £95k-£100k.
- 11** Stewart Leggett took up post as Director of Roads on 29 November 2021. The £25k-£30k for year 2021-2022 represents salary from this date. 2021-2022 full year equivalent banding £75k-£80k.

- 12** Alasdair Graham took up post as Acting Director of Major Projects on 3 February 2020 and left post on 31 January 2021. The £65k-£70k for year 2020-2021 represents salary from 1 April 2020 to end date. 2020-2021 full year equivalent banding £75k-£80k.

Salary

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

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

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

Fees

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

The fees which the external members of the Audit and Risk Committee were entitled to for 2021-22 are as follows:

John Matheson	£243 daily rate
Graeme Dickson	£243 daily rate
Lesley Macleod	£243 daily rate

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

Pay Multiples

There has been an extension to the Fair Pay Disclosure for 2021-22. In addition to the median pay ratio, the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation’s workforce, we must also now disclose:

- the percentage changes for the highest paid director and the workforce as a whole, and
- the ratio of the highest paid director to the interquartile ranges 25% and 75% within the workforce.

The calculations include directly employed staff paid through SG Core payroll, and cover both permanent staff and those on fixed term contracts. They also include Agency and other Temporary employees who are covering staff vacancies. They do not include consultants costs.

The full year equivalent banded remuneration of the highest paid director was £110k - £115k (2020-21: £110k - £115k). This was 2.7 times (2020-21: 2.7 times) the median remuneration of the workforce, which was £41,862 (2020-21: £42,194). It was 3.6 times (2020-21: 3.5) the 25th percentile of the workforce, which was £31,542 (2020-21 £32,138) , and 2.1 times (2020-21: 2.1) the 75th percentile, which was £53,476 (2020-21: £52,478). These costs relate wholly to salaries and the ratios are in line with the general pay policy. These details are highlighted in the table to the right, along with the percentage changes in year, the ratios have remained broadly steady year on year.

Pay Ratios

Year	Midpoint £££	Median £££	Ratio	25 P/Tile £££	Ratio	75 P/Tile £££	Ratio
2021-22	112,500	41,862	2.7	31,542	3.6	53,476	2.1
2020-21	112,500	42,194	2.7	32,138	3.5	52,478	2.1

Changes in Year

The average percentage change of 6%, as can be seen in the tables below, across all employees as a whole, is a consequence of an increased number of full time equivalents in year and the impact of incremental and inflationary pay movements.

In 2021-22, no employee received remuneration in excess of the highest paid director (2020-21: one). Remuneration across Transport Scotland ranged from £21k - £111k (2020-21: £20k - £111k).

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

Civil Service and other Compensation Scheme

Within Transport Scotland, no members of staff agreed departures under the Civil Service Compensation Scheme rules in 2021-22. There were no members of staff who agreed departures under the scheme in 2020-21.

No members of staff retired on ill health grounds in 2021-22 (2020-21: nil).

	2021-22 Midpoint £££	2020-21 Midpoint £££	Percentage Change
Highest Paid Director	112,500	112,500	-

	2021-22 Salary £££	2021-22 FTE	2020-21 Salary £££	2020-21 FTE	Average Percentage change
TS Employees	23,322,301	486.6	21,736,868	482.3	6.0

Pensions

Accrued pension represents the director’s total future entitlement to benefits payable from the Civil Service pension schemes based on reckonable service at 31 March 2022. The accrued pension includes service previous to becoming a Director and/or service in other departments.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

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

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

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

Transport Scotland’s contributions to the scheme in respect of the Senior Management Team amounted to £228,819 for the year to 31 March 2022. The external members of the Audit and Risk Committee do not participate in the Civil Service pension scheme.

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

The pension entitlements of the Executive Directors of Transport Scotland are shown in the adjacent table.

Calculated on normal retirement age (NRA) where pension entitlement is due at that age or current age if over NRA.

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

	Lump Sum at NRA as at 31 March 2022	Real Increase in Lump Sum at age NRA	Accrued Pension at age NRA as at 31 March 2022	Real Increase in Pension at age NRA	CETV as at 31 March 2022	CETV as at 31 March 2021	Real Increase in CETV in 2021-22
	£000	£000	£000	£000	£000	£000	£000
Roy Brannen	95-100	0 – 2.5	45-50	0 – 2.5	919	880	24
Hugh Gillies	0	0	30-35	2.5 – 5.0	575	513	31
Stuart Grieg	0	0	15-20	0 – 2.5	210	185	14
Alison Irvine	0	0	15-20	0 – 2.5	216	194	12
Laura Murdoch	0	0	25-30	0 – 2.5	324	309	6
Frances Pacitti	0	0	10-15	0 – 2.5	116	96	11
Bill Reeve	0	(0 – 2.5)	55-60	(0 – 2.5)	1,806	1,688	(6)
Michelle Quinn	0	0	20-25	0 – 2.5	307	308	1
Lee Shedden	0	0	15-20	0 – 2.5	261	259	3
Fiona Brown	0	0	10-15	0 – 2.5	110	106	2
Lawrence Shackman	60-65	0	20-25	0 – 2.5	532	505	3
Bettina Sizeland	0	0	15-20	0 – 2.5	295	293	2
Kerry Twyman	0	0	30-35	0 – 2.5	409	373	24
Stewart Leggett	0	0	20-25	0 – 2.5	352	337	0

This pension data was supplied to Transport Scotland by MyCSP for all of the Directors, with the exception of Bill Reeve, whose information was supplied by RAILPEN <https://www.railpen.com/>.

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

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

Parliamentary Accountability Report

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

Regularity of Expenditure

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

Fees and Charges

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

Remote Contingent Liabilities

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

Gifts

There were none.

Losses and Special Payments

Irrecoverable costs no longer being pursued amounted to £0.313 million in respect of 20 cases and these have now been written off. No individual case exceeded £250,000.

Scottish Parliament Committee Appearances

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

Net Zero and Transport Committee

Net Zero Energy and Transport Committee

- **Date:** Tuesday, March 15, 2022
Transfer of operation of ScotRail
- **Date:** Tuesday, March 8, 2022
National Bus Travel Concession Schemes (Miscellaneous Amendments) (Scotland) Order 2022 [draft]
- **Date:** Tuesday, February 22, 2022
Workplace Parking Licensing (Scotland) Regulations 2022
- **Date:** Tuesday, February 8, 2022
Workplace Parking Licensing (Scotland) Regulations 2022 (SSI 2022/4)

- **Date:** Tuesday, February 1, 2022
Scottish Government's Budget 2022-23
- **Date:** Tuesday, September 28, 2021
National Bus Travel Concession Scheme for Young Persons (Scotland) Amendment Order 2021 [draft]

Public Audit Committee

- **Date:** Thursday, March 24, 2022
The 2020-21 audit of Scottish Canals



Michelle Quinn

Interim Chief Executive

07 October 2022

Independent Auditor's Report

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



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Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Transport Scotland for the year ended 31 March 2022 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2022 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

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

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

Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.



Reporting on other requirements

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

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

Other information

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

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

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

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

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

Matters on which I am required to report by exception

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

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

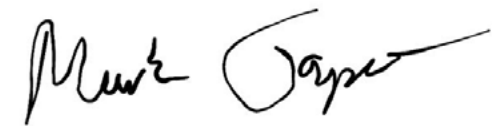
I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Mark Taylor CPFA

Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

07 October 2022

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 **Annual Accounts**

Statement of Comprehensive Net Expenditure for the year ended 31st March 2022

	Note	Staff Costs £000's	Other Costs £000's	Income £000's	2021-22 Total £000's	2020-21 Total £000's
Administration costs						
Staff costs	2	15,146			15,146	15,009
Other administration costs	3		6,919		6,919	5,013
Total administration costs					22,066	20,023
Programme costs						
Staff costs	2	15,248			15,248	12,740
Other programme costs	4		3,164,663		3,164,663	3,062,252
Income	5			(12,995)	(12,995)	(14,866)
Total programme costs					3,166,916	3,060,125
Total		30,395	3,171,582	(12,995)	3,188,982	3,080,148
Net operating costs for the year ended 31 March 2022					3,188,982	3,080,148

Other Comprehensive Net Expenditure

	Note	2021-22 £000's	2020-21 £000's
Items that will not be reclassified to net operating costs:			
Net (gain) / loss on:			
- revaluation of property, plant and equipment	6	(2,273,228)	32,136
- revaluation of intangibles		0	0
		(2,273,228)	32,136
Items that may be reclassified subsequently to net operating costs:			
Net (gain) / loss on:			
- revaluation of assets held for sale	8	0	0
Total comprehensive net expenditure for the year ended 31 March 2022		915,754	3,112,284

All income and expenditure is derived from continuing activities.

Statement of Financial Position
as at 31st March 2022

	Note	£000's	31 March 2022 £000's	£000's	31 March 2021 £000's
Non-current assets					
Property, plant & equipment	6	23,608,232		21,322,186	
Intangible assets	7	0		0	
Financial assets	9	313,290		267,980	
Other receivables	10	40,000		50,000	
Total non-current assets			23,961,522		21,640,165
Current assets					
Assets held for sale	8	0		0	
Financial assets	9	10,648		10,370	
Trade and other receivables	10	89,064		143,552	
Cash & cash equivalents		0		0	
Total current assets			99,713		153,922
Total assets			24,061,235		21,794,087

Statement of Financial Position
as at 31st March 2022 cont'd...



Michelle Quinn

Interim Chief Executive

07 October 2022

The notes on pages 101 to 140 form part of these accounts.

	Note	£000's	31 March 2022 £000's	£000's	31 March 2021 £000's
Current liabilities					
Trade and other payables	11	(376,976)		(287,454)	
Provisions	12	(23,775)		(17,428)	
Total current liabilities			(400,751)		(304,882)
Total assets less current liabilities			23,660,484		21,489,206
Non-current liabilities					
Other payables and financial liabilities	11	(1,073,874)		(1,112,294)	
Provisions	12	(3,864)		(12,117)	
Total non-current liabilities			(1,077,738)		(1,124,411)
Assets less liabilities			22,582,746		20,364,796
Taxpayers' equity					
General fund	SoCTE		12,400,936		12,184,094
Revaluation reserve	SoCTE		10,181,810		8,180,702
Total taxpayers' equity			22,582,746		20,364,796

Cash Flow Statement for the year ended 31st March 2022

	Note	2020-21 £000's	2019-20 £000's
(A) Cash flows from operating activities			
Net operating cost	SoCNE	(3,188,982)	(3,080,148)
Adjustments for non-cash transactions	3/4	175,793	40,544
Decrease / (increase) in trade and other receivables	13	64,488	(89,190)
Adjustment for the revaluation element of assets held for sale	8	0	0
Increase / (decrease) in trade and other payables	13	210,418	27,527
Increase / (decrease) in provisions	13	(1,906)	(16,878)
Adjustment for interest element of PFI contracts	4	76,741	71,875
Net cash outflow from operating activities		(2,663,447)	(3,046,270)
(B) Cash flows from investing activities			
Purchase of property, plant and equipment	6	(176,127)	(137,033)
Transfers (note 6 transfer line)	6	33	
Disposal of property, plant and equipment	6	197	0
Increase / (decrease) in capital accruals	13	(123,722)	30,355
Voted loans and Other Funds	9	(45,589)	59,402
Net cash outflow from investing activities		(345,208)	(47,276)
(C) Cash flows from financing activities			
Funding from the Scottish Government	SoCTE	3,182,200	3,353,485
Inter Entity transfers	SoCTE	(61,210)	(151,625)
Capital element of payments - finance leases and On Balance Sheet PFI contracts	13	(35,593)	(36,439)
Interest element of PFI contracts	4	(76,741)	(71,875)
Net Financing		3,008,656	3,093,546
Net increase / (decrease) in cash and cash equivalents in the period		0	0
Cash and cash equivalents at the beginning of the period		0	0
Cash and cash equivalents at the end of the period		0	0

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Statement of Changes in Taxpayers Equity for the year ended 31st March 2022

	Note	General Fund £000's	Revaluation Reserve £000's	Total Reserves £000's
Balance at 31st March 2020		12,111,517	8,239,048	20,350,565
Changes in taxpayers' equity for 2020-21				
Net gain / (loss) on revaluation of property, plant and equipment	6	0	(32,136)	(32,136)
Non-current assets adjustments		0	0	0
Roads trunkings / de-trunkings	6	0	0	0
Roads historic value adjustment	6	(75,587)		(75,587)
Transfers to Scottish Government	6	0	0	0
Realised element of the revaluation reserve		26,266	(26,210)	56
Inter-Entity transfers		(151,625)	0	(151,625)
Non-cash charges - auditors remuneration	3	186	0	186
Net operating costs for the year	SoCNE	(3,080,148)	0	(3,080,148)
Total recognised income and expense for 2020-21		(3,280,908)	(58,346)	(3,339,254)
Funding from Scottish Government		3,353,485	0	3,353,485
Balance at 31st March 2021		12,184,094	8,180,702	20,364,796
Changes in taxpayers' equity for 2021-22				
Net gain / (loss) on revaluation of property, plant and equipment	6	0	2,273,228	2,273,228
Non-current assets adjustments		0	0	0
Roads trunkings / de-trunkings	6	0	0	0
Roads historic value adjustment	6	12,524		12,524
Transfers to Scottish Government	6		0	0
Realised element of the revaluation reserve		272,120	(272,120)	0
Inter-Entity transfers		(61,210)	0	(61,210)
Non-cash charges - auditors remuneration	3	190	0	190
Net operating costs for the year	SoCNE	(3,188,982)	0	(3,188,982)
Total recognised income and expense for 2021-22		(2,965,358)	2,001,108	(964,250)
Funding from Scottish Government		3,182,200	0	3,182,200
Balance at 31st March 2022		12,400,936	10,181,810	22,582,746

1. Statement of Accounting Policies

The accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual (FReM).

The particular accounting policies applied by Transport Scotland are described in this section. The accounts are prepared using, where necessary, estimation techniques which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard 8.

Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note. There is the possibility that there may be outcomes within the next financial year that differ from those made this year and consequently these may require a material adjustment to the carrying amount of an affected asset or liability.

1.1 Accounting Convention

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

- IFRS 16 – Leases. This replaces IAS 17. The implementation of this standard has been deferred for central government bodies and will therefore be applicable to Transport Scotland for 2022-23. The impact of this is anticipated to eliminate accounting for operating leases, and recognise the value of all leased and other ‘right of use’ assets specified to operators, in contracts for the provision of services in the Statement of Financial Position. The impact on Transport Scotland Accounts is expected to relate to the potential value of assets that require to be accounted for in terms of right to use, but this is still under investigation in

order to confirm and work continues on the identification, collation and review of information across all business areas to facilitate this and in general preparation for implementation. This work is significant.

- Amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’. The amendments clarify the meaning of materiality and the definition of users of financial information. This has been reviewed and judged to have minimal impact for Transport Scotland. IFRS 15 ‘Revenue from Contracts with Customers’ has also been assessed as having minimal impact on Transport Scotland.

- IFRS 17 – the date of application of IFRS 17 has been deferred to 1 January 2023. It continues to be reviewed and the impact considered, although it is anticipated that it will have minimal relevance to Transport Scotland.
- A number of narrow-scope amendments to IFRS 3, IFRS 5, IAS 16, IAS 17 and some improvements on IFRS 1, IFRS 9, IFRS 10 and IAS 41 have minimal impact on Transport Scotland.

1.2 Trunkings / Detrunkings

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

1.3 Property, Plant and Equipment (PPE)

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

1.4 Capitalisation Policy

The trunk road network is recognised as a single infrastructure asset in accordance with FReM, as a variation of IFRS 16. However it comprises four distinct elements that are accounted for differently: Land; Road Pavement; Structures; and Communications. Subsequent expenditure is capitalised where it adds to the service potential or replaces the existing elements of assets that were previously identified in the Road Authorities Asset Valuation System (RAAVS). Expenditure that does not replace or enhance service potential will be expensed as a charge to the Statement of Comprehensive Net Expenditure. Where a scheme is subsequently cancelled the capital costs are written off to the Statement of Comprehensive Net Expenditure. Any retained land or building assets are transferred to the land and buildings category where it is not currently possible to market them for sale or to Assets Held for Sale where they are being marketed for sale.

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

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

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

Valuation

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

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

Infrastructure Assets - the road network

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

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

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

The indexation factors applied are:

Road Pavement and Structures	Baxter Index, published quarterly by the Department for Business, Energy and Industrial Strategy (BEIS).
Communications	Traffic Scotland provide new gross depreciated values each year.
Land	Land indices produced by VOA

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

Assets Under Construction

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

Land and Buildings

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

Information Technology

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

1.5 Depreciation

Infrastructure assets - the road network

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

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

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

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

Non-Infrastructure Assets

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

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

1.6 Assets Held For Sale

A property is derecognised and held for sale when:

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

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

1.7 Intangible Non-Current Assets

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

1.8 Financial Assets

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

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

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

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

1.9 Investment in Equities

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

As all financial assets previously categorised as available-for-sale financial assets have been re-categorised as equity instruments held at fair value through other comprehensive net expenditure. Measurement at fair value may require the use of accounting estimates and so may give rise to estimation uncertainty.

In valuing instruments for which there is no active market, we have used estimation techniques which reflect, so far as practicable, those that would be used by market participants, making maximum use of observable inputs.

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

1.10 Trade and Other Payables

These are financial liabilities other than those classified as held at fair value through Net Operating Expenditure and those classified as financial guarantee contracts.

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

1.11 Private Finance Transactions (PFI/PPP/NPD)

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

1.12 Leases

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

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

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

The treatment of Leases will be impacted by the applicability, from 2022-23, of IFRS 16.

1.13 Provisions

Legal and constructive obligations that are of uncertain timing or amount are provided for in the Statement of Financial Position at 31 March on the basis of the best estimate available. These are accounted for under IAS 37. Provisions are charged to the Statement of Comprehensive Net Expenditure unless they will be capitalised as part of additions to non-current assets. Major projects provisions relates to compensation claims made in respect of work done under the projects that have not yet been fully settled.

1.14 Other Infrastructure Expenditure

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

1.15 Operating Income

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

1.16 Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme. Administration costs reflect the costs of running the Agency and include staff costs as well as accommodation, services and supplies. Programme costs reflect the costs of operating, maintaining, managing and improving the road, rail, aviation and maritime infrastructure for which we have responsibility as well as those incurred in delivering transport policies, such as concessionary fares, and grants and subsidies to contribute to the provision of rail, bus, ferry and air services. The allocation of costs between administration and support of the programme work is reviewed in year, and can result in reallocation of staff costs and a consequential reduction in expenditure classed as administration.

1.17 Grants Payable

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

1.18 Pensions

Past and present employees are mainly covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme or Alpha Scheme, more details of which can be found in Note 2. The PCSPS is an unfunded multi-employer defined benefit scheme. Transport Scotland's contributions are recognised as a cost in the year. The Alpha Scheme provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

1.19 Contingent Liabilities

Contingent Liabilities are disclosed in respect of:

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

1.20 VAT

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

1.21 Segmental Reporting

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

1.22 Employee Benefits

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

1.23 Critical Accounting Estimates

Critical accounting estimates are used in the calculation of the valuations for the road network, for the recognition and valuation of provisions, for the outstanding claims under the Concessionary Travel Scheme and for the valuation of assets and liabilities under Private Finance arrangements.

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

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

- Recognition and the valuation of provisions**
 Due to the long term nature of our road and rail improvement schemes certain assumptions and judgements are required to be made for the estimated cost of land acquisition and compensation claims. This is due to the often protracted negotiation periods involved and the initial uncertainty over both the financial value and the final payment date of any compensation.
- Valuation of accruals**
 Due to the timing and availability of final year end information from external suppliers for Concessionary Travel, Rail and Roads maintenance, certain assumptions and judgments are required to be made when determining final accruals.

2. Staff Numbers and Costs

The costs of staff employed on the design, procurement and management of capital projects undertaken by Transport Scotland have been charged to capital expenditure in respect of the projects identified in the year.

These have been identified in the table on the right along with prior year figures to reflect costs similarly capitalised in that year. These costs are included with the project costs in Note 4.

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

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

Staff costs comprise:

	2021-22 Permanently Employed Staff £000's	Others £000's	Total £000's	2020-21 Permanently Employed Staff £000's	Others £000's	Total £000's
Administration						
Wages and salaries costs	10,562	625	11,188	10,417	1,079	11,496
Social security costs	1,125	0	1,125	990	0	990
Other pension costs	2,834	0	2,834	2,511	0	2,511
Early retirement costs	0	0	0	12	0	12
	14,521	625	15,146	13,930	1,079	15,009
Programme						
Wages and salaries costs	9,685	1,781	11,466	8,411	1,031	9,442
Social security costs	1,116	0	1,116	995	0	995
Other pension costs	2,666	0	2,666	2,303	0	2,303
	13,467	1,781	15,248	11,709	1,031	12,740
Total staff costs to be charged to Comprehensive Net Expenditure	27,988	2,406	30,394	25,639	2,110	27,750
Capitalised Programme:						
Wages and salaries costs	4,088	62	4,150	2,721	46	2,767
Social security costs	259	0	259	265	0	265
Other pension costs	657	0	657	666	0	666
	5,003	62	5,066	3,652	46	3,698
Total staff costs charged to Capital Expenditure	5,003	62	5,066	3,652	46	3,698
Total Combined Staff Costs	32,990	2,468	35,460	29,291	2,156	31,448

Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and as a result Transport Scotland is unable to identify its share of the underlying liabilities. The scheme is therefore accounted for as a defined contribution scheme. The scheme Actuary valued the scheme liabilities at 31 March 2022. Details can be found in the resource accounts of the Cabinet Office at www.civilservicepensionscheme.org.uk.

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

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

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

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

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

For 2021-22, employers' contributions of £6,157k (2020-21, £5,480k) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands. The scheme Actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2021-22 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Average numbers of persons employed

	2021-22 Permanent Staff	Others	Total	2020-21 Permanent Staff	Others	Total
Aviation, Maritime, Freight & Canals	46	1	47	41	1	42
Bus, Accessibility and Active Travel	69	10	79	56	6	62
Finance and Other (CEO)	53	7	60	53	4	57
Low Carbon Economy	27	5	32	21	1	22
Major Projects	58	10	68	58	11	69
Rail	61	4	65	68	4	72
Roads	108	20	128	106	15	121
Transport Strategy & Analysis	62	20	82	56	6	62
Total average staff numbers	484	77	561	459	48	507

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

3. Other Administration Costs

	Note	2021-22 £000's	2020-21 £000's
Rentals under operating leases		1,326	1,093
Accommodation		3,031	1,120
Office costs and supplies		1,578	1,598
Travel		60	101
Training		30	55
Consultancy		173	121
Non-cash items			
Depreciation	6/7	532	738
Auditors' remuneration and expenses – external	22	190	186
Total administration costs		6,919	5,013

4. Programme Costs

Other programme expenditure	Note	2021-22 £000's	2020-21 £000's
Roads			
Capital maintenance		201,459	164,863
Current maintenance		128,753	122,322
PFI interest charges		76,741	71,875
PFI service charges		51,842	58,164
Rail			
Franchise*		831,649	937,267
Rail infrastructure in Scotland**		532,053	467,919
Other		875	1,674
Concessionary travel			
Smartcard applications		4,871	3,910
Concessionary travel schemes		232,228	223,013
Other public transport			
Major public transport projects - rail***		158,610	176,174
Transport information		521	452
Ferry services in Scotland		233,389	268,439
Air services in Scotland		90,094	74,128
Bus services in Scotland		145,107	174,656
Other transport directorate programmes		139,083	139,096
Low Carbon and Active Travel		92,060	89,612
Central Government grants to Local Authorities		55,255	49,069
AME Low Carbon Transaction Loans		15,000	0
Non-cash items			
Depreciation	6/7	175,072	39,619
Total other programme costs		3,164,663	3,062,251

* Payments to Abellio (£490m including Fixed Track Access Charges of £299m) and Serco (£43m) totalled £832m.

** The Rail Infrastructure in Scotland Capital Figure of £532m was paid directly to Network Rail.

*** Enhancement grant of £138m was paid directly to network rail and is disclosed in the "Major public transport projects rail" line

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5. Operating Income

Operating income principally arises from:

- interest receivable from loans to Caledonian Maritime Assets Limited (CMAL);
- rental income from land and properties acquired for road schemes and now surplus to requirements;
- sale of land and property which is surplus to the requirements of the road or rail scheme;
- European Social Funding;
- Other Income including re-imbusement from local authorities for work done.

	2021-22 £000's	2020-21 £000's
Programme income		
Interest receivable - loans	(5,204)	(8,355)
Rental income - land & properties	(9)	(9)
Other income	(5,557)	(71)
European Structural Fund (ESF) income	(2,422)	(1,105)
Ports income	0	(8)
Dividends	0	(5,000)
Profit on disposal of land	197	(318)
Total operating income	(12,995)	(14,866)

6. Property, Plant and Equipment

De-trunkings reflect the transfer of road assets to Local Authority control, with the corresponding entry flowing through the General Fund (SoCTE). These are zero in 2021-22. Transfers and reclassifications include roads and associated land and buildings, which have transferred from Local Authority control as a result of the trunking of those particular sections of the road network.

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

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

2021-22	Road Network £000's	Land £000's	Buildings £000's	Transport £000's	IT £000's	Leasehold Improvements £000's	Assets under Construction £000's	Total £000's
Cost or Valuation								
At 1st April 2021	25,202,207	6,656	11,036	84	4,609	1,507	551,801	25,777,901
Detrunkings	0	0	0	0	0	0	0	0
Additions	61,885	16	0	51	0	0	114,175	176,127
Disposals	0	(197)	0	0	0	0	0	(197)
Revaluation	2,724,683	0	0	0	(1)	1	0	2,724,683
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	26,323	0	0	0	0	0	0	26,323
Transfers and reclassifications	0	0	0	0	0	0	0	0
Transfers (to)/from assets held for sale	120,664	0	774	0	0	0	(121,438)	0
Balance at 31st March 2022	28,135,762	6,475	11,810	135	4,608	1,508	544,538	28,704,837
Depreciation								
At 1st April 2021	4,445,328	0	4,216	55	4,610	1,506	0	4,455,715
Detrunkings	0	0	0	0	0	0	0	0
Charge for the year	175,072	0	513	18	0	0	0	175,603
Disposals	0	0	0	0	0	0	0	0
Revaluation	451,455	0	0	0	(2)	2	0	451,455
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	13,799	0	0	0	0	0	0	13,799
Transfers and reclassifications	0	0	0	33	0	0	0	33
Balance at 31st March 2022	5,085,654	0	4,729	106	4,608	1,508	0	5,096,605
Net Book Value at 31st March 2022	23,050,108	6,475	7,081	29	0	(0)	544,538	23,608,231
Net Book Value at 31st March 2021	20,756,878	6,656	6,820	29	(1)	1	551,801	21,322,185
Asset Financing								
Owned	19,769,448	6,475	6,999	29	0	(27)	544,538	20,327,462
Finance Leased	0	0	0	0	0	0	0	0
On Balance Sheet PFI	3,280,660	0	0	0	0	0	0	3,280,660
Donated	0	0	82	0	0	27	0	109
Net Book Value at 31st March 2022	23,050,108	6,475	7,081	29	0	(0)	544,538	23,608,231

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

2020-21	Road Network £000's	Land £000's	Buildings £000's	Transport £000's	IT £000's	Leasehold Improvements £000's	Assets under Construction £000's	Total £000's
Cost or Valuation								
At 1st April 2020	25,296,796	6,566	10,887	84	4,609	1,507	467,645	25,788,095
Detrunings	0	0	0	0	0	0	0	0
Additions	13,082	0	0	0	0	0	123,951	137,033
Disposals	0	0	0	0	0	0	0	0
Revaluation	(61,578)	90	149	0	0	0	0	(61,339)
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	(85,888)	0	0	0	0	0	0	(85,888)
Transfers and reclassifications	39,795	0	0	0	0	0	(39,795)	(0)
Transfers (to)/from assets held for sale	0	0	0	0	0	0	0	0
Balance at 31st March 2021	25,202,207	6,656	11,036	84	4,609	1,507	551,801	25,777,901
Depreciation								
At 1st April 2020	4,445,275	0	3,520	40	4,608	1,480	0	4,454,923
Detrunings	0	0	0	0	0	0	0	0
Charge for the year	39,613	0	640	15	2	26	0	40,296
Disposals	0	0	0	0	0	0	0	0
Revaluation	(29,259)	0	56	0	0	0	0	(29,203)
Current valuation adjustments	0	0	0	0	0	0	0	0
Historic valuation adjustments	(10,301)	0	0	0	0	0	0	(10,301)
Transfers and reclassifications	0	0	0	0	0	0	0	0
Balance at 31st March 2021	4,445,328	0	4,216	55	4,610	1,506	0	4,455,715
Net Book Value at 31st March 2021	20,756,879	6,656	6,820	29	(1)	1	551,801	21,322,186
Net Book Value at 31st March 2020	20,851,521	6,566	7,367	44	1	27	467,645	21,333,172
Asset Financing								
Owned	17,819,651	6,656	6,840	29	(1)	0	551,801	18,384,977
Finance Leased	0	0	0	0	0	0	0	0
On Balance Sheet PFI	2,937,228	0	0	0	0	0	0	2,937,228
Donated	0	0	(20)	0	0	0	0	(20)
Net Book Value at 31st March 2021	20,756,879	6,656	6,820	29	(1)	1	551,801	21,322,186

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7. Intangible Assets

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

	2021-22 £000's	2020-21 £000's
At replacement cost or valuation		
At 1 April	554	554
Additions	0	0
Disposals	0	0
Balance at 31 March	554	554
Accumulated amortisation		
At 1 April	554	548
Charge for the year	0	6
Revaluations	0	0
Disposals	0	0
Balance at 31 March	554	554
Net Book Value at 31 March	0	0

8. Assets Held For Sale

There were no assets presented for sale by Transport Scotland in 2021-22 (2020-21: nil). Assets classified as held for sale are measured at the lower of their carrying amount immediately prior to their classification as held for sale and their fair value less costs to sell. Assets held for sale are not subject to depreciation or amortisation.

	2021-22 £000's	2020-21 £000's
Balance at 1 April	0	0
Transfers to non-current assets	0	0
Transfers from non-current assets	0	0
Disposals	0	0
Change arising on revaluation	0	0
Balance at 31 March	0	0

9. Financial Assets

Investments in entities that are not classified to central government are financial instruments within the scope of IFRS 9. (See Note 1.9).

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

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

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

2021-22	Interests in Nationalised Industries & Limited Companies £000's	Voted Loans £000's	Other Funds £000's	Total £000's
Balance at 1st April 2021	20,550	129,111	118,319	267,980
Add element reported within current assets	0	8,801	1,569	10,370
Advances and repayments				
Cash advances	0	37,094	33,432	70,526
Transfers	0	0	0	0
Repayments	0	(8,801)	(1,137)	(9,938)
Less				
Impairments/ Write-offs	0	0	(15,000)	(15,000)
Balance at 31st March 2022	20,550	166,204	137,184	323,938
Loans repayable within 12 months transferred to current assets	0	(8,928)	(1,720)	(10,648)
Balance at 31st March 2022	20,550	157,276	135,463	313,290
2020-21				
Balance at 1st April 2020	20,550	222,735	84,126	327,411
Add element reported within current assets	0	8,772	1,569	10,341
Advances and repayments				
Cash advances	0	1,760	36,000	37,760
Transfers	0	(86,978)	0	(86,978)
Repayments	0	(8,377)	(433)	(8,810)
Less				
Impairments/ Write-offs	0	0	(1,374)	(1,374)
Balance at 31 March 2021	20,550	137,912	119,888	278,350
Loans repayable within 12 months transferred to current assets	0	(8,801)	(1,569)	(10,370)
Balance at 31 March 2021	20,550	129,111	118,319	267,980

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Highlands and Islands Airports Limited (HIAL)

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

Caledonian Maritime Assets Limited (CMAL)

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

David MacBrayne Limited

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

TS Prestwick HoldCo Limited

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

	TS Prestwick HoldCo Ltd £m	Highlands & Islands Airports Ltd £m	Caledonian Maritime Assets Ltd £m	David MacBrayne Ltd £m
Net assets / (liabilities) as at 31 March	(15.4)	(35.8)	121.6	34.7
Turnover	34.2	17.4	42.9	226.7
Profit / (loss) for the financial year	0.8	(3.3)	(12.1)	(1.5)

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

Scottish Rail Holdings Limited (SRH)

Scottish Ministers are the sole shareholder of SRH, which is the holding company of ScotRail Trains Limited (SRT) which took over the operation of Scotrail services on 1 April 2022. SRH is responsible for providing oversight and managing the provision of rail passenger services by SRT under the terms of a Grant Agreement.

Other Funds

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

In respect of IFRS 12, it should be noted that both HIAL and David MacBrayne are classed as Non Departmental Public Bodies (NDPB's), and are treated in accordance with the HM Treasury Consolidated Budgeting guidance which can be found at Consolidated budgeting guidance 2021 to 2022 - GOV.UK <https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2021-to-2022>

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

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

CMAL and Prestwick Airport are classed as Public Corporations.

Voted Loans

These represent loans that Transport Scotland provides to CMAL for the procurement of new shipping and to HIAL to renew and improve commercial airport infrastructure.

10. Trade Receivables and Other Assets

10a Analysis by classification	As at 31/03/22 £000's	As at 31/03/21 £000's
Amounts falling due within one year: Trade and other receivables		
Trade and other receivables	6,264	54
Damage claims	1,975	1,761
Prepayments and accrued income	80,825	141,737
	89,064	143,552
Amounts falling due after more than one year:		
Prepayments and other receivables	40,000	50,000
	40,000	50,000
10b Intra-Government balances		
	As at 31/03/22 £000's	As at 31/03/21 £000's
Amounts falling due within one year: Intra-Government balances		
Other Central Government bodies	35,165	565
Local Authorities	8,734	23
Public corporations and trading funds	0	(0)
	43,898	588
Balances with bodies external to Government	45,166	142,964
Total receivables	89,064	143,552
Amounts falling due after more than one year: Intra-Government balances		
Other Central Government bodies	0	0
Local Authorities	0	0
Public corporations and trading funds	0	0
	0	0
Balances with bodies external to Government	40,000	50,000
Total receivables	40,000	50,000

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

Loans, trade receivables and accrued income are accounted for in accordance with IFRS 9 (See Note1.8). Trade receivables are shown net of a provision for impairment as follows on the right:

	As at 31/03/22 £'000	As at 31/03/21 £'000
At 1 April	0	0
Charge for the year	0	0
Unused amount released	0	0
Utilised during the year	0	0
At 31 March	0	0

11. Trade payables and other liabilities

Trade Payables and Other Liabilities are accounted for in accordance with IFRS 9, (See Note 1.10).

11a Analysis by classification	As at 31/03/22 £000's	As at 31/03/21 £000's
Amounts falling due within one year: Trade and other payables		
Trade payables	47,871	22,939
Accruals	238,053	146,524
Other payables	52,550	82,314
Financial liabilities – PFI	38,419	35,593
Deferred income	83	83
	376,976	287,454
Amounts falling due after more than one year:		
Other payables	292	292
Financial liabilities – PFI	1,073,583	1,112,002
	1,073,875	1,112,294
11b Intra-Government balances		
	As at 31/03/22 £000's	As at 31/03/21 £000's
Amounts falling due within one year: Intra-Government balances		
Other Central Government bodies	2,524	5,159
Local Authorities & Health Boards	42,603	40,667
Public corporations and trading funds	61,991	37,698
	107,118	83,524
Balances with bodies external to Government	269,858	203,929
Total payables	376,976	287,454
Amounts falling due after more than one year: Intra-Government balances		
Other Central Government bodies	0	0
Local Authorities & Health Boards	0	0
Public corporations and trading funds	0	0
	0	0
Balances with bodies external to Government	1,073,875	1,112,294
Total payables	1,073,875	1,112,294

12. Provisions for Liabilities and Charges

Land and Property Acquisition

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

Major Projects

Major projects provision relates to compensation claims made in respect of work done on projects that have not yet been fully settled. There are no such provisions in 2021-22.

12a Provisions for liabilities and charges 2021-22	Land and Property Acquisition £000's	Major Projects £000's	Other £000's	Total £000's
Balance as at 1st April 2021	26,494	0	3,051	29,545
Provided in year	0	0	7	7
Provisions not required written back	0	0	0	0
Provisions utilised in year	(1,692)	0	0	(1,692)
Discount amortised	(222)	0	1	(221)
Balance as at 31st March 2022	24,580	0	3,059	27,639
2020-21				
Balance as at 1st April 2020	40,985	0	5,438	46,423
Provided in year	0	0	15	15
Provisions not required written back	(10,909)	0	(2,370)	(13,279)
Provisions utilised in year	(4,285)	0	(33)	(4,318)
Discount amortised	703	0	1	704
Balance as at 31st March 2021	26,494	0	3,051	29,545

Provisions for liabilities and charges are accounted for in accordance with IAS 37 (See Note 1.13)

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

Other

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

12b Analysis of expected timing of discounted flows	Land and Property Acquisition £000's	Major Projects £000's	Other £000's	Total £000's
In the remainder of the period to 2023	20,743	0	3,032	23,775
Between 2024 and 2027	3,837	0	27	3,864
Between 2027 and 2032	0	0	0	0
Thereafter	0	0	0	0
Balance as at 31st March 2022	24,580	0	3,059	27,639
In the remainder of the period to 2022	14,400	0	3,028	17,428
Between 2022 and 2025	12,094	0	23	12,117
Between 2026 and 2030	0	0	0	0
Thereafter	0	0	0	0
Balance as at 31st March 2021	26,494	0	3,051	29,545

13. Movement on Working Capital Balances

	Note	As at 31/03/22 £000's	As at 31/03/21 £000's	2021-22 Net Movement £000's	2020-21 Net Movement £000's
Receivables					
Due within one year	8/10	89,064	143,552	54,488	(91,742)
Due after more than one year	10	40,000	50,000	10,000	2,552
Net (increase) / decrease		129,064	193,552	64,488	(89,190)
Payables					
Due within one year	11	376,976	287,453	89,523	57,134
Due after more than one year	11	1,073,875	1,112,294	(38,419)	(35,691)
		1,450,851	1,399,747	51,105	21,443
Less: Lease and PFI creditors included in above	11	1,112,002	1,147,595	(35,593)	(36,439)
Less: Capital accruals included in the above		(44,424)	79,297	(123,721)	30,355
Net increase / (decrease)		383,273	172,855	210,418	27,527
Provisions	12	27,639	29,545	(1,906)	(16,878)
Net increase / (decrease)		27,639	29,545	(1,906)	(16,878)
Net movement increase / (decrease)		539,976	395,951	144,025	99,839

14. Capital Commitments

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

	As at 31/03/22 £000's	As at 31/03/21 £000's
Property, plant and equipment	1,118,178	860,039
Total contracted capital commitments for which no provision has been made	1,118,178	860,039

15. Commitments under Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the adjacent table, analysed according to the period in which the lease expires. Transport Scotland' Lease on Buchanan House will terminate in November 2023, and a new lease on a property in Bothwell Street will commence in November 2022. These events are reflected within the figures contained in the adjacent table. This area continues to be reviewed in preparation for compliance with IFRS 16 from financial year 2022-23.

Obligations under operating leases comprise:	As at 31/03/22 £000's	As at 31/03/21 £000's
Land & buildings		
Due within 1 year	2,820	1,290
Due after 1 year but not more than 5 years	7,741	0
Commitments thereafter	25,096	0
	35,657	1,290

16. Commitments under PFI Contracts

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

a) M6 (A74M) - the contract covers the design, construction and financing of 28.3km of new motorway, as well as the operation and maintenance of 90km of existing motorway. Payments are made under a shadow toll regime. The toll period began in July 1997 and expires in July 2027.

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

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

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

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

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

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

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16. Commitments under PFI Contracts cont'd...

Transport Scotland does not have any commitments under PFI contracts in respect of assets that are not reflected in the Statement of Financial Position.

Imputed finance lease obligations under PFI contracts comprise:	As at 31/03/22 £000's	As at 31/03/21 £000's	As at 31/03/20 £000's
Rentals due within 1 year	114,979	113,642	62,055
Rentals due within 2 to 5 years	460,696	461,565	247,497
Rentals due thereafter	1,563,445	1,676,246	1,153,274
	2,139,120	2,251,453	1,462,826
Less: Interest element (finance cost)	(1,027,117)	(1,103,858)	(278,792)
Total capital cost	1,112,003	1,147,595	1,184,034

Imputed service charge obligations under PFI contracts comprise:	As at 31/03/22 £000's	As at 31/03/21 £000's	As at 31/03/20 £000's
Service charge due within 1 year	38,326	57,333	40,652
Service charge due within 2 to 5 years	137,810	136,521	89,854
Service charge due thereafter	1,091,265	1,132,189	263,756
Total service charge	1,267,401	1,326,043	394,262

17. Other Financial Commitments – Rail

Our responsibility for rail includes setting strategic outcomes for Network Rail in relation to the Operation, Maintenance, Renewal (OMR) and Enhancement of the rail infrastructure in Scotland, as well as the services to be delivered through the rail franchises we are responsible for, agreeing the projected expenditure and securing the funding required to support this.

Network Rail outputs and associated funding for Control Period 6 (CP6) from 1 April 2019 to 31 March 2024 was determined by the Office of Rail Regulation (ORR). Transport Scotland managed Network Rail delivery and funding of specified outputs on the Scottish rail network under a Memorandum of Understanding agreed with the UK Government following reclassification with regulatory oversight from the ORR. The funding for these activities is payable directly to Network Rail by Transport Scotland under the terms of a Network Grant. The major projects specified by Scottish Ministers for Network Rail to undertake are determined by Transport Scotland. The funding for these activities is payable directly to Network Rail by Transport Scotland under the terms of an Enhancement Grant.

The Determination for the current control period, CP6 includes the funding reflected below. The overall funding available for Network Rail in the control period, including Enhancement Grant, was published in the Statement of Funds Available.

Transport Scotland also subsidised both of the rail operators that provide services in Scotland. These were Abellio ScotRail and Serco Caledonian Sleeper Limited. The total amount charged to the Statement of Comprehensive Net Expenditure reflects the grants paid to Network Rail for OMR and enhancements and subsidy payments for Abellio ScotRail and Serco Caledonian Sleeper train operators. This is summarised below:

	2021-22 £000's	2020-21 £000's
Network Rail OMR	532,053	467,919
Network Rail Enhancement Grant	138,595	163,655
Abellio ScotRail	788,857	885,422
Serco Caledonian Sleeper Limited	42,791	51,845
Total	1,502,296	1,568,841

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17. Other Financial Commitments – Rail cont'd...

The figures on the previous page include costs and savings identified in relation to COVID-19 measures to support stakeholders and bodies providing services for Transport Scotland. Additional funding totalling £188 million (as referred to within Financial Performance and use of resources) was made available for this purpose.

Amounts due to support the operators of these services in future years, analysed between those periods where the commitment falls, are presented in the adjacent table. Note that the Abellio ScotRail franchise ended and the services were transferred to the Operator of Last Resort (OLR) Scotrail Trains Ltd from 1st Apr 2022.

The Scottish government has also announced a decision to terminate the contract to run the Caledonian Sleeper service seven years early, and so from June 2023, the Caledonian Sleeper Service will no longer be operated within the terms of the current franchise agreement with Serco.

Work is under way to determine arrangements for the continued provision of Caledonian Sleeper rail services beyond 25 June 2023. The numbers in the adjacent table reflect the position as at 31 March 2022 prior to this announcement.

	Network Rail OMR and Enhancements £000's	ScotRail Trains £000's	Serco Caledonian Sleeper Limited £000's	Total £000's
Expiry within 0-12 months	671,000	684,000	29,176	1,384,176
Expiry within 1 to 2 years	692,000	728,000	30,000	1,450,000
Expiry within 2 to 5 years	2,548,451	2,310,331	96,000	4,954,782
Total	3,911,451	3,722,331	155,176	7,788,958

18. Financial Instruments

18a Financial Instruments by Category

18a Financial Instruments by Category 2021-22 Assets per Statement of Financial Position	Note	Total Financial Assets at Amortised Cost £000's	Total £000's
Trade and other receivables excluding prepayments, reimbursement of provisions and VAT recoverable		353,360	353,360
Balance as at 31st March 2022		353,360	353,360
Liabilities per Statement of Financial Position	Note	Other Financial Liabilities £000's	Total £000's
PFI liabilities	16	1,112,003	1,112,003
Trade and other payables excluding statutory liabilities (VAT, income tax and social security)		333,849	333,849
Balance as at 31st March 2022		1,445,852	1,445,852
18a Financial Instruments by Category 2020-21 Assets per Statement of Financial Position	Note	Total Loans & Receivables £000's	Total £000's
Trade and other receivables excluding prepayments, reimbursement of provisions and VAT recoverable		324,079	324,079
Balance as at 31st March 2021		324,079	324,079
Liabilities per Statement of Financial Position	Note	Other Financial Liabilities £000's	Total £000's
PFI liabilities	16	1,147,595	1,147,595
Trade and other payables excluding statutory liabilities (VAT, income tax and social security)		251,880	251,880
Balance as at 31st March 2021		1,399,475	1,399,475

18. Financial Instruments cont'd...

18b Financial Risk Factors

Exposure to Risk

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

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed are the contractual discounted cash flows. Balances due within 12 months are included at their carrying balances as the impact of discounting is not significant.

Cash Flow and Fair Value Interest Rate Risk

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

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

2021-22	Carrying value £000's	0-12 months £000's	1-2 years £000's	3-5 years £000's	5-10 years £000's	>10 years £000's
Non-derivative liabilities	1,112,003	38,419	40,807	128,604	214,544	689,629
Derivative liabilities	0	0	0	0	0	0
Total financial liabilities	1,112,003	38,419	40,807	128,604	214,544	689,629
2020-21	Carrying value £000's	0-12 months £000's	1-2 years £000's	3-5 years £000's	5-10 years £000's	>10 years £000's
Non-derivative liabilities	1,147,595	35,593	38,419	125,878	207,626	740,079
Derivative liabilities	0	0	0	0	0	0
Total financial liabilities	1,147,595	35,593	38,419	125,878	207,626	740,079

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19. Contingent Liabilities

19a Contingent Liabilities disclosed under IAS 37

As part of Transport Scotland's normal course of business, the Forestry Commission grants the right to use a forestry track as an emergency diversion route on the A83 Rest and Be Thankful on the understanding that TS has the liability for any incidents that may occur whilst the track is being used for this purpose. The potential obligation is estimated at £5 million but it is considered unlikely that any liability will occur.

19b Possible Contingent Liabilities not required under IAS 37 but included for parliamentary reporting and accountability purposes

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

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

- Operating agreements (ScotRail Grant and Caledonian Sleeper Rail Franchise Agreements) with indemnities to Serco Caledonian Sleeper Ltd commencing 1 April 2015 and ScotRail Trains commencing 1 April 2022;
- Indemnity clauses in roads contracts to compensate Network Rail for any damage or loss of access;

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

- s54 guarantees issued as part of rail rolling stock procurement process;
- Commitment towards the continued funding of the pension obligations of Scotrail Trains Ltd and Serco Caledonian Sleeper Ltd through the Grant and Franchise Agreements.

19. Contingent Liabilities cont'd...

iii. Other contingent liabilities held by Transport Scotland:

- Monklands Canal - maintenance of pipes under trunk roads.
- Transport Scotland has received a claim in respect of delays to construction of a car park extension at Central Car Auctions (CCA) in Baillieston. It is claimed delays were caused by water percolation from the adjacent Monklands Canal that Transport Scotland is responsible for maintaining. A compensation amount has been agreed and mediation took place in May 2022.
- Under the terms of the Clyde and Hebrides Ferry Services contract, Scottish Ministers are responsible for any increased pension costs due under the Calmac Pension Scheme. During 2021-22, Transport Scotland made an additional capital payment of £10.9 million to reduce the level of a historic deficit which has accumulated in the scheme, and to reduce the impact on resource budgets until the next tri-ennial review is carried out in April 2024. Whilst this payment addresses some of the more immediate concerns, without further action being taken to restructure the pension scheme, it is inevitable that further deficits will emerge in future years. It is however not possible to predict with any certainty the value of any such future deficits.
- Following the transfer of the operation of Scotrail passenger rail services from Abellio Scotrail to Scotrail Trains after 31 March 2022 a reconciliation of funds paid to Abellio Scotrail under the Emergency and Temporary Measures Agreements against the net costs incurred is required to be undertaken by the Autumn of 2022. This would entail an obligation on either party to recompense the other with the amount of funds due in respect of the difference between the funding paid compared to the net cost of discharging the obligations in these agreements. This represents a contingent liability in respect of a potential settlement that Transport Scotland may require to reimburse Abellio Scotrail should the reconciliation determine that the net costs incurred exceeded the funding provided.
- There are a number of compulsory purchase compensation claims ongoing, upon which some compensation may be payable in the future. These cases are currently ongoing and the amount payable has not been quantified at this stage.

20. Related Party Transactions

Transport Scotland is an Executive Agency of the Scottish Government. The Scottish Government is regarded as a related party with which it had various material transactions during the year. Scottish Rail Holdings Ltd, David MacBrayne Ltd, Caledonian Maritime Assets Ltd, TS Prestwick HoldCo Ltd and Highlands and Islands Airports Ltd are wholly owned subsidiaries in the name of the Scottish Ministers, with whom Transport Scotland also had various material transactions during the year. ScotRail Trains Limited and SOLR2 are subsidiaries of Scottish Rail Holdings Limited under the statutory Operator of Last Resort arrangements.

For the operation of ScotRail train services from April 2022, two of the companies were mobilised, Scottish Rail Holdings Limited and ScotRail Trains Limited. SOLR2 will remain dormant as a contingency for the Serco Caledonian Sleeper Rail Franchise.

Two of the directors of Transport Scotland, Bill Reeve and Lee Shedden (Transport Scotland Director until June 2021), were nominated as directors of these companies during this preparatory period (both Lee Shedden and Bill Reeve resigned as Directors of of ScotRail Trains Limited from 1 April 2022). Transport Scotland also sponsors (but does not own) British Waterways Scotland, trading as Scottish Canals, under a framework agreement.

Loans were advanced to and repaid by CMAL to fund vessel construction, and to HIAL to support airport infrastructure. Grants were paid to HIAL to subsidise its operating and capital expenditure and also to CMAL to fund agreed pier and harbour infrastructure projects. David MacBrayne Ltd is the parent company of Calmac Ferries Ltd and Argyll Ferries Ltd who operated ferry services under contracts with Transport Scotland, and which Transport Scotland supported via the payment of subsidies. TS Prestwick Holdco Limited is the parent company of the group who own and operate Glasgow Prestwick Airport. Transport Scotland has previously provided loan funding to the Group to cover the cash deficit arising from its operating deficit and capital expenditure, however there was no additional support provided by Transport Scotland in the current financial year.

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

Transport Scotland also had significant transactions with Local Authorities, Strathclyde Partnership for Transport, Scottish Water and the Tay Road Bridge Joint Board during the year, principally in relation to payment of grants to deliver specific transport objectives.

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

21. Segmental Reporting

21a Business Segments - Statement of Comprehensive Net Expenditure

2021-22 Total continuing segments	Resource £000's	Net Investment £000's	Income £000's	Non Cash £000's	AME £000's	ODEL £000's	Total £000's
Roads	134,276	201,671	96	175,072	0	128,583	639,698
Rail	541,744	984,198	(5,465)	0	0	0	1,520,477
Concessionary travel & bus services	380,590	4,404	(302)	1	0	0	384,693
Other public transport	27,288	0	0	532	0	0	27,820
Ferry services in Scotland	185,524	48,538	(4,181)	0	0	0	229,881
Air services in Scotland	53,901	36,183	(1,023)	0	0	0	89,061
Other transport directorate programmes	47,776	88,334	(2,120)	0	15,000	0	148,990
Scottish Futures Fund	1,049	92,059	0	0	0	0	93,108
Grants to Local Authorities	0	55,254	0	0	0	0	55,254
	1,372,148	1,510,641	(12,995)	175,605	15,000	128,583	3,188,982

2020-21 Total continuing segments	Resource £000's	Net Investment £000's	Income £000's	Non Cash £000's	AME £000's	ODEL £000's	Total £000's
Roads	120,958	171,561	(398)	39,612	0	130,039	461,772
Rail	659,897	926,093	0	0	0	0	1,585,990
Concessionary travel & bus services	400,610	2,537	(397)	6	0	0	402,756
Other public transport	23,506	0	0	738	0	0	24,244
Ferry services in Scotland	198,481	70,512	(12,134)	0	0	0	256,859
Air services in Scotland	49,976	24,152	(1,229)	0	0	0	72,899
Other transport directorate programmes	56,284	81,371	(708)	0	0	0	136,947
Scottish Futures Fund	0	89,612	0	0	0	0	89,612
Grants to Local Authorities	0	49,069	0	0	0	0	49,069
	1,509,712	1,414,907	(14,866)	40,356	0	130,039	3,080,148

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21. Segmental Reporting cont'd...

21b Business Segments – Capital Expenditure

2021-22 Total continuing segments	Trunk Road Maintenance £000's	Capital Projects £000's	Other Assets £000's	Voted Loans £000's	Total Capital Expenditure £000's
Roads	61,885	114,046	0	0	175,931
Rail	0	0	0	0	0
Other public transport	0	0	0	0	0
Ferry, aviation and other services in Scotland	0	0	0	60,589	60,589
	61,885	114,046	0	60,589	236,520

2020-21 Total continuing segments	Trunk Road Maintenance £000's	Capital Projects £000's	Other Assets £000's	Voted Loans £000's	Total Capital Expenditure £000's
Roads	13,082	123,951	0	0	137,033
Rail	0	0	0	0	0
Other public transport	0	0	0	0	0
Ferry, aviation and other services in Scotland	0	0	0	28,950	28,950
	13,082	123,951	0	28,950	165,983

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22. Notional Charges

The following notional charges have been included in the accounts:

	Note	2021-22 £000's	2020-21 £000's
Auditors' remuneration	3	190	186
		190	186

23. Losses and Special Payments

	Number of cases	2021-22 £000's	2020-21 £000's
Total cash losses	20	313	37
Details of cases over £250,000	0	0	0
Including – claims abandoned	20	313	37
– active claims	0	0	0

The costs of damage to the trunk road network due to road accidents are charged to Transport Scotland as part of the road maintenance programme. These costs are recovered from the party responsible through their insurance company wherever possible, except where there has been a fatal injury. The costs are held in a debtor account until the recovery is successful.

There is continuous review of the costs held in the debtor account and those deemed recoverable are identified. Irrecoverable costs no longer being pursued amounted to £0.313 million in respect of 20 cases and these have now been written off. No individual case exceeded £250,000.

24. Update on Prestwick Airport

In December 2021 the Scottish Parliament was advised that following careful consideration it was decided that the sale process to return Glasgow Prestwick Airport to the private sector should end and the business should continue in Government ownership for now. It remains the intention of the Scottish Government to return the business to the private sector when the time and circumstances are right for the business and for the Scottish Government as shareholder.



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Transport Scotland Direction

by The Scottish Ministers

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

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



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

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