

# Unaudited Annual Accounts **2017/18**



**Ze Trans**

SHETLAND'S TRANSPORT PARTNERSHIP



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# Management Commentary

## 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).

Following the local elections in May 2017, Zetland Transport Partnership membership was:

### Shetland Islands Council Members:

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

### Other Members:

Mr R Roberts (NHS Shetland)  
Mrs R Hunter (HIE Shetland)

### Substitute Members:

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

### Observer / Advisers:

Ms S Laurenson (Lerwick Port Authority)  
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.

The purpose of the Management Commentary is to present an overview of ZetTrans' financial performance during the year 2017/18 and to help readers understand its financial position at 31 March 2018. In addition, it outlines the main risks and uncertainties facing ZetTrans for the financial year 2017/18 and beyond.

## Background

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

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

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

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

Shetland Islands Council, as the primary funder for ZetTrans, has been working to address an expected funding gap of £20m by 2021/22 by reducing costs and improving efficiency. To deliver on its obligations as an RTP and address this key financial challenge, ZetTrans is refreshing its Shetland Transport Strategy (STS).

## Strategy and Performance Management

### Revision of the Shetland Transport Strategy

After a decade of operation and in line with many other RTPs, ZetTrans is revisiting and refreshing its Shetland Transport Strategy, to bring it up to date. This incorporates the findings of other studies such as the Shetland Inter-island Transport Study and the Northern Isles Ferry Services STAG study, which aligns it with Shetland's Partnership Plan 2018-2028, currently in progress.

The refresh has comprised of three stages:

**Stage 1 – Review:** An external audit and evaluation was undertaken in 2015 with a view to highlighting the elements that needed to be revisited. This review was overseen by a short-life working group comprising all key stakeholders.

**Stage 2 – Main Issues Report:** The Main Issues Report was approved in June 2017. This identifies items to be addressed in the refreshed STS.

**Stage 3 – Refreshed STS:** The pre-consultation draft Shetland Transport Strategy Refresh was presented to the Board in November 2017 and should be finalised in mid-2018.

The Shetland Transport Strategy and its refresh are presented more comprehensively as a part of the recently published ZetTrans Annual Report 2016-17, which can be viewed here: <http://www.zettrans.org.uk/aboutus/AnnualReportandAccounts.asp>

### Key Performance Indicators

ZetTrans adopted an agreed range of 40 key performance indicators (KPIs) in September 2016. These statistics relate to a range of transport functions in place in the Shetland Islands, both within the scope of ZetTrans operations and those provided externally. As these continue to be measured and compiled, performance trends over time can be gauged as well as comparisons to similar functions outwith the isles.

The KPIs will be refined to reflect the final version of the refreshed Transport Strategy. For further information on KPIs, please see the ZetTrans Annual Report 2016/17.

## 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 2016/17 Annual Report to Transport Scotland in April 2018. A copy can be found at: <http://www.zettrans.org.uk/aboutus/AnnualReportandAccounts.asp>

### Inter-island Transport Study

During 2015/16 and 2016/17 ZetTrans worked 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. This has established the Strategic Outline Case to support a "Fair Funding" position in relation to inter-island transport provision.

The Scottish Government provided a one-off settlement of £5m in its 2018/19 budget to Shetland Islands Council to support the provision of inter-island ferry services in Shetland.

Work will continue through 2018/19 to establish continued funding of inter-island ferry services as well as undertaking Outline Business Cases for inter-island air services, the Fair Isle Ferry Service, Whalsay Transport Link and revenue options for the inter-island ferry services network.

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

### 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 extended the study to take into account a ferry fares review and a procurement review and at the time of writing this commentary (April 2018) the STAG study had just been published for comment

and the Scottish Government had extended the Northern Isles Ferry Services Contract to 31 October 2019. ZetTrans is continuing to engage with Transport Scotland in the finalisation of the STAG Study and the preparation of the Northern Isles Ferry Services Specification and procurement process for the next contract.

## 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.

## Primary Financial Statements

The Annual Accounts for 2017/18 summarise ZetTrans transactions and cash flows for the year and its year-end position as at 31 March 2018. 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 a more detailed analysis of the figures disclosed within them. These statements and notes form the relevant annual accounts for the purpose of the auditor's certificate and opinion.

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

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

## Financial Performance in 2017/18

The Comprehensive Income and Expenditure Statement (CIES) show that the full economic cost of providing ZetTrans services in 2017/18 was £2.083m. This expenditure was met through grant income from the Scottish Government and Shetland Islands Council, as well as a small amount of interest received on bank balances.

The final outturn position compared to the estimated budget for 2017/18 is summarised as follows:

2016/17 Actual £000	Revenue	2017/18 Budget £000	2017/18 Actual £000	2017/18 Variance £000
168	Policy Strategy & Projects	177	185	(8)
1,863	Bus Operations	1,920	1,898	22
<b>2,031</b>	<b>Total Expenditure</b>	<b>2,097</b>	<b>2,083</b>	<b>14</b>
(132)	Scottish Government Grant	(132)	(132)	0
(1,899)	SIC Grant	(1,965)	(1,951)	(14)
<b>(2,031)</b>	<b>Total Income</b>	<b>(2,097)</b>	<b>(2,083)</b>	<b>(14)</b>
<b>0</b>	<b>Net (Surplus)/Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>

Expenditure is categorised into two main areas:

**Policy, Strategy & Projects (£0.185m)**, which is a £0.017m (10%) increase when compared to 2016/17 (£0.168m).

**Transport Services (£1.898m)**, which is a £0.035m (2%) increase when compared to 2016/17 (£1.863m).

## Comparison of Outturn v Budget

In 2017/18, there was a budget overspend of £0.008m in Policy Strategy & Projects and an underspend of £0.022m in Bus Operations.

Overall, this has resulted in a lower grant requirement than that expected before the start of the year from Shetland Islands Council, who are ultimately responsible for providing ZetTrans funding.

## 2018/19 Budget Outlook

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

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

The approved gross revenue budget for ZetTrans for 2018/19 is £3.986m, of which £0.230m is for core activities and the implementation of the Regional Transport Strategy and £3.756m is for public transport services in Shetland. It is important to note that ZetTrans has assumed operational responsibility for a larger range of transport for the year 2018/19 onwards, including the Inter-Island Air contract and the Foula ferry service.

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

Transport operations are budgeted to cost £3.756m and are funded by anticipated fare income of £0.712m and a contribution from Shetland Islands Council of £3.044m.

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

## Acknowledgements

Finally, we would like to acknowledge 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

26 June 2018



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

26 June 2018



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

26 June 2018

# Statement of Responsibilities

## Zetland Transport Partnership's Responsibilities

ZetTrans is required to:

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

I confirm that these unaudited annual accounts were approved for signature by the Partnership at its meeting on 26 June 2018.

Signed on behalf of Zetland Transport Partnership.



.....  
Ryan Thomson  
Chairperson  
Zetland Transport Partnership

26 June 2018

## 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;
- 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 2018.



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

26 June 2018

# Annual Governance Statement

## Scope of Responsibility

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

## The Governance Framework

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

The governance framework in place is built upon that of Shetland Islands Council, details of which are included in the annual accounts of Shetland Islands Council.

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, however 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 close working relationship with the Shetland Islands Council. An early outcome of this review was a

better understanding of the functional responsibility for the delivery of the public transport services and that functional responsibility for the provision of the air services and certain ferry services lay with ZetTrans. That issue was formally addressed by both ZetTrans and the Council in November 2017. It is expected that any financial changes arising from this will be addressed in financial year 2018/19.

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 2018.

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 and public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

As noted in the Management Commentary, staff working for ZetTrans are covered by a number of Shetland Islands Council internal controls, policies and procedures. In addition to their duty to routinely assess the controls and adherence to policy and procedure, Internal Audit undertook work on behalf of the Council during 2017/18 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 key performance indicator (KPI) information. In order to address this, ZetTrans have produced their 2016-2017 Annual Report, within which a new range of 40 performance indicators have been presented in order to measure the organisation's performance now and in the future. This can be reviewed here: <http://www.zettrans.org.uk/aboutus/AnnualReportandAccounts.asp>

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 2017/18 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.

There are no significant issues that are require to be disclosed.



.....  
Jan Robert Riise LLB (Hons) LEG-Dip  
Secretary & Proper Officer for Legal Proceedings  
Zetland Transport Partnership  
26 June 2018



.....  
Ryan Thomson  
Chairperson  
Zetland Transport Partnership  
26 June 2018

## Primary Financial Statements

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

This statement shows the accounting costs of providing services 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.

2016/17 Net Expenditure £	Notes	2017/18 Gross Expenditure £	2017/18 Gross Income £	2017/18 Net Expenditure £
167,697	Policy, Strategy & Projects	185,395	0	185,395
1,863,639	Bus Operations	2,573,943	(676,371)	1,897,572
<b>2,031,336</b>	<b>Net Cost of Services</b>	<b>2,759,338</b>	<b>(676,371)</b>	<b>2,082,967</b>
(251)	Financing and Investment Income	0	(300)	(300)
(2,031,085)	Taxation and non-specific grant income 6	0	(2,082,667)	(2,082,667)
<b>0</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>2,759,338</b>	<b>(2,759,338)</b>	<b>0</b>
0	Other Comprehensive Income and Expenditure			0
<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>0</b>

## Balance Sheet as at 31 March 2018

This statement shows the value as at 31 March 2018 of the assets and liabilities recognised by ZetTrans.

It should be noted that total current assets equal total current liabilities in the Balance Sheet. This is because Shetland Islands Council will only cover the net 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 March 2017.

As at 31 March 2017 (restated) £		Notes	As at 31 March 2018 £
0	Short-term debtors		0
132,001	Cash and cash equivalents	4	191,812
<b>132,001</b>	<b>Current Assets</b>		<b>191,812</b>
(132,001)	Short-term creditors		(191,812)
<b>(132,001)</b>	<b>Current Liabilities</b>		<b>(191,812)</b>
<b>0</b>	<b>Net Assets</b>		<b>0</b>

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

The sum owed by ZetTrans to Shetland Islands Council is shown as a short-term creditor at the year-end.



.....  
Jonathan Belford CPFA  
Proper Officer for Finance  
Zetland Transport Partnership  
26 June 2018

## 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.

The Cashflow Statement for 2017/18 has been prepared using the direct method, resulting in presentational changes. This has resulted in the restatement of the 2016/17 figures.

2016/17 (restated) £		2017/18 £
	<b>Cash inflows from Operating Activities</b>	
(265)	Interest received	(300)
(131,750)	Grants	(191,512)
(83,715)	Taxation Due	(86,343)
	<b>Cash outflows from Operating Activities</b>	
132,216	Cash paid to suppliers of goods and services	132,001
83,715	Taxation	86,343
<b>200</b>	<b>Net cash flows from Operating Activities</b>	<b>(59,811)</b>
<b>200</b>	<b>Net movement in cash and cash equivalents</b>	<b>(59,811)</b>
132,201	Cash and cash equivalents at 1 April	132,001
(200)	Net movement in cash and cash equivalents during the year	59,811
<b>132,001</b>	<b>Cash and cash equivalents at 31 March</b>	<b>191,812</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.

It also shows how this expenditure is allocated for decision-making purposes.

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2017/18	Net Expenditure chargeable to ZetTrans £	Presentational Adjustments £	Net Expenditure in the CIES £
Policy, Strategy & Projects	185,395	0	185,395
Bus Operations	1,897,572	0	1,897,572
<b>Net Cost of Services</b>	<b>2,082,967</b>	<b>0</b>	<b>2,082,967</b>
Other income and expenditure	(2,082,667)	(300)	(2,082,967)
<b>(Surplus) or Deficit</b>	<b>300</b>	<b>(300)</b>	<b>0</b>

2016/17	Net Expenditure chargeable to ZetTrans £	Presentational Adjustments £	Net Expenditure in the CIES £
Policy, Strategy & Projects	167,697	0	167,697
Bus Operations	1,863,639	0	1,863,639
<b>Net Cost of Services</b>	<b>2,031,336</b>	<b>0</b>	<b>2,031,336</b>
Other income and expenditure	(2,031,085)	(251)	(2,031,336)
<b>(Surplus) or Deficit</b>	<b>251</b>	<b>(251)</b>	<b>0</b>

### Presentational Adjustments

Other income and expenditure represents interest income, which is excluded from the Net Cost of Services and budgetary outturn.

## Note 2: Change in Accounting policy

During the year, the Partnership changed its accounting policy in respect of the treatment of debtors and creditors. ZetTrans previously recorded all income and expenditure as a debtor and a creditor at the year-end. The accounting policy has been amended so that only those amounts that have been incurred by Shetland Islands Council on behalf of the Partnership and which have not been reimbursed at the end of the year are shown as creditors.

Effect on Balance Sheet as at 31 March 2017	As Originally Stated £	As Restated £	Restatement £
Short-term debtors	1,899,335	0	(1,899,335)
Short-term creditors	(2,031,336)	(132,001)	1,899,335

The impact of this voluntary change in accounting policy on the financial statements is to reduce the debtors and associated creditors with the net impact on the balance sheet being nil.

## Note 3: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS 9: Financial Instruments (not relevant to ZetTrans);
- IFRS 15: Revenue from Contracts with Customers, including amendments and clarifications;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (not relevant to ZetTrans); and
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The Code requires implementation in the accounts from 1 April 2018 and there is therefore no impact on the 2017/18 financial statements, neither will there be retrospective restatement of the 2017/18 year in next year's accounts upon implementation of the two new standards. Instead, opening balances at 1 April 2018 will be adjusted.

## Note 4: Cash and Cash Equivalents

Cash and Cash Equivalents is comprised of:

As at 31 March 2017 £		As at 31 March 2018 £
132,001	Bank current accounts	191,812
<b>132,001</b>	<b>Total</b>	<b>191,812</b>

## Note 8: 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:

2016/17 £		2017/18 £
5,073	Members' expenses	3,742
<b>5,073</b>	<b>Total</b>	<b>3,742</b>

## Note 5: 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:

2016/17 £		2017/18 £
10,187	Fees payable in respect of external audit services carried out by the appointed auditor for the year	9,913
<b>10,187</b>	<b>Total</b>	<b>9,913</b>

## Note 6: Grant Income

The Partnership credited the following grants, contributions and donations to the CIES in 2017/18:

2016/17 £		2017/18 £
(131,750)	Scottish Government Revenue Expenditure Grant	(131,750)
(1,899,335)	Shetland Islands Council Grant	(1,950,917)
<b>(2,031,085)</b>	<b>Total</b>	<b>(2,082,667)</b>

In addition to this total, a grant of £59,762 was received for 2018/19 that has been carried forward as a grant received in advance.

## Note 9: Related Parties

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

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

In 2017/18, the Scottish Government provided £0.132m to fund running costs of the Partnership (£0.132m in 2016/17) as well as a one-off grant of £0.060m in advance of a specific project carried forward into 2018/19.

Shetland Islands Council is responsible for funding the net expenditure of the Partnership under the Transport (Scotland) Act 2005. In 2017/18 the Council provided £1.898m (£1.864m in 2016/17) to fund the delivery of bus service and a further £0.053m (£0.035m in 2016/17) of match funding for core running costs. ZetTrans does not employ its own staff and during 2017/18, Shetland Islands Council charged ZetTrans £0.164m (£0.145m in 2016/17) in respect of staff, supplies and other support services.

## Note 8: 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 9: Accounting Policies

### A General Principles

The Code specifies the applicable accounting policies for:

- selecting measurement bases for recognising assets, liabilities, gains and losses in the annual accounts;
- making changes to reserves; and
- the minimum disclosure requirements.

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

## B Accounting Conventions and Concepts

The accounting convention adopted in the annual accounts is historical cost.

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

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

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

## C Accruals of Income and Expenditure

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

## D Government Grants and Contributions

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

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

## E Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a

material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are made only when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Partnerships financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## F Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the annual accounts are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, whereby the annual accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period, whereby the annual accounts are 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.

## G Value Added Tax

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