

# Annual Accounts 2018/19



**Ze Trans**  
SHETLAND'S TRANSPORT PARTNERSHIP

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# Management Commentary

## Introduction

The Shetland Transport Partnership was established by, and exists in accordance with, the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005 made under the Transport (Scotland) Act 2005.

The Scottish Government agreed the change of name to Zetland Transport Partnership with the working name 'ZetTrans' on 20 September 2007 (ZetTrans minute ref 02/07).

The Partnership is primarily comprised of members established in the May 2017 local elections, as well a small number of changes made since that time. The membership currently consists of:

### Shetland Islands Council (SIC) Members:

Mr R Thomson (Chair)  
Mr R MacGregor (Vice-Chair)  
Mr A Priest  
Mr D Sandison

### Other Members:

Mr R Roberts (NHS Shetland, resigned position 28 February 2019)  
Mr. C Marsland (NHS Shetland, appointed 25 April 2019)  
Mrs R Hunter (HIE Shetland)

### Substitute Members:

Mr S Coutts (Council Member)  
Mr D Simpson (Council Member)

### Observer / Advisers:

Ms S Laurenson (Lerwick Port Authority, resigned position 16 November 2018)  
Mr C Grains (Lerwick Port Authority, appointed 13 December 2018)  
Mr S Mathieson (Visit Shetland)  
Mr James Smith (Sumburgh Airport Consultative Committee)  
Mr John Smith (Shetland Islands Council, Director of Infrastructure, Appointed 13 December 2018)

## Executive Officers:

**Lead Officer:** Michael Craigie, Executive Manager – Transport Planning, SIC.

**Proper Officer for Finance:** Jamie Manson, Executive Manager – Finance, SIC.

**Secretary and Proper Officer for Legal Proceedings:** Jan Robert Riise, Executive Manager – Governance & Law, SIC.

The purpose of the Management Commentary is to present an overview of ZetTrans' financial performance during the year 2018/19 and to help readers understand its financial position as at 31 March 2019. In addition, it outlines the main risks and uncertainties facing ZetTrans for the financial year 2018/19 and beyond.

## Background

Zetland Transport Partnership is one of seven Regional Transport Partnerships (RTPs) in Scotland, established under the Regional Transport Partnership (Establishment and Constitution) (Scotland) Order 2005. ZetTrans is required to develop a transport strategy for Shetland that supports economic well-being, promotes safety, social inclusion, equal opportunity and plans for a sustainable transport system, integrating across boundaries with other partnerships.

It does this by working together with a number of key stakeholders and interested bodies, including Shetland Islands Council, NHS Shetland, Highlands and Islands Enterprise, Transport Scotland, bus operators, airlines and ferry companies as well as industry bodies in Shetland covering tourism, hauliers, fishing and aquaculture. Its role continues to evolve and develop, as do other RTPs, to ensure that both regional and national objectives are sustainable and can be delivered efficiently.

The Annual Governance Statement refers to the review of its own governance and the importance of completing this.

ZetTrans has a duty, under the Community Empowerment (Scotland) Act 2015, to participate, as a Community Planning Partner, in the Shetland Partnership, and shares its vision that "Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges."

Shetland Islands Council, as the primary funder for ZetTrans, has been working to address an expected cumulative funding gap of £41m by 2023/24 by reducing costs and improving efficiency. To deliver on its obligations as an RTP and address this key financial challenge, ZetTrans refreshed the Shetland Transport Strategy, which was approved by the Partnership in June 2018.

## Strategy and Performance Management

### Revision of the Shetland Transport Strategy

After a decade of operation, and in line with many other RTPs, ZetTrans revisited and refreshed the Shetland Transport Strategy to bring it up to date. It incorporated the findings of other studies, such as the *Shetland Inter-island Transport Study* and the *Northern Isles Ferry Services (NIFS) STAG (Scottish Transport Appraisal Guidance) Study*. Recognising ZetTrans' role as a statutory partner in Community Planning, the refresh was carried out in conjunction with the development of Shetland's Partnership Plan 2018-2028, ensuring alignment with the Community Planning outcomes that ZetTrans aims to support.

The refresh was undertaken in three stages, with final approval gained in June 2018.

The refreshed Shetland Transport strategy is presented more comprehensively on the Partnerships website:  
<https://www.zettrans.org.uk/about/strategy>

### Key Performance Indicators

ZetTrans adopted an agreed range of 40 key performance indicators (KPIs) in September 2016. These statistics relate to a range of transport functions in place in the Shetland Islands, both within the scope of ZetTrans operations and those that are managed by others. As these continue to be measured and compiled, performance trends over time can be gauged. This will support ZetTrans in focussing efforts and policy to support the outcomes that are important to deliver national, regional and local outcomes. An update on the current range of KPIs is to be presented in the upcoming annual report.

The KPIs will be refined to reflect the implementation of the refreshed Transport Strategy, the supporting Delivery Plan and ZetTrans' obligations in relation to the Shetland

Partnership Plan. A revised set of indicators are intended to be presented to ZetTrans for approval in the last quarter of 2019, as a part of the Annual Report.

The key financial performance indicator is how the partnership has performed financially in comparison to it's the budget set at the beginning of the 2018/19 period. In this regard, ZetTrans fell short of this target by £0.373m. Comparing this to the previous financial period, where ZetTrans met its budget, delivering services with a £0.014m favourable variance. More information on this can be found in the Comparison of Outturn v Budget section.

### ZetTrans Annual Report

Under the Transport (Scotland) Act 2005, ZetTrans is required to produce an annual report setting out its overall performance and how this compares to its regional transport strategy and delivery programme. ZetTrans submitted its 2016/17 Annual Report to Transport Scotland in April 2018. A copy can be found at:  
<http://www.zettrans.org.uk/aboutus/AnnualReportandAccounts.asp>

The creation and delivery of the Shetland Transport Strategy, as well as temporary staff vacancies, has unfortunately resulted in a delay in the publication of the 2017/18 Annual Report, which will be published along with the 2018/19 report in September 2019.

### Inter-island Transport Study

During 2015/16 and 2016/17, ZetTrans worked in partnership with Shetland Islands Council and Transport Scotland to undertake a network wide study of inter-island transportation. This has established the Strategic Outline Case that describes in principle the inter-island transport services and infrastructure required to support sustainable island economies and communities as well as the overall Shetland economy.

On the strength of the Shetland Inter-Island Transport Study, The Scottish Government provided a revenue settlement of £5m in its 2018/19 budget to Shetland Islands Council to support the provision of inter-island ferry services in Shetland. This was followed up with funding of £5.2m in 2019/20, which continues to be less than the amount required to sustain the inter-islands ferry service at current levels, being £8m in 2019/20 as per the SIC's Medium Term Financial Plan 2018-2023.

Work will continue through 2019/20 to develop the case for funding of inter-island ferry services supported by the following:

- Outline Business Case for ferry service levels throughout Shetland;
- Outline Business Case for provision of inter-island air services;
- Outline Business Case for the capital investment required to replace the Fair Isle Ferry and associated infrastructure; and
- Outline Business case for the capital investment required for the Whalsay Transport Link.

In addition to this ZetTrans will work with Shetland Islands Council to promote the inclusion of fixed links as inter-island transport solutions within Shetland in the National Transport Strategy 2 and the Strategic Transport Projects Review 2.

This work will contribute to establishing with Scottish Government the short, medium and longer-term funding requirements and will cover options for responsibility for inter-island transport services and infrastructure.

A key area of interest for ZetTrans is that if Shetland Islands Council is not successful in securing sufficient funding to support services and replace infrastructure, then ZetTrans will have to consider how its obligations in delivery of a public transport facility under the Transport Act 1985 are to be fulfilled.

In addition to this, over the course of 2019/20 ZetTrans will work in partnership with Shetland Islands Council to develop a Business Case for Public Bus, School and Adult Social Care Transport network. A key aim is to reduce the costs of each of these service areas with an overall ambition of maintaining service levels as far as possible recognising the contribution each area makes to inclusive economic growth as well as societal sustainability and well-being.

## 2019 Northern Isles Ferry Service Contract

On 13 August 2015, the Minister for Transport and Islands announced that The Scottish Government intended to undertake a STAG study into the Northern Isles Ferry Services. The

conclusions of the study were used by Scottish Government to inform its approach to the next NIFS contract which was issued for tender in January 2019. Award of the contract is anticipated at the end of September 2019 with a new contract starting on 31 October 2019.

ZetTrans will continue to work with local stakeholders, Transport Scotland and Scottish Government to make the case for service improvements necessary to meet the short, medium and long-term socio-economic needs of Shetland.

## Key Risks

There is uncertainty over the UK's proposed exit from the European Union. Although no specific risks to ZetTrans have been identified, uncertainties remain which may affect ZetTrans in the future. ZetTrans through the Council will continue to monitor this, regularly reviewing the position, liaising closely with the Shetland Islands Council, having in place contingency plans and reporting to members.

Another key area of risk is the continued security of bus fare income from the public and concessionary fares income from central government, which is a significant income stream for ZetTrans. Following a decline in this income the last couple of years, actions are in place to stimulate usage on the network, which intends to generate increased income.

## Workforce Management

ZetTrans does not employ staff directly but instead has a minute of agreement with Shetland Islands Council who provides services, including staffing resources to ZetTrans, settled on a net basis between the entities, reflecting the level of resources required to deliver ZetTrans' functions.

## Primary Financial Statements

The Annual Accounts for 2018/19 summarise ZetTrans transactions and cash flows for the year and its year-end position as at 31 March 2019. The accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on International Financial Reporting Standards (IFRS), with interpretation appropriate to the public sector and the overriding requirement of the Code is that the Annual Accounts provide a true and fair view of the financial position and the financial transactions of the Partnership.

A description of the purpose of the primary statements has been included immediately prior to each of the financial statements: the Comprehensive Income and Expenditure Statement (CIES), Balance Sheet and Cash Flow Statement.

These three statements are accompanied by notes to the accounts, which set out the

accounting policies adopted by the Partnership and provide a more detailed analysis of the figures disclosed within them. These statements and notes form the relevant Annual Accounts for the purpose of the auditor's certificate and opinion.

No Movement in Reserves Statement has been included because ZetTrans does not hold any reserves.

There is no Remuneration Report included in the accounts, as ZetTrans has no employees. The remuneration of the Chair and Vice-Chair of the Partnership is disclosed in the Annual Accounts of Shetland Islands Council. No additional remuneration is paid to officers or members for acting on behalf of the Partnership.

## Financial Performance in 2018/19

The CIES show that the net economic cost of providing ZetTrans services in 2018/19 was £3.659m. This expenditure was met through grant income from The Scottish Government and Shetland Islands Council, as well as a small amount of interest received on bank balances.

The final outturn position compared to the estimated budget for 2018/19 is summarised as follows:

2017/18 Actual £000	Revenue	2018/19 Budget £000	2018/19 Actual £000	2018/19 Variance £000
185	Policy Strategy & Projects	361	390	-29
1,898	Transport Services - Bus	2,042	2,010	32
0	Transport Services - Air	1,041	934	107
0	Transport Services - Ferry	315	324	-9
<b>2,083</b>	<b>Total Expenditure</b>	<b>3,759</b>	<b>3,658</b>	<b>101</b>
-132	Scottish Government Grant	-132	-131	0
-1,951	SIC Grant	-3,627	-3,528	-101
<b>-2,083</b>	<b>Total Income</b>	<b>-3,759</b>	<b>-3,658</b>	<b>-101</b>
<b>0</b>	<b>Net (Surplus)/Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>

Expenditure is categorised into two main areas:

**Policy, Strategy & Projects (£0.390m)**, which is a £0.205m (111%) increase when compared to 2017/18 (£0.185m). This increase is primarily due to the increased costs associated with the transport network redesign projects.

**Transport Services (£3.268m)**, which is a £1.371m (72%) increase when compared to 2017/18 (£1.898m), though this includes the

additional operations of the Inter-Island Air service and the Foula Ferry service when compared to the previous year.

## Comparison of Outturn v Budget

In 2018/19, ZetTrans Spent £0.029m more in Policy, Strategy & Projects and £0.130m less in Transport Services when compared to the revised budgets.

As the year progressed, regular monitoring of ZetTrans' financial position revealed that ZetTrans would require a greater level of funding to deliver services in 2018/19. On 6 March 2019, ZetTrans formally requested, and received approval for, an additional £0.484m from the Shetland Islands Council to fund an estimated shortfall of £0.484m.

This has resulted in an overall overspend of £0.373m beyond the initially approved budget.

The Shetland Islands Council are ultimately responsible for providing grant funding for any deficit in ZetTrans' finances. Overall, this has resulted in higher than anticipated funding required from the Council than that anticipated at the beginning of the year.

## 2019/20 Budget Outlook

The provision of suitable transport arrangements is vital to the people and communities of Shetland and as such, the delivery of reliable and affordable transport solutions is a key priority of ZetTrans. Therefore, the Partnership will continue to pursue a new long-term funding arrangement for the Inter Islands Ferry Services in conjunction with Shetland/Islands Council, HITRANS, Scottish Government, Transport Scotland and Orkney Islands Council.

The financial climate for the delivery of this is challenging, due to the nature of services, revenue and capital costs associated with funding of operations and replacement costs of the required infrastructure.



.....  
Jamie Manson CPFA  
Proper Officer for Finance  
Zetland Transport Partnership

26/09/2019

The approved gross revenue budget for ZetTrans for 2019/20 is £4.305m, of which £0.240m is for core activities and the implementation of the Regional Transport Strategy and £4.065m is for public transport services in Shetland. It is important to note that ZetTrans has assumed operational responsibility for a larger range of transport from the year 2018/19 onwards, including the inter-island air service contract and the Foula internal ferry service.

The core running costs and implementation of the Regional Transport Strategy work, including the work to access better information on the services being delivered and implementing processes for better performance management, is funded by a grant of £0.132m from Scottish Government and additional funding of £0.097m from Shetland Islands Council.

Transport operations are budgeted to cost £4.065m and are funded by anticipated fare income of £0.628m and a contribution from Shetland Islands Council of £3.438m.

A detailed review has previously taken place to ensure that Council and ZetTrans budgets are aligned and can be separately identified for VAT purposes. Officers continue to review and validate fare income levels to ensure that revenue security is assured.

## Acknowledgements

Finally, we would like to acknowledge the work of the officers who have had a role in the preparation of the Annual Accounts and those who have worked diligently throughout the year in the delivery of ZetTrans objectives.



.....  
Jan Robert Riise LLB (Hons) LEG-Dip  
Secretary & Proper Officer for Legal  
Proceedings  
Zetland Transport Partnership

26/09/2019

# Statement of Responsibilities

## Zetland Transport Partnership's Responsibilities

ZetTrans is required to:

- Make arrangements for the proper administration of its financial affairs, and to ensure that the Proper Officer for Finance has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). For Zetland Transport Partnership, that officer is the Executive Manager - Finance of Shetland Islands Council;
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- Ensure that the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as it is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve the Annual Accounts for signature.

I confirm that these unaudited Annual Accounts were approved for signature by the Partnership at its meeting on 27 June 2019.

Signed on behalf of Zetland Transport Partnership.



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Ryan Thomson  
Chairperson  
Zetland Transport Partnership

26/09/2019

## The Proper Officer for Finance's Responsibilities

The Proper Officer for Finance is responsible for the preparation of the Zetland Transport Partnership's annual accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts, the Proper Officer for Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the legislation; and
- Complied with the local authority Accounting Code (as far as it is compatible with legislation).

The Proper Officer for Finance has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Zetland Transport Partnership at the reporting date and the transactions for the year ended 31 March 2019.



.....  
Jamie Manson CPFA  
Proper Officer for Finance  
Zetland Transport Partnership

26/09/2019



# Annual Governance Statement

## Scope of Responsibility

ZetTrans is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this accountability, ZetTrans is responsible for putting in place proper arrangements for the governance of the organisation's affairs, the stewardship of the resources at its disposal and the management of risk. Risk of failure of policies, aims and objectives cannot wholly be eliminated and proper governance arrangements can therefore only provide reasonable, rather than absolute assurance of effectiveness.

## The Governance Framework

ZetTrans is a statutory body established under the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005. ZetTrans' functional responsibilities are defined in The Transfer of Functions to the Shetland Transport Partnership Order 2006. The functions covered and arrangements in place to assess the adequacy of provision of services are matters being considered in conjunction with the review of governance arrangements, referred to below. The overall strategic direction, in terms of setting the priorities for ZetTrans and allocating its resources, rests with the Zetland Transport Partnership.

The governance framework in place is built upon that of Shetland Islands Council, details of which are included in the Annual Accounts of Shetland Islands Council, which can be found here: [http://www.shetland.gov.uk/about\\_finances/default.asp](http://www.shetland.gov.uk/about_finances/default.asp)

The Code of Governance was adopted by the Council on 20 September 2012, revised in 2017, and is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'. This underpinned the governance framework for the majority of the year.

The Zetland Transport Partnership is currently undergoing its own governance review with the main purpose to clarify and fully describe its close working relationship with the Shetland Islands Council. As this process continues, there

developed a better understanding of the functional responsibility for the delivery of the public transport services and that functional responsibility for the provision of the air services and certain ferry services lay with ZetTrans. This issue was formally addressed by both ZetTrans and the Council in November 2017. In light of this, ZetTrans assumed ownership of the provision of the Inter-Island Air Service and the Foula Ferry service for the year 2018/19 and these activities are reflected in the financial monitoring and the Annual Accounts.

The review established a Planning and Performance Management Framework to underpin the governance arrangements, including a focus on service prioritisation, resource allocation, performance management and securing efficiencies.

There has been a delay in completing this review of the ZetTrans governance framework. This is to be recommenced with a self-evaluation process, which will also address the issues raised through the audit of the Annual Accounts 17/18. This will be progressed alongside the Council's own governance review with a view to addressing the improvements required with regard to roles and responsibilities. The revised target date is 24 November 2019.

The financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

## Review of Effectiveness

ZetTrans has a responsibility on an annual basis for reviewing the effectiveness of the governance framework and for ensuring its continued effectiveness and the adequacy of the systems of internal control. The review of effectiveness is informed by:

- Progress towards key strategic and service objectives;
- Financial and budget monitoring;
- Internal Audit reviews on specific functions and on activities which occur across the Council; and
- External Audit observations, comments and recommendations for improvement.

The governance framework can provide only reasonable and not absolute assurance that assets and public money is safeguarded, properly

accounted for and used economically, efficiently and effectively.

As noted in the Management Commentary, staff providing services to ZetTrans are covered by all relevant Shetland Islands Council internal controls, policies and procedures.

## Significant Governance Issues

A range of KPIs had been established and published in the 2016/17 annual report. Owing to demands associated with the establishment of the range of business cases for transport services and temporary staff vacancy in the year, these KPIs have not been monitored or updated in time for the publication of the Annual Accounts 2018/19. A revised position on ZetTrans' KPI's are to be published as a part of the dual Annual Report for 2017/18 and 2018/19 in August 2019.

## Conclusion

Overall, we consider that the governance and internal control environment operating in 2018/19 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.



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Jan Robert Riise LLB (Hons) LEG-Dip  
Secretary & Proper Officer for Legal Proceedings  
Zetland Transport Partnership

26/09/2019



.....  
Ryan Thomson  
Chairperson  
Zetland Transport Partnership

26/09/2019

# Independent Auditor's Report to the members of Zetland Transport Partnership and the Accounts Commission

## Report on the audit of the financial statements

### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Zetland Transport Partnership for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the Zetland Transport Partnership as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis for opinion

We conducted our 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 Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the Zetland Transport Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Zetland Transport Partnership. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

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

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

## Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

## Responsibilities of the Proper Officer for Finance and Zetland Transport Partnership for the financial statements

As explained more fully in the Statement of Responsibilities, the Proper Officer for Finance 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 Proper Officer for Finance 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 Proper Officer for Finance is responsible for assessing the Zetland Transport Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Zetland Transport Partnership is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures, which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other information in the annual accounts

The Proper Officer for Finance is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

## Report on other requirements

### Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

- the information given in the Management Commentary 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 statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual 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 Delivering Good Governance in Local Government: Framework (2016).

### Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

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

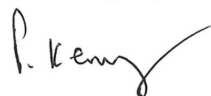
We have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

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

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



.....  
Pat Kenny, CPFA (for and on behalf of Deloitte LLP)  
110 Queen Street  
Glasgow  
G1 3BX  
United Kingdom

26 September 2019

## Primary Financial Statements

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

This statement shows the accounting costs of providing services in accordance with generally accepted accounting practices.

These costs are recovered through Scottish Government funding, fare income from service use and Shetland Islands Council grant funding to reach a break-even position.

This funding must be used to meet the running costs of ZetTrans and the implementation of the Regional Transport Strategy in accordance with grant conditions and local authority governance arrangements.

2017/18 Net Expenditure £	Notes	2018/19 Gross Expenditure £	2018/19 Gross Income £	2018/19 Net Expenditure £
185,395	Policy, Strategy & Projects	390,487	0	390,487
1,897,572	Transport Services - Bus	2,624,074	-613,114	2,010,960
0	Transport Services - Air	933,504	0	933,504
0	Transport Services - Ferry	323,943	0	323,943
<b>2,082,967</b>	<b>Net Cost of Services</b>	<b>4,272,008</b>	<b>-613,114</b>	<b>3,658,894</b>
-300	Financing and Investment Income	0	-496	-496
-2,082,667	Taxation and non-specific grant income 5	0	-3,658,398	-3,658,398
<b>0</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>4,272,008</b>	<b>-4,272,008</b>	<b>0</b>

*There are no other items of comprehensive income & expenditure*

## Balance Sheet as at 31 March 2019

This statement shows the value as at 31 March 2019 of the assets and liabilities recognised by ZetTrans.

It should be noted that total current assets equal total current liabilities in the Balance Sheet. This is because Shetland Islands Council will only cover the net deficit of provision of services by ZetTrans, resulting in the net assets of ZetTrans being nil at the year-end. Further to this, the Cash & Cash equivalents held at the end of the financial year and are due to the Shetland Islands Council for service provision were settled before the close of the year, thereby reducing the asset and creditor obligation to zero. Consequently, ZetTrans does not hold or carry forward any usable reserves as at March 2019.

As at 31 March 2018 £		Notes	As at 31 March 2019 £
0	Short-term debtors		0
191,812	Cash and cash equivalents	4	0
<b>191,812</b>	<b>Current Assets</b>		<b>0</b>
-132,050	Short-term creditors		0
-59,762	Grants received in Advance		0
<b>-191,812</b>	<b>Current Liabilities</b>		<b>0</b>
<b>0</b>	<b>Net Assets</b>		<b>0</b>

The unaudited financial statements were issued on 26 June 2019 and the audited financial statements were authorised for issue by Jamie Manson on 26 September 2019

Whilst ZetTrans is responsible for delivering its functions and all costs are accounted for to the Partnership, the day-to-day operations are conducted using the Shetland Islands Council's staff, systems and infrastructure.



.....  
Jamie Manson CPFA  
Proper Officer for Finance  
Zetland Transport Partnership

26/09/2019

## Cashflow Statement

This statement shows the changes in cash and cash equivalents of the Partnership during the reporting period and how ZetTrans generates and uses cash and cash equivalents.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income, or from the recipients of services provided.

Any cash amounts held by ZetTrans were transferred to the Shetland Islands Council for the provision of services in 2018/19 before the close of the financial year, thereby resulting in the nil balance illustrated below.

2017/18 £		2018/19 £
	<b>Cash inflows from Operating Activities</b>	
(300)	Interest received	(496)
(191,512)	Grants	(131,750)
(86,343)	Taxation Due	0
	<b>Cash outflows from Operating Activities</b>	0
132,001	Cash paid to suppliers of goods and services	324,058
86,343	Taxation	0
<b>(59,811)</b>	<b>Net cash flows from Operating Activities</b>	<b>191,812</b>
<b>(59,811)</b>	<b>Net movement in cash and cash equivalents</b>	<b>191,812</b>
132,001	Cash and cash equivalents at 1 April	191,812
59,811	Net movement in cash and cash equivalents during the year	-191,812
<b>191,812</b>	<b>Cash and cash equivalents at 31 March</b>	<b>0</b>



## Notes to the Financial Statements

### Note 1: Accounting Standards Issued and Adopted in Year

The following accounting standards were new or amended in the 2018/19 Code:

- IFRS9 Financial Instruments;
- IFRS 15: Revenue from Contracts with Customers, including amendments and clarifications;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses; and
- Amendments to IAS 7 Statement of Cashflows: Disclosure Initiative.

The Code required implementation in the financial statements from 1 April 2018. There has not been any significant impact on ZetTrans

### Note 2: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property (Not relevant to ZetTrans)
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (Not relevant to ZetTrans)
- IFRIC 23: Uncertainty over Income Tax Treatments (Not relevant to ZetTrans)
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (Not relevant to ZetTrans)
- IFRS 16: Leases.

The Code requires implementation in the accounts from 1 April 2019 and there is therefore no impact on the 2018/19 financial statements. It is also presumed these will have minimal impact on future accounts.

### Note 3: Critical Judgements & Estimated Uncertainties.

There are no material critical judgements or sources of estimation uncertainty included in the Financial Statements.

### Note 4: Cash and Cash Equivalents

Cash and Cash Equivalents shows a nil amount for 2018/19 owing to the fact that all cash held is due to the Shetland Islands Council for the provision of service and was settled before the end of the year:

As at 31 March 2018 £		As at 31 March 2019 £
191,812	Bank current accounts	0
<b>191,812</b>	<b>Total</b>	<b>0</b>

### Note 5: Grant Income

The Partnership credited the following grants, contributions and donations to the CIES in 2018/19:

2017/18 £		2018/19 £
(131,750)	Scottish Government Revenue Expenditure Grant	(131,750)
(1,950,917)	Shetland Islands Council Grant	(3,526,648)
<b>(2,082,667)</b>	<b>Total</b>	<b>(3,658,398)</b>

## Note 6: Members' Expenses

The Partnership members do not receive an attendance allowance; however, expenses incurred in the course of carrying out approved duties are reimbursed. ZetTrans paid the following amounts to members during the year

2017/18 £		2018/19 £
3,742	Members' expenses	6,932
<b>3,742</b>	<b>Total</b>	<b>6,932</b>

## Note 7: External Audit Costs

The Partnership has incurred the following costs in respect of external audit services provided in accordance with the Code of Audit Practice:

2017/18 £		2018/19 £
9,913	Fees payable in respect of external audit services carried out by the appointed auditor for the year	9,790
<b>9,913</b>	<b>Total</b>	<b>9,790</b>

## Note 8: Related Parties

The Partnership is required to disclose material transactions with related parties, ie bodies or individuals that have the potential to control or influence the Partnership or to be controlled or influenced by the Partnership. Disclosure of these transactions allows readers to assess the extent to which the Partnership may have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to contract freely with them.

The Scottish Government is responsible for providing the statutory framework within which the Partnership operates. It provides some funding in the form of grants and prescribes the terms of many of the transactions that the Transport Partnership has with other parties.

In 2018/19, The Scottish Government provided £0.132m to fund running costs of the Partnership (£0.132m in 2017/18).

Shetland Islands Council is responsible for funding the net expenditure of the Partnership under the Transport (Scotland) Act 2005. In 2018/19 the Council provided £3.268m (£1.898m in 2017/18) to fund the delivery of the public transport service and a further £0.259m (£0.053m in 2017/18) of match funding for core running costs. ZetTrans does not employ its own staff and during 2018/19, Shetland Islands Council charged ZetTrans £0.198m (£0.164m in 2017/18) in respect of staff, supplies and other support

services. There was also the transfer of a £0.060m grant ZetTrans received externally to the SIC for the delivery of the new ticketing system in 2018/19.

## Note 9: Critical Judgements in applying accounting policies

There is a high degree of uncertainty about future levels of funding for local government in general; however, the Partnership has determined that this uncertainty is not an indication that the level of service provision will be materially reduced.

## Note 10: Accounting Policies

### A General Principles

The Code specifies the applicable accounting policies for:

- Selecting measurement bases for recognising assets, liabilities, gains and losses in the Annual Accounts;
- Making changes to reserves; and
- The minimum disclosure requirements.

A valid estimation technique can be used to derive the monetary amount to be recognised in the financial statements in such circumstances when the basis of measurement for the monetary amount cannot be applied with certainty.

## B Accounting Conventions and Concepts

The accounting convention adopted in the Annual Accounts is historical cost.

The concept of the Partnership as a going concern is based on the premise that sufficient funding will be available to ensure that its functions and services will continue in existence for the foreseeable future.

The concept of materiality derives from the premise that financial statements need not be precisely accurate to represent a true and fair view.

The accounting policies that have a significant effect on the amounts recognised in the financial statements of the Zetland Transport Partnership are summarised below.

## C Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular, income and expenditure in relation to services provided or received is recorded as income or expenditure when the service has been provided, rather than when receipts or payments have been made.

## D Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the Partnership and hence credited to the CIES when there is reasonable assurance that the Partnership will comply with any conditions attached to payment of the grants.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the CIES.

## E Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that

occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, whereby the Annual Accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period, whereby the Annual Accounts are adjusted to reflect such events; where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. These annual accounts differ from the published unaudited annual accounts due to amendments arising from audit.

## F Value Added Tax

VAT payable is included as an expense only where it is not recoverable from HM Revenue and Customs.