

# Audited Annual Accounts **2023/24**



# Contents

Management Commentary .....	1
Statement of Responsibilities .....	9
Annual Governance Statement .....	10
Independent Auditor's Report .....	14
Comprehensive Income and Expenditure Statement for year ended 31 March 2024 .....	18
Movement in Reserves Statement .....	19
Balance Sheet as at 31 March 2024 .....	20
Cash Flow Statement for the year ended 31 March 2024 .....	21
Note 1: Expenditure and Funding Analysis .....	22
Note 2: Accounting Standards Issued but not yet Adopted .....	22
Note 3: Critical Judgements in applying accounting policies .....	23
Note 4: Events after the Balance Sheet Date .....	23
Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations .....	24
Note 6: Financing and Investment Income and Expenditure .....	24
Note 7: Taxation and Non-Specific Grant Income .....	24
Note 8: Property, Plant and Equipment .....	25
Note 9: Short-term Debtors .....	25
Note 10: Cash and Cash Equivalents .....	25
Note 11: Short-term Creditors .....	25
Note 12: Unusable Reserves .....	25
Note 13: Members' Expenses .....	26
Note 14: External Audit Costs .....	26
Note 15: Related Parties .....	26
Note 16: Accounting Policies .....	26

# 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).

## Members of Zetland Transport Partnership

The current membership is:

### Members:

Councillor Moraig Lyall (Chairperson)  
Councillor Robbie McGregor (Vice-Chairperson)  
Councillor Duncan Anderson  
Councillor Liz Peterson

### Other Members:

Colin Marsland (appointed 5 July 2023)  
Andrew Gear

### Substitute Members:

Councillor Alex Armitage  
Councillor Arwed Wenger

### Observer/Advisers:

Steve Mathieson  
John Smith

### Representing

Shetland Islands Council  
Shetland Islands Council  
Shetland Islands Council  
Shetland Islands Council

NHS Shetland  
Highlands and Islands Enterprise (HIE)

Shetland Islands Council  
Shetland Islands Council

Visit Shetland  
Director of Infrastructure (Shetland Islands Council)

## Executive Officers:

**Lead Officer:** Michael Craigie

**Proper Officer for Finance:** Paul Fraser CPFA

**Secretary and Proper Officer for Legal Proceedings:** Jan Robert Riise LLB (Hons) LEG-Dip

The purpose of the Management Commentary is to present an overview of ZetTrans' financial performance during the year 2023/24 and to help readers understand its financial position as at 31 March 2024. In addition, it outlines the main risks and uncertainties that ZetTrans is likely to face in the future.

## 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. Under the Transfer of Functions to the Shetland Transport Partnership Order 2006, certain duties and powers relating to public transport were transferred from Shetland Islands Council to ZetTrans.

ZetTrans is required to develop a transport strategy (and any supporting sub-strategies) for Shetland that supports economic well-being, safety, social inclusion, equal opportunities, planning for a sustainable transport system, and integration across boundaries with other partnerships.

ZetTrans works together with a number of key stakeholders and interested bodies. These include Shetland Islands Council, NHS Shetland, HIE, Transport Scotland, bus operators, airlines, ferry companies and industry bodies in Shetland. These bodies cover tourism, hauliers, fishing and aquaculture sectors. ZetTrans' role continues to evolve and develop, as do other RTPs, to ensure that both regional and national objectives (Scottish and UK) are sustainable and delivered efficiently.

The Annual Governance Statement summarises the arrangements that ZetTrans has put in place to manage its affairs, and includes a review of how effective those arrangements have been during the year.

ZetTrans has a duty, under the Community Empowerment (Scotland) Act 2015, to participate as a Community Planning Partner in the Shetland Partnership. The Shetland Partnership is made up of wide range of partners and community bodies who work together to deliver our collective ambitions for the future. It is the Community Planning Partnership for Shetland and shares its vision that:

**Vision:** “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.” *Source:* [Shetland’s Partnership Plan 2018-2028](#)

Shetland Islands Council, as the primary funder for ZetTrans, continues to face a significant challenge in achieving long-term financial sustainability with an expected cumulative funding gap of £162.8m by 2027/28, as outlined in the latest iteration of the Council’s [Medium Term Financial Plan](#). ZetTrans will need to work with the Council to meet future demand for transport within limited financial resources over the next five years. ZetTrans will reactive a presentation of the Council’s MTFP and have any elements that impact on their functions clearly highlighted. The MTFP will highlight the scale of the issue being faced and the impact of the position for ZetTrans activities. There has been discussion about a separate Medium Term Financial Plan for ZetTrans, separate from the Council, but given the nature of ZetTrans relationship with the Council this would not appear to meaningfully capture any new data and so management capacity and focus would be more helpfully spent on delivering any required changes.

## Board meetings

ZetTrans Board meetings are held at the Council Chambers in St Ringan’s Church. Since March 2023, ZetTrans meetings have been broadcast live, allowing the public to watch the debate on any desktop or mobile device. The webcasting site also contains reports available to the public and holds archived recordings for 12 months from the meeting date.

The webcasting site is located here:

<https://shetland.public-i.tv/core/portal/home>

The Partnership met on 8 occasions during 2023/24.

## Strategy and Performance Management

### National Transport Strategy 2 (NTS2)

ZetTrans continued to embed the NTS2 priorities in the policy development of the Partnership:

- improve our health and wellbeing;
- take climate action;
- reduce inequalities; and
- help deliver inclusive economic growth.

The detail of the NTS2 can be found here:-

<https://www.transport.gov.scot/media/47052/national-transport-strategy.pdf>

### Active Travel Strategy

The Shetland Active Travel Strategy was approved by ZetTrans in March 2021 and can be found here: -

<https://www.zettrans.org.uk/about/shetland-active-travel-strategy-2021-2026>

Over the course of 2022/23, more work was undertaken on Settlement Audits throughout Shetland to identify candidate projects and interventions. ZetTrans approved a Strategic Outline Programme (SOP) for investment on 16 March 2023. The SOP is the strategic framework for delivery of Active Travel infrastructure across Shetland, which will help inform identification of issues and options and will provide evidence based planning and decision-making.

The SOP can be found here:

<http://coins.shetland.gov.uk/submissiondocuments.asp?submissionid=28833>

## Shetland Regional Transport Strategy (RTS)

The Shetland Regional Transport Strategy Refresh 2018-2028 is available on the Partnership's website:

<https://www.zettrans.org.uk/about/strategy>

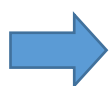
A new RTS "ZetTrans 2040 Regional Transport Strategy" (2040 RTS) covering the period up until 2040 has been developed and approved by ZetTrans on 19 February 2024.

The 2040 RTS can be found here:

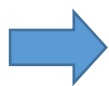
<https://coins.shetland.gov.uk/viewDoc.asp?c=e%97%9Df%96n%7C%90>

A draft strategy was submitted to Scottish Ministers on 14 October 2023 and the final strategy above, taking account of feedback received from Scottish Ministers, was submitted for Ministerial approval on 14 March 2024. In meantime, whilst waiting for this approval and recognising the Partnership's approval in February 2024, ZetTrans is operating to the vision and objectives set out in the 2040 RTS. These are:

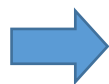
**Vision:** "Our transport networks in Shetland and our connections to the rest of Scotland support our social and inclusive economic prosperity, provide equitable access to opportunities, enable people to live healthy and active lives, facilitate the development of sustainable and inclusive communities, and contribute to our net zero emission targets."



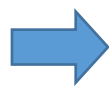
**Strategic Objective 1:** To address the barriers which constrain access to and/or impose unreasonable costs on travel and freight transport for all groups to/from the rest of Scotland.



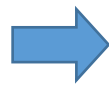
**Strategic Objective 2:** To address the barriers which constrain access to and/or impose unreasonable costs on travel and freight transport for all within Shetland.



**Strategic Objective 3:** To facilitate and encourage safe walking, cycling and wheeling for everyone, including for leisure and tourism.



**Strategic Objective 4:** To improve alternative, more sustainable travel options in Shetland for all including those without access to, or who would prefer not to use a car.



**Strategic Objective 5:** To transition towards an environmentally and financially sustainable, post-carbon transport network.



**Strategic Objective 6:** To support safe, resilient, and efficient movement of all people and freight across Shetland.

For some of the period of 2023/24, the refreshed 2018-2028 RTS remained the strategic policy context for ZetTrans business while it completed and transitioned to ZetTrans 2040 RTS. The RTS vision and strategic objectives of the 2018-2028 RTS are set out below for ease of reference:



## ZetTrans Annual Report

Limitations on staff resources and other work stream priorities continue to have an impact on the team’s ability to deliver an Annual Report. ZetTrans produced an annual report covering 2022/23, which was approved by ZetTrans on 14 November 2023.

A copy of the last published Annual Report that covered the period 2022/23 can be found here:

<http://www.zettrans.org.uk/aboutus/AnnualReportandAccounts.asp>

Officers are currently working on the 2023/24 Annual Report for reporting to the Board in September 2024.

## Key Performance Indicators (KPIs)

ZetTrans adopted a range of 40 KPIs in September 2016. These KPIs relate to transport functions in place in Shetland, both within the scope of ZetTrans operations and those managed by others.

Further details can be found here:

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=24967>

The 2022/23 Annual Report includes KPI information, as adopted by the Partnership in 2016, where data was available. A new set of indicators that reflects the 2040 RTS is under development and will be reported for approval in March 2025.

It is acknowledged that both the previous non-production of an Annual Report and lack of KPI information were reported as Prior Year Significant Governance issues within the Annual Governance Statement. The work outlined above will address that but these areas will remain in focus until fully embedded.

## Activities in year

### Inter-island Transport Connectivity (IITC) – Business Cases

Building on the Shetland Inter-island Transport Study, the Outline Business Case (OBC) for the Fair Isle Ferry was approved by the Council on 14 November 2022.

In January 2023, the Council were notified that the bid to Round 2 of the Levelling up fund had been successful for the Fair Isle Ferry project. Shetland Islands Council are progressing delivery of the project, this includes completion of a full business case by the end of 2024. Cost pressures have been a key concern and a time extension has been sought to allow further analysis to be carried out.

In March 2023, the Council approved to fund the development of IITC network strategic and outline business cases. The OBC and initial tendering processes were undertaken during 2023/24 and further tendering work is about to get underway.

### Active Travel

Over the course of 2023-24 there has been a significant shift in Scottish Government 'push' on Active Travel with funding being increased across the board and specifically through a new funding stream to Regional Transport Partnerships in the form of the People and Place fund. Although funding is welcome, it also comes with new pressures on capacity and capability of already stretched resources. ZetTrans is undertaking a specific piece of work with consultants, funded by Transport Scotland, to understand the circumstances and impacts of the very quickly changing environment, which has not yet settled.

Officers are working to establish a programme, or pipeline of Active Travel projects and policy interventions which will be presented for approval at its 14 November meeting.

### Public Bus Services

Public bus service passenger levels increased beyond pre-pandemic levels in 2022/23 and this level increased again in 2023/24, aided by the increased number of young people accessing services because of the introduction of the Under 22s Free Bus Travel Scheme. This represented a 5.28% increase from 2022/23 and a 35.26% increase on 2021/22 figures.

The main challenge over the course of the year was the financial climate. There was a significant increase in contract costs following the re-tendering of six service routes, which represents a third of the total bus service costs. Despite this, all services have been maintained with a number of services now being operated by different operators.

### Northern Isles Ferry Services

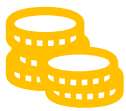
ZetTrans has set up a collaboration with Transport Scotland, Serco Northlink Ferries and Caledonian Maritime Assets Ltd, exploring options for the replacement of freight vessels on the Northern Isles route. Capacity constraints on current freight and passenger vessels is causing disruption to local businesses and wider stakeholders, particularly as demand continues to increase. ZetTrans continues to collaborate in the options appraisal process to ensure the needs of the community are adequately reflected in any future service specifications, contracts and investment decisions.

To support this ZetTrans secured financial resources to commission external specialists, and deployed staff resources to produce a data model to ensure effective contributions can be made to the process.

ZetTrans continues to use the model in ongoing work in relation to Transport Scotland's initiative, planning the replacement of exist vessels and future investment in services and assets to improve the Northern Isles Ferry Services.

## Key Risks

ZetTrans key risks and uncertainties, and associated mitigating actions can be summarised as follows:



**Financial Pressures** – ZetTrans receives its primary funding from Shetland Islands Council. The Council is not in a financially sustainable position over the medium term, facing an anticipated cumulative budget deficit of £162.8m by 2027/28, with the level of core funding from the Scottish Government expected to reduce in real terms, whilst demand for services increases.

As a means of mitigation, ZetTrans is investing significant staff time in developing capacity and capability to prepare bids for external funding, principally at this stage around funding of Active Travel objectives as well as connecting with and influencing funding programmes to support public transport services more broadly



**Bus Fare Income Security** – The two main components of income for ZetTrans are Council funding and bus fare income. Due to the high level of daily transactions, completeness and accuracy of income received from passengers is considered a current and ongoing key risk.

ZetTrans introduced SMART ticketing infrastructure on all its public bus services in March 2019. The introduction of these ticketing machines improved reporting capability, and together with reconciliation and compliance checks, minimises this risk. Monitoring and Finance Officers complete reconciliations regularly to ensure that all reporting information balances.

During 2024/25 it is intended to conclude a public transport fares policy. The outcome of this work will be embedded in the Public and School Transport Business Case and may affect the level of income generated from passenger fares and therefore the level of subsidy provided by the Council.



**Climate Change** – ZetTrans' performance objectives in relation to climate change are aligned with that of Shetland Islands Council and specific objectives are set within the 2040 RTS. The Council's Annual Accounts has a more extensive commentary on environmental issues, including those that would influence ZetTrans activities.

## 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. Attention is being given to ensure capacity and capability is available to deliver ZetTrans' duties and functions and in particular how external funding opportunities can be directed towards achieving this rather than relying entirely on Shetland Islands Council resources alone.

## Primary Financial Statements

The Financial Statements for 2023/24 summarise ZetTrans transactions and cash flows for the year and its year-end position as at 31 March 2024. The Financial Statements 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 Financial Statements 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), Movement in Reserves Statement (MIRS), Balance Sheet and Cash Flow Statement. These statements are accompanied by notes to the financial statements, which set out the accounting policies adopted and provide a more detailed analysis of the figures disclosed within them. These statements and notes form the relevant Financial Statements for the purpose of the auditor's certificate and opinion.



No Remuneration Report is included, as ZetTrans has no employees, and pays no remuneration. The remuneration of the Chair and Vice-Chair of the Partnership is disclosed in the annual accounts of Shetland Islands Council, which can be found [here](#).

## Financial Performance in 2023/24

The CIES presents the full economic cost of providing ZetTrans services in 2023/24. This differs from the outturn position as the CIES includes accounting adjustments required to comply with proper accounting practice. Note 1: Expenditure and Funding Analysis (page 22), reconciles the Deficit on Provision of Services of £0.008m, disclosed in the CIES, to the outturn, used for management decision-making.

The majority of this expenditure was met through grant income from the Scottish Government and Shetland Islands Council. The final revenue outturn position compared to the revised budget for 2023/24 is summarised as follows:

2022/23 Actual £		2023/24 Budget £	2023/24 Actual £	2023/24 Variance £
634,232	Policy, Strategy & Projects	640,161	700,508	(60,347)
3,096,394	Transport Services - Bus	3,332,003	3,610,040	(278,037)
1,027,805	Transport Services - Air	1,122,186	1,122,954	(768)
315,180	Transport Services - Ferry	403,965	362,250	41,715
<b>5,073,611</b>	<b>Total Expenditure</b>	<b>5,498,315</b>	<b>5,795,752</b>	<b>(297,437)</b>
(220,014)	Other Grants	(303,400)	(313,267)	9,867
(585,242)	Public Transport Service Income	(557,057)	(625,147)	68,090
<b>4,268,355</b>	<b>Net Expenditure</b>	<b>4,637,858</b>	<b>4,857,338</b>	<b>(219,480)</b>
(131,750)	Scottish Government Grant	(131,750)	(131,750)	0
(280,492)	SIC Match Funding	(204,623)	(252,442)	47,819
(1,976)	Bank Interest	(388)	(3,049)	2,661
(3,854,137)	SIC Public Service Contribution	(4,301,097)	(4,470,097)	169,000
<b>(4,268,355)</b>	<b>Other Income</b>	<b>(4,637,858)</b>	<b>(4,857,338)</b>	<b>219,480</b>
<b>0</b>	<b>Net (Surplus)/Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>

In 2023/24, ZetTrans spent £0.060m more in Policy, Strategy & Projects and £0.237m more in Transport Services when compared to the revised budget. The unfavourable outturn variance within Policy Strategy & Projects is due to additional support services costs, due to more Council staff time spent on ZetTrans activities which increased the service charge. Within Transport Services, the unfavourable expenditure outturn variance is due to increased Bus contract costs, due to several re-tendered bus routes and contract indexation being more than budgeted. In terms of income, a favourable variance of £0.078m was achieved mainly due to increased concessionary income. This shows the continuing positive impact of the Young Person's (under 22s) Free Bus Travel Scheme. The overall result is an overspend of £0.219m against the revised budget.

## Looking Ahead

ZetTrans faces a number of significant challenges and uncertainties, many of which were mentioned earlier in this commentary.

The primary funder, Shetland Islands Council, anticipates a continued real-terms reduction in core revenue funding following publication of the Scottish Government's Resource Spending Review in May 2022. In addition, the cost of delivering services is increasing, with ongoing inflation, increased volatility in energy costs and wider supply chain issues, (including availability of raw materials, goods and contracted labour) as well as increasing requirements in developing and implementing local interventions and the need for more sophisticated monitoring and evaluation to demonstrate successful achievement of objectives and outcomes. If ZetTrans reliance on Shetland Islands Council funds remains unaltered, there is an acute risk of ZetTrans being unable to maintain service delivery at current levels

within the confines of the 2024/25 budget. The financial position is subject to regular monitoring, enabling remedial action to be taken. Officers are exploring how other funding, such as Scottish Government support for bus services, and income generation opportunities could positively alter the current balance of funding. The Public and School Transport Business Case mentioned above will consider this further.

The completion of 2040 RTS which is anticipated will receive ministerial approval provides a framework that will enable ZetTrans to identify challenges it faces, which can be incorporated into the Partnership's strategic planning over the next twenty years. ZetTrans will need to balance competing stakeholder demands, such as from the Shetland Partnership (the outcomes of which ZetTrans is statutorily committed to), any emerging Scottish Government policies and priorities and those of the Shetland Islands Council in the detailed delivery of the RTS.

## 2024/25 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.

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. Having said that, there are changes in funding available to ZetTrans from Scottish Government and UK Government that positively impact on the previous heavy reliance on Shetland Islands Council funding.

On 28 March 2024, the Partnership approved the 2024/25 budget. The gross revenue budget is £5.551m, of which £0.731m is for core activities, implementation of the Regional Transport Strategy and Active Travel interventions and £4.820m is for public transport 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 processes for better performance management, is funded by a grant of £0.132m, additional funding of £0.297m from Shetland Islands Council and £0.002m in bank interest. In addition, ZetTrans are to work with delivery partners to implement behaviour change Active Travel interventions targeted at schools and young people, workplaces and the wider community, with a focus on access and inclusion. This is budgeted to cost £0.300m and funded by Scottish Government external grant. Transport operations are budgeted to cost £4.820m and are funded by anticipated bus fare income of £0.599m and a contribution from Shetland Islands Council of £4.221m.

*Paul Fraser*

.....  
Paul Fraser CPFA  
Proper Officer for Finance  
Zetland Transport Partnership  
27 September 2024

*Michael Craigie*

.....  
Michael Craigie  
Lead Officer  
Zetland Transport Partnership  
27 September 2024

*Jan Robert Riise*

.....  
Jan Robert Riise LLB (Hons) LEG-Dip  
Secretary and Proper Officer for Legal  
Proceedings  
Zetland Transport Partnership  
27 September 2024

# Statement of Responsibilities

## Zetland Transport Partnership's Responsibilities

ZetTrans is required to:

- make arrangements for the proper administration of its financial affairs, and to secure that one of its officers has 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, 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 annual accounts were approved for signature by the Partnership at its meeting on 27 September 2024.

Signed on behalf of Zetland Transport Partnership.



.....  
Moraig Lyall  
Chairperson  
Zetland Transport Partnership  
27 September 2024

## 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 2024.



.....  
Paul Fraser CPFA  
Proper Officer for Finance  
Zetland Transport Partnership  
27 September 2024

# Annual Governance Statement

## Introduction

This Annual Governance Statement explains how the Zetland Transport Partnership, has complied with the principles of the CIPFA/SOLACE Framework ‘*Delivering Good Governance in Local Government*’ for the year ended 31 March 2024. The Partnership relies largely upon the same internal controls, procedures, policies and systems as the Shetland Islands Council in order to deliver its stated functions. The arrangements put in place by the Council apply equally to the activities of the Partnership. This Annual Governance Statement therefore reflects the fact that the Partnership’s governance arrangements and systems of internal control mirror the arrangements put in place by the Shetland Islands Council, and concludes on their effectiveness.

## Scope of Responsibility

The Partnership is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Partnership has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003.

In discharging these overall responsibilities, the Partnership is responsible for establishing proper arrangements for the governance of its affairs, including the stewardship of resources at its disposal and arrangements for the management of risk.

In practice, as the Council is the sole constituent authority participating in the Partnership, the arrangements put in place by the Partnership mirror the Council’s governance arrangements. The Council has a system of internal controls in place designed to manage risk to a reasonable level. Internal controls cannot completely eliminate the risk of failure to achieve strategic priorities and outcomes, but they can provide a reasonable level of assurance.

The system of internal controls is regularly reviewed to identify and prioritise the risks to the achievement of the Council’s strategic priorities and outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## The Purpose of the Governance Framework

The governance framework consists of the systems, processes, culture and values by which the Council, and therefore the Partnership, is directed and controlled, and the activities used to engage with and lead the community.

## The Governance Framework

The governance framework adopted by the Council is consistent with the seven core principles of the CIPFA/SOLACE framework illustrated below:

<b>A</b>	<i>Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law.</i>
<b>B</b>	<i>Ensuring openness and comprehensive stakeholder engagement.</i>
<b>C</b>	<i>Defining outcomes in terms of sustainable economic, social and environmental benefits.</i>
<b>D</b>	<i>Determining the interventions necessary to optimise achievement of intended outcomes.</i>
<b>E</b>	<i>Developing the entity’s capacity, including the capability of its leadership and the individuals within it.</i>
<b>F</b>	<i>Managing risks and performance through robust internal control and strong public financial management.</i>
<b>G</b>	<i>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</i>

The governance framework has been in place for the year ended 31 March 2024 and up to the date of approval of the annual accounts.

The key elements of the governance framework include:

- the legal powers, duties and functions of the Partnership, and roles and responsibilities of the people who take decisions on behalf of the community;
- **Scheme of Administration and Delegations** and the **Minute of Agreement** between the Council and the Partnership, which detail the functions that the Partnership has asked officers to carry out on its behalf, and the conditions they must comply with in doing so;
- **Standing Orders**, which set out the rules around how Partnership meetings are run and decisions are made;
- **Financial Regulations**, setting out how the Partnership manages its financial affairs in accordance with good practice and statute;
- **Contract Standing Orders**, which set out the principles and rules about contracting with other parties;
- the Council's **Performance Management Framework**, which sets out how the Partnership sets its objectives, monitors and reports on its performance against those objectives and identifies areas for improvement;
- **Compliance** with CIPFA codes of practice and the CIPFA Statement on *the Role of the CFO in the Local Government*; and
- A **comprehensive programme of internal audit reviews** across different Council service areas, which provides assurance about the effectiveness of the system of internal controls and identifies areas of improvement.

The Council's suite of governance documents, including the Scheme of Administration and Delegation, Financial Regulations, Contract Standing Orders and Code of Corporate Governance can be found on the Council's [website](#).

A previously planned governance review for Zetland Transport Partnership had been due to conclude by February 2021. This review has been further delayed due to lack of available resources and other competing priorities of staff. It is intended that the review will be undertaken following the conclusion of the wider review of the Council's governance arrangements, which has been initiated.

## Review of Effectiveness

The Partnership is responsible for reviewing the effectiveness of the governance framework on an annual basis, and for ensuring the continued effectiveness and 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. Although no specific internal audit opinion has been expressed by internal audit for ZetTrans, the Partnership is satisfied that the internal audit opinion provided to the Council applies equally to the activities of ZetTrans and therefore takes assurance from that audit opinion. The Chief Internal Auditor's opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment. This opinion is expressed as, whilst management have found it challenging to implement agreed audit recommendations within reasonable timescales, progress has been made and fewer serious issues were identified in the current years' audit.

## Significant Governance Issue

No significant governance issues have been noted for ZetTrans during 2023/24.

## Update on Significant Governance issues previously reported

The following table details actions taken to address the significant governance issues reported in previous Annual Governance Statements.

Prior Year Significant Governance Issue	Responsible Officer	Action taken	Current Status and further action required
Serious deficiencies in the Councils procurement and commissioning arrangements. As the Partnership relies on the same policies, procedures and systems there is potential operational, financial and reputational risks.	Director of Corporate Services - SIC	In September 2023, the Council approved revised Contract Standing Orders and Procurement Strategy, two key deliverables of the Procurement Action plan. Work is ongoing to develop the operational procedures following the approval of these key documents and progress on remaining actions continue to be reported to Audit Committee.	<b>Completed</b> The significant Action Plan deliverables are complete and therefore the level of governance concern is diminished.
The Partnership has not published an Annual Report since September 2019.	Lead Officer	The 2022-23 Annual Report was reported to ZetTrans on 23 November 2023. This work activity is included as a standing item in the partnerships' annual business programme.	<b>No further action is required</b>
The lack of KPI information significantly limits the ability of the Partnership to demonstrate accountability through open and transparent reporting.	Lead Officer	A set of existing KPIs were included, as an appendix, in the 2022-23 Annual Report reported to ZetTrans on 23 November 2023.  The draft Regional Transport Strategy 2022-2042 includes a set of KPIs' linked to Strategic objectives. ZetTrans approved this draft, revised to include comments from Scottish Ministers, on 19 February 2024.	<b>Ongoing</b> Once the RTS is approved by Scottish Ministers, monitoring reports are to be produced on a two-yearly basis setting out the transport and behavioural trends against KPIs. These and the monitoring framework will be reported to ZetTrans in 2024. In lieu of RTS approval, existing KPI's will be included in the 2023-24 Annual Report. In addition, the ZetTrans Board should seek to define and ensure local KPIs and usage information demonstrating performance are reported at least annually.

## Conclusion

Overall, we consider that the governance and internal control environment operating for ZetTrans in 2023/24 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.



.....  
Moraig Lyall  
Chairperson  
Zetland Transport Partnership  
27 September 2024



.....  
Michael Craigie  
Lead Officer  
Zetland Transport Partnership  
27 September 2024



.....  
Jan Robert Riise LLB (Hons) LEG-Dip  
Secretary and Proper Officer  
for Legal Proceedings  
Zetland Transport Partnership  
27 September 2024

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

## Reporting on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Zetland Transport Partnership for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 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

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 Accounts Commission 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 Accounts Commission on 30 May 2023. My period of appointment is five years, covering 2022/23 to 2026/27 I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

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

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

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



## Risks of material misstatement

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

## Responsibilities of the 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 Zetland Transport Partnership 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 body'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 there is an intention to discontinue the body's operations.

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

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

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

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

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Proper Officer for Finance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Proper Officer for Finance concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The

capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

## Reporting on other requirements

### Other information

The Proper Officer for Finance is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement and Statement of Responsibilities.

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 Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my 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 I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements 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 accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, 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 Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Stephen O'Hagan*

Stephen O'Hagan CPFA  
Senior Manager  
Audit Scotland  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

27 September 2024

## Primary Financial Statements

### Comprehensive Income and Expenditure Statement for year ended 31 March 2024

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by grants or other income. The Partnership receives funding to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2022/23 Net Expenditure £		Notes	2023/24 Gross Expenditure £	2023/24 Gross Income £	2023/24 Net Expenditure £
422,646	Policy, Strategy & Projects		708,982	(313,313)	395,669
2,511,152	Transport Services - Bus		3,610,040	(625,147)	2,984,893
1,027,805	Transport Services - Air		1,122,954	0	1,122,954
315,180	Transport Services - Ferry		362,250	0	362,250
<b>4,276,783</b>	<b>Cost of Services</b>		<b>5,804,226</b>	<b>(938,460)</b>	<b>4,865,766</b>
(1,976)	Financing & Investment Income & Expenditure	6	1	(3,050)	(3,049)
(4,266,379)	Taxation & Non-specific Grant Income	7	0	(4,854,289)	(4,854,289)
<b>8,428</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>5,804,227</b>	<b>(5,795,799)</b>	<b>8,428</b>
<b>0</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>0</b>
<b>8,428</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>8,428</b>

## Movement in Reserves Statement

This statement shows the movement in the year on different reserves held by the Partnership, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other 'unusable reserves'. The statement shows how the movements in year of the Partnership's reserves are broken down between gains and losses incurred in accordance with generally accepted practices and the statutory adjustments required to return to the amounts chargeable to the General Fund. The net decrease line shows the statutory General Fund balance in the year following those adjustments.

2023/24	Usable Reserves £	Unusable Reserves £	Total Reserves £
<b>Balance at 1 April 2023</b>	0	(71,870)	(71,870)
<b>Movement in reserves during the year:</b>			
Total comprehensive income and expenditure	8,428	0	8,428
Adjustments between accounting basis and funding basis per regulations (Note 5)	(8,428)	8,428	0
<b>Decrease in year</b>	0	8,428	8,428
<b>Balance at 31 March 2024</b>	0	(63,442)	(63,442)

2022/23	Usable Reserves £	Unusable Reserves £	Total Reserves £
<b>Balance at 1 April 2022</b>	0	(80,298)	(80,298)
<b>Movement in reserves during the year:</b>			
Total comprehensive income and expenditure	8,428	0	8,428
Adjustments between accounting basis and funding basis per regulations (Note 5)	(8,428)	8,428	0
<b>Decrease in year</b>	0	8,428	8,428
<b>Balance at 31 March 2023</b>	0	(71,870)	(71,870)

## Balance Sheet as at 31 March 2024

This statement shows the value as at 31 March 2024 of the assets and liabilities recognised by the Partnership. The net assets of the partnership (assets less liabilities) are matched by reserves held by the Partnership.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Partnership may use to provide services, subject to any statutory limitation on their use. The second category of reserves is those that the partnership is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provided services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2023		Notes	As at 31 March 2024
£			£
71,870	Property, Plant and Equipment	8	63,442
<b>71,870</b>	<b>Long-Term Assets</b>		<b>63,442</b>
183,580	Short-term debtors	9	375,190
0	Cash & cash equivalents	10	0
<b>183,580</b>	<b>Current Assets</b>		<b>375,190</b>
(183,580)	Short-term creditors	11	(375,190)
<b>(183,580)</b>	<b>Current Liabilities</b>		<b>(375,190)</b>
<b>71,870</b>	<b>Net Assets</b>		<b>63,442</b>
71,870	Unusable Reserves	12	63,442
<b>71,870</b>	<b>Total Reserves</b>		<b>63,442</b>

The unaudited financial statements were issued on 28 June 2024 and the audited financial statements were authorised for issue on **27 September 2024**.

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

*Paul Fraser*

.....  
 Paul Fraser CPFA  
 Proper Officer for Finance  
 Zetland Transport Partnership

27 September 2024

## Cash Flow Statement for the year ended 31 March 2024

This statement shows the changes in cash and cash equivalents during the financial year. Included in the Cash Flow Statement is interest and grants that are directly paid into the ZetTrans' bank account. All expenditure and other income is processed through the Shetland Islands Council bank account, and therefore is not included here.

2022/23 £	Notes	2023/24 £
	<b>Operating Activities</b>	
(1,987)	Interest received	(3,050)
(131,750)	Grants	(196,002)
<b>(133,737)</b>	<b>Cash inflows generated from operating activities</b>	<b>(199,052)</b>
133,726	Cash paid to suppliers of goods and services	199,051
11	Interest paid	1
<b>133,737</b>	<b>Cash outflows generated from operating activities</b>	<b>199,052</b>
<b>0</b>	<b>Net cash flows from Operating Activities</b>	<b>0</b>
<b>0</b>	<b>Investing Activities</b>	<b>0</b>
<b>0</b>	<b>Financing Activities</b>	<b>0</b>
<b>0</b>	<b>Net increase or (decrease) in cash &amp; cash equivalents</b>	<b>0</b>
0	Cash & cash equivalents at 1 April	0
0	Net movement in cash & cash equivalents during the year	0
<b>0</b>	<b>Closing cash &amp; cash equivalents</b>	<b>0</b>

## Notes to the Financial Statements

### Note 1: 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.

2023/24	Net Expenditure Chargeable to ZetTrans £	Adjustments for capital purposes £	Net Expenditure in the CIES £
Policy, Strategy & Projects	387,241	8,428	395,669
Transport Services - Bus	2,984,893	0	2,984,893
Transport Services - Air	1,122,954	0	1,122,954
Transport Services - Ferry	362,250	0	362,250
<b>Net Cost of Services</b>	<b>4,857,338</b>	<b>8,428</b>	<b>4,865,766</b>
Other income and expenditure	(4,857,338)	0	(4,857,338)
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>8,428</b>	<b>8,428</b>

2022/23	Net Expenditure Chargeable to ZetTrans £	Adjustments for capital purposes £	Net Expenditure in the CIES £
Policy, Strategy & Projects	414,218	8,428	422,646
Transport Services - Bus	2,511,152	0	2,511,152
Transport Services - Air	1,027,805	0	1,027,805
Transport Services - Ferry	315,180	0	315,180
<b>Net Cost of Services</b>	<b>4,268,355</b>	<b>8,428</b>	<b>4,276,783</b>
Other income and expenditure	(4,268,355)	0	(4,268,355)
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>8,428</b>	<b>8,428</b>

### Note 2: Accounting Standards Issued but not yet Adopted

Standards, amendments and interpretations issued but not adopted this year.

At the date of authorisation of these financial statements, the Partnership has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1 (Presentation of Financial Statements) – classification of Liabilities as Current or Non-Current. Applicable for periods beginning on or after 1 April 2024. The amendments:

- specify that an entity's right to defer settlement must exist as the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.



- Amendments to IFRS 16 (Leases) – the amendments add subsequent measurement requirements for sale and leaseback transactions. Applicable for periods beginning on or after 1 April 2024;
- Amendments to IAS 1 (Presentation of Financial Statements) – the amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants. Applicable for periods beginning on or after 1 April 2024.
- Amendments to IAS 12 (Income Taxes) – International Tax Reform: Pillar Two Model Rules. Pillar two applies to multinational groups with a minimum level of turnover. Applicable for periods beginning on or after 1 April 2024. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and
  - targeted disclosure requirements for affected entities.
- Amendments to IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments: Disclosures) - the amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows; and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

ZetTrans does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods.

In 2024/25, ZetTrans will apply IFRS 16 Leases as adopted by the Code of Accounting Practice.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value

IFRS 16 will be applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures.

The impact that applying the standard in 2024/25 is expected to have on ZetTrans financial statements is yet to be quantified.

### Note 3: Critical Judgements in applying accounting policies

In applying the accounting policies set out in note 16, the Partnership has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- there is a high degree of uncertainty about future levels of funding for local government. However, the Partnership has determined that this uncertainty is not yet sufficient to provide an indication that the level of service provision within the Partnership will require to be materially changed; and
- the Partnership uses the Shetland Islands Council's financial management systems and processes, meaning the majority of its transactions, that is, payment of invoices and receipt of income are processed through the Council's bank account. This has a significant impact on the amounts recognised in the Cash Flow Statement, as it is limited to the transactions, interest and specific grant income, which are processed through the Partnership's bank account.

### Note 4: Events after the Balance Sheet Date

The audited annual accounts were authorised for issue on **27 September 2024**. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

There were no events which took place after 31 March 2024 which would materially affect the 2023/24 annual accounts.

## Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the CIES, recognised by the Partnership in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Partnership to meet future capital and revenue expenditure.

2023/24	Usable reserves £	Unusable reserves £
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items charged to the CIES:</b>		
Charges for depreciation of non-current assets	(8,428)	8,428
<b>Total Adjustments</b>	<b>(8,428)</b>	<b>8,428</b>

2022/23	Usable reserves £	Unusable reserves £
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items charged to the CIES:</b>		
Charges for depreciation of non-current assets	(8,428)	8,428
<b>Total Adjustments</b>	<b>(8,428)</b>	<b>8,428</b>

## Note 6: Financing and Investment Income and Expenditure

2022/23 £		2023/24 £
11	Interest payable and similar charges	1
(1,987)	Interest receivable and similar income	(3,050)
<b>(1,976)</b>	<b>Total</b>	<b>(3,049)</b>

## Note 7: Taxation and Non-Specific Grant Income

2022/23 £		2023/24 £
	<b>Credited to Taxation and Non-specific Grant Income</b>	
(4,134,629)	Shetland Islands Council Grant	(4,722,539)
(131,750)	Scottish Government Revenue Expenditure Grant	(131,750)
<b>(4,266,379)</b>	<b>Total</b>	<b>(4,854,289)</b>
	<b>Credited to Services</b>	
(68,503)	Sustrans	0
(64,252)	Scottish Government	(313,267)
(59,875)	Shetland Islands Council	0
(27,384)	Highlands and Islands Enterprise	0
<b>(220,014)</b>	<b>Total</b>	<b>(313,267)</b>

## Note 8: Property, Plant and Equipment

Movements in 2023/24	Property, Plant & Equipment £
Cost or Valuation	
Opening Balance at 1 April 2023	84,282
Closing Balance at 31 March 2024	84,282
Depreciation and Impairment	
Opening Balance at 1 April 2023	(12,412)
Depreciation charge	(8,428)
Closing Balance at 31 March 2024	(20,840)
Net Book Value as at 31 March 2024	63,442
Net Book Value as at 31 March 2023	71,870

Movements in 2022/23	Property, Plant & Equipment £
Cost or Valuation	
Opening Balance at 1 April 2022	84,282
Closing Balance at 31 March 2023	84,282
Depreciation and Impairment	
Opening Balance at 1 April 2022	(3,984)
Depreciation charge	(8,428)
Closing Balance at 31 March 2023	(12,412)
Net Book Value as at 31 March 2023	71,870
Net Book Value as at 31 March 2022	80,298

## Note 9: Short-term Debtors

As at 31 March 2023 £		As at 31 March 2024 £
105,411	Central Government Bodies	367,872
1,785	Shetland Islands Council	0
76,384	Other Entities & Individuals	7,318
<b>183,580</b>	<b>Total</b>	<b>375,190</b>

## Note 10: Cash and Cash Equivalents

All cash held is due to the Shetland Islands Council for the provision of service. As at 31 March 2024, the Cash and Cash Equivalents balance is nil, as settled before the end of the year (2022/23: Nil).

## Note 11: Short-term Creditors

As at 31 March 2023 £		As at 31 March 2024 £
(7,900)	Central Government Bodies	(11,574)
0	Shetland Islands Council	(209,198)
0	Public Corporations & Trading Funds	0
(175,680)	Other Entities & Individuals	(154,418)
<b>(183,580)</b>	<b>Total</b>	<b>(375,190)</b>

## Note 12: Unusable Reserves

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis) and credited with the amounts set aside by the Partnership as finance for the costs of acquisition, construction and enhancement.

2022/23 £		2023/24 £
(80,298)	Balance at 1 April	(71,870)
8,428	Reversal of items relating to capital expenditure debited or credited to the CIES: Charges for depreciation and impairment of non-current assets	8,428
<b>(71,870)</b>	<b>Balance at 31 March</b>	<b>(63,442)</b>

## Note 13: 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.

2022/23 £		2023/24 £
0	Members' expenses	1,237
0	<b>Total</b>	<b>1,237</b>

## Note 14: 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:

2022/23 £		2023/24 £
11,850	Fees payable in respect of external audit services carried out by the appointed auditor for the year	12,560
(1,202)	Rebates	0
<b>10,648</b>	<b>Total</b>	<b>12,560</b>

## Note 15: Related Parties

The Partnership is required to disclose material transactions with related parties, 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 2023/24, The Scottish Government provided £0.132m to fund running costs of the Partnership (£0.132m in 2022/23).

Shetland Islands Council is responsible for funding the net expenditure of the Partnership under the Transport (Scotland) Act 2005. In 2023/24 the Council provided £4.470m (£3.854m in 2022/23) to fund the delivery of the public transport service, £0.252m

(£0.280m in 2022/23) of match funding for core running costs and £0.313m (£0.060m in 2022/23) specific grant funding. In addition, ZetTrans charged the Council £0.108m (£0.100m in 2022/23) for its use of the public bus service to transport pupils to school. ZetTrans does not employ its own staff and during 2023/24, Shetland Islands Council charged ZetTrans £0.347m (£0.281m in 2022/23) in respect of staff, supplies and other support services.

## Note 16: Accounting Policies

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

### A General Principles

The annual accounts summarise the Partnership's transactions for the 2023/24 financial year and its position at the year-end, 31 March 2024. ZetTrans' is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the accounts is principally historical cost. The accounts have been prepared on a going concern basis.

The Partnership will disclose material accounting policy information to aid the reader's understanding and interpretation of the information presented in the financial statements. Information is considered to be material if it might influence the decisions users make based on financial information about the Council. If immaterial items are included, they can interfere with decision making, because excessive detail may obscure the relevant information. Some items may qualify as material by nature or context regardless of their size.

### B 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.

## C Cash and Cash Equivalents

Cash is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours. The Cash Flow Statement details cash inflows and outflows, that is, cash received in to and paid out of the Partnership's bank account and consists of interest and grants. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. All other cash flows are processed through the Shetland Islands Council bank account, and therefore are not included in the Partnership's Cash Flow Statement.

## D Charges to Revenue for Non-Current Assets

Depreciation attributable to the assets used by the Partnership is charged to record the cost of holding non-current assets during the year.

## 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 financial year, whereby the annual accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the financial year, whereby the annual accounts are not 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.

Events taking place after the date of authorisation for issue are not reflected in the annual accounts.

## F Government Grants and Contributions

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

Amounts recognised as due to the Partnership are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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.

## G Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Partnership and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any cost attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are carried in the Balance Sheet at current value, determined as the amount that would be paid for the asset in its existing use value.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- the carrying amount of the asset is written down against the relevant service lines in the CIES; and
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life and assets that are under construction.

Depreciation is calculated annually, using the straight-line method. There is no depreciation charged in the year of acquisition of an asset but a full year is charged in the year of disposal. The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Vehicles, plant, furniture and equipment: 1 - 10 years.

## H Reserves

Reserves held on the Balance Sheet are classified as either usable (available to support services) or unusable (required to facilitate accounting requirements). The Partnership operates an unusable reserve - the Capital Adjustment Account.

## I Value Added Tax

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