

Connecting Shetland 
Ze  Trans
ZETLAND TRANSPORT PARTNERSHIP



Annual Accounts 2016/17

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Introduction

The Shetland Transport Partnership (STP) 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 Zetland Transport Partnership Members for 2016/17 were as follows:

Shetland Islands Council Members:

Mr M Stout (Chairperson)
Mr S Coutts (Vice Chairperson)
Mr B Fox (Council Member)
Mr D Sandison (Council Member)

Other Members:

Mr I Kinniburgh (NHS Shetland)
Mrs R Hunter (HIE Shetland)

Substitute Members:

Mr D Ratter (Council Member)
Mr G Smith (Council Member)

Observer / Advisers:

Mr A Steven (Promote Shetland)
Ms S Laurensen (Lerwick Port Authority)
Mr S Mathieson (Visit Shetland)
Mr J Smith (Sumburgh Airport Consultative Committee)

Executive Officers:

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

Proper Officer for Finance: Jonathan Belford, Executive Manager – Finance.

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

Local Government Elections May 2017

Following local council elections in May 2017, the composition of the Zetland Transport Partnership changed, as follows:

Council Members:

Mr R Thomson (Chairperson)
Mr R McGregor (Vice Chairperson)
Mr A Priest (Council Member)
Mr D Sandison (Council Member)

Substitute Members:

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

All other members remain unchanged.

Management Commentary

The purpose of the Management Commentary is to inform all users of the accounts, to help them assess how ZetTrans has performed during 2016/17 and understand the year-end financial position at 31 March 2017. In addition, it provides a narrative on the financial outlook for ZetTrans during the financial year 2017/18 and beyond.

Background

The Zetland Transport Partnership (ZetTrans) was established under the Regional Transport Partnership (Establishment and Constitution) (Scotland) Order 2005, effective 5 December 2005. The power granted to the new body came into force on 1 April 2006 and functional responsibility for transport services transferred in November 2006. ZetTrans is one of seven Scottish Regional Transport Partnerships (RTPs).

The Annual Governance Statement refers to the review of its own governance and the importance of completing this, including work on the statutory powers that transferred to ZetTrans. The review is in progress and is expected to be concluded by 31 March 2018.

ZetTrans is required to develop a transport strategy for Shetland that supports economic well-being, promotes safety, social inclusion and equal opportunity, plans for a sustainable transport system and integrates across boundaries with other partnerships. The strategy must take account of future needs and set priorities for transport development and improvement and should set the framework for investment in strategic transport infrastructure for the next 5 to 10 years.

It does this by working together with a number of key stakeholders and interested bodies, including Shetland Islands Council, Transport Scotland, bus operators, airlines and ferry companies. 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.

Shetland Islands Council, the primary funder for ZetTrans, has been working to reduce costs for a number of years. In planning for the future, the Council's Medium Term Financial Plan for 2016/17 – 2021/22 identifies an expected funding gap of £20m by 2021/22. It is therefore more important than ever that all services provided, including the work done by ZetTrans, are

reviewed and challenged, to reduce service costs where possible, while maintaining or improving outcomes.

Strategy and Performance Management

Revision of the Shetland Transport Strategy

The Shetland Transport Strategy (the Strategy) fulfils the requirements of the Transport (Scotland) Act 2005 and supports the Scottish Government's key objectives and Shetland Community Planning Partnership's Local Outcomes Improvement Plan. The Strategy:

- sets out the vision for Shetland's Transport;
- provide an assessment of the existing situation;
- sets out a programme of activities, projects and interventions for investment and infrastructure;
- guides and co-ordinates transport-related activities in Shetland; and
- makes the case for specific projects that meet funding criteria from the Scottish Government.

The Strategy adopts a scenario of reducing revenue and capital funding, which remains relevant in the current climate.

The Strategy is currently being refreshed and will adopt a ten-year horizon when considering strategic direction. It will incorporate the findings of other studies, such as the Shetland Inter-island Transport Study and the Northern Isles Ferry Services STAG study. In addition, the new Strategy will align with the Shetland Partnership's community planning process, including the Local Outcomes Improvement Plan (LOIP). The revised plan is due to be reported to the partnership in November 2017.

Through early engagement with partners and stakeholders, four key points have been identified. The refreshed Strategy must:

- clearly define ZetTrans' current purpose and image;
- be concise, and focus precisely on what is important;
- be the core of ZetTrans' direction and business planning and be supported by a realistic annual delivery / action plan; and
- ensure adequate input from stakeholders and avoid being overly long or complicated.

The main themes identified during the recent consultation exercise in 2016/17 were:

- Lifeline transport
- Transport robustness
- Community support
- Integration support
- Behavioural change
- Change management

Key Performance Indicators

ZetTrans adopted an agreed set of key performance indicators (KPIs) to monitor the delivery of its transport strategy in February 2016 and further revised them in September 2016. These KPIs will be reported to the Zetland Transport Partnership on a quarterly basis and are incorporated into the 2016/17 Annual Report.

ZetTrans Annual Report

Under the Transport (Scotland) Act 2005, ZetTrans is required to produce an annual report detailing its overall performance and how this compares to its regional transport strategy and delivery programme. ZetTrans submitted its 2015/16 Annual Report to Transport Scotland in January 2017. A copy can be found at <http://www.zettrans.org.uk/aboutus/AnnualReportandAccounts.asp>.

Projects / Initiatives

Inter-island Transport Study

ZetTrans is working in partnership with Shetland Islands Council, the Highlands and Islands Transport Partnership (HITRANS), Orkney Islands Council and Transport Scotland to undertake a network wide study of inter-island transportation in each of the archipelagos which will inform a process with the Scottish Government to establish a "Fair Funding" position in relation to inter island transport provision.

The Lead Officer / Executive Manager – Transport Planning led the process to develop and agree options for funding and responsibility for inter-island transport. These were designed firstly to ensure that a decision on funding for 2017/18 could be agreed in time for Shetland Islands Council to set its 2017/18 budget; and that the long-term position on responsibility, delivery and funding could be agreed by mid-2017 with a plan for implementation from 1 April 2018 onwards.

The Scottish Government has not yet come forward with a funding position for 2017/18 and this work now continues to establish funding solutions for 2017/18 onwards.

2018 Northern Isles Ferry Service Contract

On 13 August 2015, the Minister for Transport and Islands announced that the Scottish Government intended to undertake a Scottish Transport Appraisal Guidance (STAG) study into the Northern Isles Ferry Services. The original timescale was to have the study complete by September 2016 to feed into the procurement process for the next Northern Isles Ferry Services contract. However, the Scottish Government has extended the study to take into account a ferry fares review and a procurement review and it is now anticipated that the STAG study will not be complete until autumn 2017. ZetTrans will continue to contribute to the study as well as the reviews of fares and procurement.

Workforce Management

Shetland Islands Council provides staffing resources, which were significantly enhanced in spring 2016 bringing the service to full capacity. Since then, staff have re-established and refined processes and procedures to support service delivery, business planning, performance management and performance reporting.

Primary Financial Statements

The Annual Accounts 2016/17 summarise ZetTrans transactions and cash flows for the year and its year-end position as at 31 March 2017. 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, 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 more detailed analysis of the figures disclosed on the face of the primary financial statements. 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 2016/17

The Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) show that the full economic cost of providing ZetTrans services in 2016/17 was £2.031m. This expenditure was met through grant income from the Scottish Government and Shetland Islands Council, as well as interest received on bank balances.

The final outturn position compared to the estimated budget for 2016/17 is summarised as follows:

| 2015/16 Actual £000 | Revenue | 2016/17 Budget £ 000 | 2016/17 Actual £ 000 | 2016/17 Variance £ 000 |
|---------------------------|---------------------------------------|----------------------------|----------------------------|------------------------------|
| 138 | Policy Strategy & Projects | 195 | 168 | 27 |
| 2,016 | Bus Operations | 1,942 | 1,863 | 79 |
| 2,154 | Total Expenditure | 2,137 | 2,031 | 106 |
| (132) | Scottish Government Grant | (132) | (132) | 0 |
| (2,022) | SIC Grant | (2,005) | (1,899) | (106) |
| (2,154) | Total Income | (2,137) | (2,031) | (106) |
| | | | | |
| 0 | Net (Surplus)/Deficit for Year | 0 | 0 | 0 |

Expenditure is categorised into two main areas:

Policy, Strategy & Projects (£0.168m), which is a £0.030m (22%) increase when compared to expenditure in 2015/16 (£0.138m). This was mainly due to an increase of £0.040m in Shetland Islands Council based staff costs following the recruitment process carried out in spring 2016 in order to bring the service up to complete staffing levels. However, there were also savings through the reduction in grants awarded to other bodies and in costs associated with the Regional Transport Partnership.

Bus Operations (£1.863m), which is a £0.153m (8%) decrease when compared to expenditure in 2015/16 (£2.016m). This is primarily due to higher value of fares and concessionary fares collected

in 2016/17, coupled with increased the value of the Bus Service Operators Grant.

Comparison of Outturn v Budget

In 2016/17, there was a budget underspend of £0.027m in Policy Strategy & Projects and £0.079m in Bus Operations. This is due to a more reliable bus service on certain routes that haven't required the level of repair and service cover costs anticipated in the budget, as well as minor savings in operating and administration costs over the course of the year.

This resulted in a reduced grant from Shetland Islands Council, which is ultimately responsible for providing ZetTrans funding.

2017/18 Budget Outlook

The provision of suitable transport arrangements across the Shetland Islands 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. Having implemented the bus contracts across the Islands in 2014, the Council, will continue to pursue a new long-term funding arrangement for the Inter Islands Ferry Services in conjunction with ZetTrans, 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. Work continues on the Public Service Obligation, for the provision of air services to the outer islands and will be addressed through an Outline Business Case following on from the Shetland inter-Island Transport Study, completed in November 2016.

The approved revenue budget for ZetTrans for 2017/18 is £2.810m, of which £0.177m is for core activities and the implementation of the Regional Transport Strategy and £2.633m is for scheduled public bus services in Shetland.

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 the processes for better performance management, is funded by a grant of £0.132m from Scottish Government and match funding of £0.045m from Shetland Islands Council.

Public bus services are budgeted to cost £2.618m and are funded by fare income of £0.609m and a contribution from Shetland Islands Council of £2.025m.


A detailed review has recently 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 fares income levels to ensure that revenue security is assured.

Acknowledgements

Finally, we would like to acknowledge all the hard 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.


.....
Ryan Thomson
Chairperson
Zetland Transport Partnership

21 September 2017


.....
Jonathan Belford CPFA
Proper Officer for Finance
Zetland Transport Partnership

21 September 2017


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

21 September 2017

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 these audited annual accounts were approved for signature by the Partnership at its meeting on 21 September 2017.

Signed on behalf of Zetland Transport Partnership.



.....
Ryan Thomson
Chairperson
Zetland Transport Partnership

21 September 2017

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 Code (in so far as it is compatible with legislation).

The Proper Officer for Finance has also:

- Kept proper accounting records which were up to date;
- 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 2017.



.....
Jonathan Belford CPFA
Proper Officer for Finance
Zetland Transport Partnership

21 September 2017

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 and properly accounted for and used economically, efficiently and effectively. In discharging this accountability, members collectively and senior officers individually, are responsible for putting in place proper arrangements for the governance of the organisation's affairs and the stewardship of the resources at its disposal and the management of risk. They cannot eliminate all risk of failure of policies, aims and objectives and can therefore only provide reasonable, rather than absolute, assurance of effectiveness.

The Governance Framework

ZetTrans is a statutory body and its role is set out in the Transport Scotland Act 2005 and was 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. Complete details of the governance framework have been included in the Shetland Islands Council annual accounts, should a user of these accounts require any further information.

The Code of Governance was adopted by the Council on 20 September 2012 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. At its meeting of 22 March 2017, the Council approved a revised Code of Corporate Governance.

The Zetland Transport Partnership is currently undergoing its own governance review with the main purpose to clarify and fully describe its relationship with the Shetland Islands Council. This includes a review of the statutory powers that have been transferred to ZetTrans, which is underway; it is expected that any changes arising from this will be addressed in financial year 2017/18.

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

The ZetTrans governance review will also consider whether its decision-making process is appropriately supported and challenged and ensure that the audit and scrutiny arrangements and standards within ZetTrans are robust.

It is anticipated that the conclusions and recommendations from this work will be reported to ZetTrans in autumn of 2017.

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 services and on activities which occur across the Council; and
- External Audit and the Accounts Commission observations, comments and recommendations for improvement.

The governance framework can provide only reasonable and not absolute assurance that assets are safeguarded and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

Internal Audit and Finance Staff undertook a series of checks on bus and ferry services in November 2015 in a bid to improve the overall ticketing process and possibly fare income.

An initial analysis of the data collected during the exercise suggested that there were no immediate concerns regarding fare income. It was agreed by the project board that further observation and analysis were required to establish sufficient data that would enable a better informed decision on fare income. A report on bus network usage in 2015/16 was presented to the Partnership in December 2016 along with recommendations on changes that could be made to the network routes. However, additional work was expected to be carried out and without which, has delayed the realisation of the benefits anticipated from this exercise.

As noted in the Management Commentary, staff working for ZetTrans are covered by a number of Shetland Islands Council policies and procedures. Internal Audit undertook work on behalf of the Council during 2016/17 and identified some weaknesses in the application of these policies during the year. In addition, a number of queries were raised in relation to the recording and reporting of grant information and other KPI information.

The management of ZetTrans has accepted the recommendations of Internal Audit and has agreed an action plan and timescales for the resolution of all audit issues and observations.

Conclusion

Overall, we consider that the governance and internal control environment operating in 2016/17 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.

Aside from the governance review described above, there are no significant issues that require to be disclosed.



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

21 September 2017



.....
Ryan Thomson
Chairperson

Zetland Transport Partnership

21 September 2017

Primary Financial Statements

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

The CIES shows the accounting costs of providing the service in accordance with generally accepted accounting practices. These costs are recovered through Scottish Government 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.

| 2015/16 Net Expenditure £ | Notes | 2016/17 Gross Expenditure £ | 2016/17 Gross Income £ | 2016/17 Net Expenditure £ |
|------------------------------------|--|--------------------------------------|---------------------------------|------------------------------------|
| 137,984 | Policy, Strategy & Projects | 167,697 | 0 | 167,697 |
| 2,016,027 | Bus Operations | 2,559,954 | (696,315) | 1,863,639 |
| 2,154,011 | Net Cost of Services | 2,727,651 | (696,315) | 2,031,336 |
| (464) | Financing and Investment Income | | | (251) |
| (2,153,547) | Taxation and Non-Specific Grant Income | 6 | | (2,031,085) |
| 0 | (Surplus) or Deficit on Provision of Services | | | (2,031,336) |
| 0 | Other Comprehensive Income and Expenditure | | | 0 |
| 0 | Total Comprehensive Income and Expenditure | | | 0 |

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the partnership for the year has been used in providing services in comparison with those resources consumed or earned in accordance with accounting practices. It also shows how this expenditure is allocated for decision making purposes Partnership's activities. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

| | 2015/16 | | | 2016/17 | | |
|--|--|------------------------------|------------------------------|--|------------------------------|-------------------------------|
| | Net Expenditure chargeable to ZetTrans £ | Presentational Adjustments £ | | Net Expenditure chargeable to ZetTrans £ | Presentational Adjustments £ | Net Expenditure in the CIES £ |
| | 137,984 | 0 | Policy, Strategy & Projects | 167,697 | 0 | 167,697 |
| | 2,016,027 | 0 | Bus Operations | 1,863,639 | 0 | 1,863,639 |
| | 2,154,011 | 0 | Net Cost of Services | 2,031,336 | 0 | 2,031,336 |
| | (2,153,547) | (464) | Other income and expenditure | (2,031,085) | (251) | (2,031,336) |
| | 464 | (464) | (Surplus) or Deficit | 251 | (251) | 0 |

Balance Sheet as at 31 March 2017

This statement shows the value as at 31 March 2017 of the assets and liabilities recognised by ZetTrans. It should be noted that total current assets equal total current liabilities in the Balance Sheet and that both are the same value as the Cost of Service total appearing in Comprehensive Income and Expenditure Statement. This is because Shetland Islands Council will only cover the net cost of provision of services by ZetTrans, resulting in the net assets of ZetTrans being nil at the year-end. Consequently, ZetTrans does not hold or carry forward any usable reserves as at 31 March 2017.

| As at 31 March 2016 £ | Notes | As at 31 March 2017 £ |
|-----------------------------|----------------------------|-----------------------------|
| 2,021,810 | Short term debtors | 1,899,335 |
| 132,201 | Cash and cash equivalents | 132,001 |
| 2,154,011 | Current Assets | 2,031,336 |
| (2,154,011) | Short term creditors | (2,031,336) |
| (2,154,011) | Current Liabilities | (2,031,336) |
| | | |
| 0 | Net Assets | 0 |

Shetland Islands Council incurs the day-to-day costs of the public bus service during the year, which is then invoiced to ZetTrans at the end of the financial year. The sum owed by ZetTrans to Shetland Islands Council is shown as a short-term creditor at the year-end. ZetTrans also receives grant funding from Shetland Islands Council, which in turn appears as a short-term debtor in the Balance Sheet.

The audited accounts were authorised for issue on 21 September 2017.



.....
Jonathan Belford CPFA
Proper Officer for Finance
Zetland Transport Partnership

21 September 2017

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.

| 2015/16 £ | Note | 2016/17 £ |
|------------------|---|------------------|
| | Cash inflows from operating activities | |
| (2,236,967) | Grants due | (2,153,547) |
| (451) | Bank Interest | (265) |
| (53,067) | Taxation due | (83,715) |
| 2,105,217 | Adjusted for non-cash items (debtors and creditors) | 2,021,797 |
| (185,268) | Cash inflows from operating activities | (215,730) |
| | Cash outflows from operating activities | |
| 2,237,396 | Payments due for operating activities | 2,154,012 |
| 53,067 | Taxation received | 83,715 |
| (2,105,217) | Adjusted for non-cash items (debtors and creditors) | (2,021,797) |
| 185,246 | Cash outflows from operating activities | 215,930 |
| | | |
| (22) | Net Cash outflows/(inflows) from operating activities | 200 |
| | | |
| (22) | Net decrease/(increase) in cash and cash equivalents | 200 |
| 132,179 | Cash and cash equivalents at the beginning of the reporting period | 132,201 |
| 132,201 | Cash and cash equivalents at the end of the reporting period | 132,001 |
| (22) | Net cash outflows/(inflows) in cash and cash equivalents in year | 200 |

Since all costs, and therefore cash outflow, of ZetTrans is fully funded by Shetland Islands Council, the net cash outflow of £200 is a result of timing differences between the receipt and transfer of grant income and VAT reclaimed from HM Revenue & Customs.

Notes to the Financial Statements

Note 1: 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.

There are no new or amended accounting standards due to be adopted in the 2017/18 Code that apply to ZetTrans.

Note 2: Cash and Cash Equivalents

Cash and Cash Equivalents is comprised of:

| As at 31 March 2016 £ | | As at 31 March 2017 £ |
|-----------------------------|-----------------------|-----------------------------|
| 132,201 | Bank current accounts | 132,001 |
| 132,201 | Total | 132,001 |

Note 4: 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:

| 2015/16 £ | | 2016/17 £ |
|--------------|---|---------------|
| 9,530 | Fees payable in respect of external audit services undertaken in accordance with the Code of Audit Practice | 10,187 |
| 9,530 | Total | 10,187 |

Note 5: Grant Income

The Partnership credited the following grants, contributions and donations to the CIES in 2016/17:

| 2015/16 £ | | 2016/17 £ |
|--------------------|---|--------------------|
| (131,750) | Scottish Government Revenue Expenditure Grant | (131,750) |
| (2,021,797) | Shetland Islands Council Grant | (1,899,335) |
| (2,153,547) | Total | (2,031,085) |

Note 6: 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,

Note 3: 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:

| 2015/16 £ | | 2016/17 £ |
|--------------|-------------------|--------------|
| 8,737 | Members' expenses | 5,073 |
| 8,737 | Total | 5,073 |

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 2016/17, the Scottish Government provided £0.132m to fund running costs of the Partnership (£0.132m in 2015/16).

Shetland Islands Council is responsible for funding the net expenditure of the Partnership under the Transport (Scotland) Act 2005. In 2016/17 the Council provided £1.864m (£2.016m in 2015/16) to fund the delivery of bus service and a further £0.035m (£0.006m in 2015/16) of match funding for core running costs. ZetTrans does not employ its own staff and during 2016/17, Shetland Islands Council charged ZetTrans £0.145m (£0.105m in 2015/16) in respect of staff, supplies and other support services.

Note 7: 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 8: Accounting Policies

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.

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 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.

A 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.

B 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.

C Value Added Tax

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

Independent Auditor's Report

Independent auditor's report to the members of Zetland Transport Partnership and the Accounts Commission

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 approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, 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 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its (surplus) or deficit on the provision of services 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 2016/17 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 of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 are 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 Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Proper Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Proper 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 Proper Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Proper Officer; and the overall presentation of the financial statements.

Our objectives are to achieve 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&I) 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.

Other information in the annual accounts

The Proper Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements 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 in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements

Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

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 are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.



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Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
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United Kingdom

21 September 2017