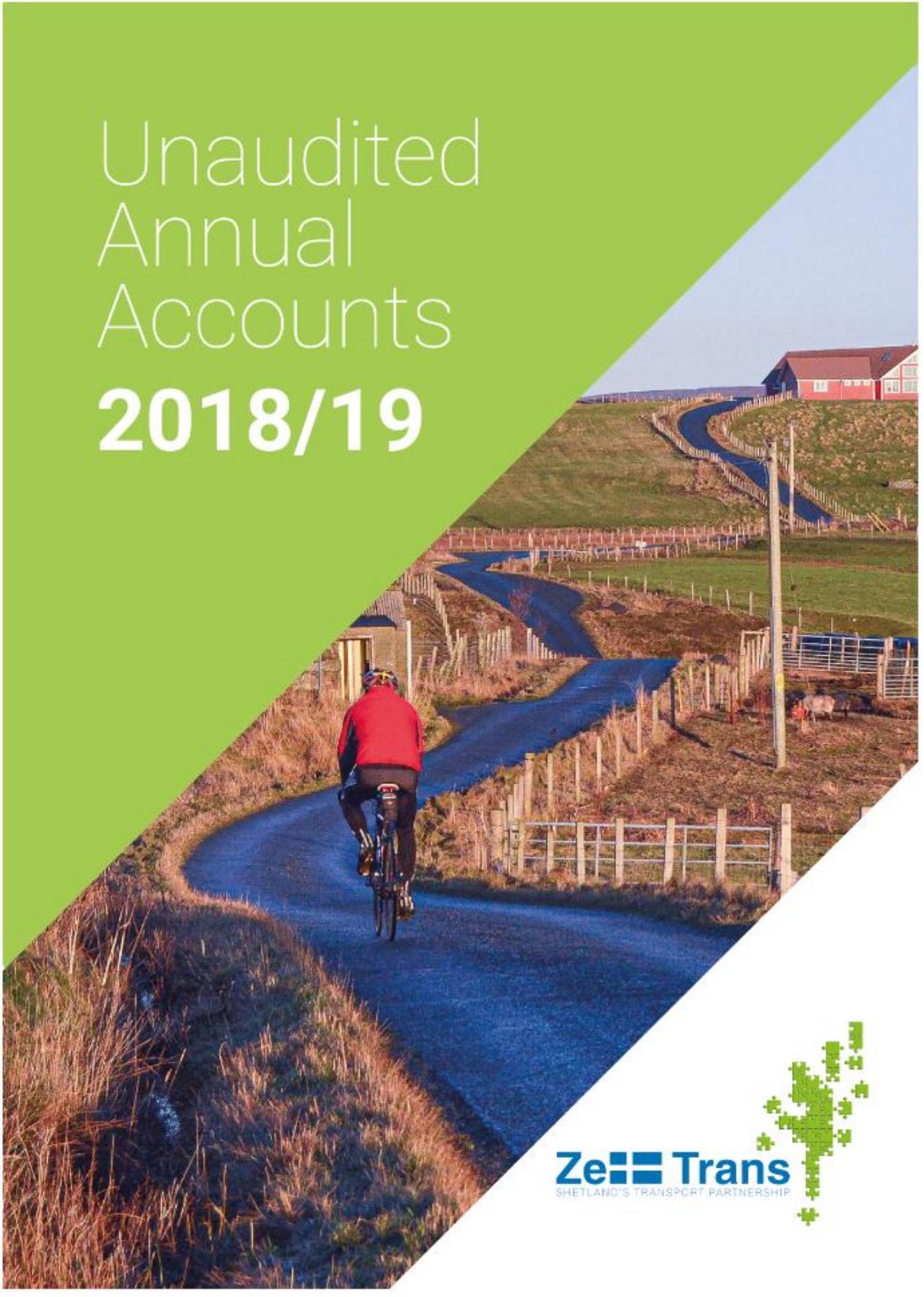


# Unaudited Annual Accounts **2018/19**



**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).

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

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

### Substitute Members:

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

### Observer / Advisers:

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

## Executive Officers:

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

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

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

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

## Background

Zetland Transport Partnership (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 as well as industry bodies in Shetland covering tourism, hauliers, fishing and aquaculture. Its role continues to evolve and develop, as do other RTPs, to ensure that both regional and national objectives are sustainable and can be delivered efficiently.

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

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

Shetland Islands Council, as the primary funder for ZetTrans, has been working to address an expected 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 refreshed the Shetland Transport Strategy (STS), which was approved by the Partnership in June 2018.

## Strategy and Performance Management

### Revision of the Shetland Transport Strategy

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

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

The refreshed Shetland Transport strategy is presented more comprehensively on their website:

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

### Key Performance Indicators

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

The KPIs will be refined to reflect the implementation of the refreshed Transport Strategy, the supporting Delivery Plan and ZetTrans' obligations in relation to the Shetland Partnership Plan. A revised set of indicators are

intended to be presented to ZetTrans for approval in the last quarter of 2019

## ZetTrans Annual Report

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

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

## Inter-island Transport Study

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

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

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

- Outline Business Case for ferry service levels throughout Shetland;
- Outline Business Case for provision of inter-island air services;

- Outline Business Case for the capital investment required to replace the Fair Isle Ferry and associated infrastructure; and
- Outline Business case for the capital investment required for the Whalsay Transport Link.

In addition to this ZetTrans will work with Shetland Islands Council to promote the inclusion of fixed links in the National Transport Strategy 2 and the Strategic Transport Projects Review 2.

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

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

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

## 2019 Northern Isles Ferry Service Contract

On 13 August 2015, the Minister for Transport and Islands announced that the Scottish Government intended to undertake a Scottish Transport Appraisal Guidance (STAG) study into the Northern Isles Ferry Services (NIFS). 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. The conclusions of the study were used by Scottish Government to inform its approach to the next NIFS contract which was issued for tender in January 2019. Award of the contract is anticipated in July 2019 with a new contract starting on 31 October 2019.

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

## Key Risks

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

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

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

These three statements are accompanied by notes to the accounts, which set out the accounting policies adopted by the Partnership

and provide a more detailed analysis of the figures disclosed within them. These statements and notes form the relevant annual accounts for the purpose of the auditor's certificate and opinion.

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

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

## Financial Performance in 2018/19

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

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

2017/18 Actual £000	Revenue	2018/19 Budget £000	2018/19 Actual £000	2018/19 Variance £000
185	Policy Strategy & Projects	361	390	(29)
1,898	Transport Services - Bus	2,043	2,011	32
0	Transport Services - Air	1,041	934	107
0	Transport Services - Ferry	315	324	(9)
<b>2,083</b>	<b>Total Expenditure</b>	<b>3,759</b>	<b>3,659</b>	<b>101</b>
(132)	Scottish Government Grant	(132)	(132)	0
(1,951)	SIC Grant	(3,627)	(3,527)	(101)
<b>(2,083)</b>	<b>Total Income</b>	<b>(3,759)</b>	<b>(3,659)</b>	<b>(101)</b>
<b>0</b>	<b>Net (Surplus)/Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>

Expenditure is categorised into two main areas:

**Policy, Strategy & Projects (£0.390m)**, which is a £0.205m (111%) increase when compared to 2017/18 (£0.185m).

**Transport Services (£3.269m)**, which is a £1.371m (72%) increase when compared to 2017/18 (£1.898m), though this includes the additional operations of the Inter-Island Air service

and the Foula Ferry service when compared to the previous year.

## Comparison of Outturn v Budget

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

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

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

## 2019/20 Budget Outlook

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

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



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

27/06/2019

The approved gross revenue budget for ZetTrans for 2019/20 is £4,305m, of which £0.240m is for core activities and the implementation of the Regional Transport Strategy and £4.065m is for public transport services in Shetland. It is important to note that ZetTrans has assumed operational responsibility for a larger range of transport from the year 2018/19 onwards, including the inter-island air service contract and the Foula internal ferry service.

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

Transport operations are budgeted to cost £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 the work of the officers who have had a role in the preparation of the annual accounts and those who have worked diligently throughout the year in the delivery of ZetTrans objectives.



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

27/06/2019

## Statement of Responsibilities

### Zetland Transport Partnership's Responsibilities

ZetTrans is required to:

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

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

Signed on behalf of Zetland Transport Partnership.



.....  
Ryan Thomson  
Chairperson  
Zetland Transport Partnership

27/06/2019

## The Proper Officer for Finance's Responsibilities

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

In preparing the annual accounts, the Proper Officer for Finance has:

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

The Proper Officer for Finance has also:

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

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



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

27/06/2019

# Annual Governance Statement

## Scope of Responsibility

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

## The Governance Framework

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

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

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 underwent its own governance review with the main purpose to clarify and fully describe its close working relationship with the Shetland Islands Council. An 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. In light of this, ZetTrans assumed ownership of the provision of the Inter-Island Air Service and the Foula Ferry service for the year 2018/19 and these activities are reflected in the financial monitoring and the Annual Accounts.

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

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

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

## Review of Effectiveness

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

- progress towards key strategic and service objectives;
- financial and budget monitoring;
- Internal Audit reviews on specific 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.

## Significant Governance Issues

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

## Conclusion

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



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

27/06/2019



.....  
Ryan Thomson  
Chairperson  
Zetland Transport Partnership

27/06/2019

## Primary Financial Statements

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

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

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

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

2017/18 Net Expenditure £	Notes	2018/19 Gross Expenditure £	2018/19 Gross Income £	2018/19 Net Expenditure £
185,395	Policy, Strategy & Projects	390,487	0	390,487
1,897,572	Transport Services - Bus	2,624,074	(613,114)	2,010,960
0	Transport Services - Air	933,504	0	933,504
0	Transport Services - Ferry	323,943	0	323,943
<b>2,082,967</b>	<b>Net Cost of Services</b>	<b>4,272,008</b>	<b>(613,114)</b>	<b>3,658,894</b>
(300)	Financing and Investment Income	0	(496)	(496)
(2,082,667)	Taxation and non-specific grant income 5	0	(3,658,398)	(3,658,398)
<b>0</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>4,272,008</b>	<b>(4,272,008)</b>	<b>0</b>
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 2019

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

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

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

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.

*J. Manson*

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

27/06/2019

## Cashflow Statement

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

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

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

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

# Notes to the Financial Statements

## Note 1: Change in Accounting Policy

During the 2017/18 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.

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. This policy has continued to be practiced in 2018/19.

## Note 2: Accounting Standards Issued and Adopted in Year

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

- IFRS9 Financial Instruments;
- IFRS15: Revenue from Contracts with Customers, including amendments and clarifications;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses; and
- Amendments to IAS 7 Statement of Cashflows: Disclosure Initiative.

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

## Note 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 2019/20 Code:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property (Not relevant to ZetTrans)

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (Not relevant to ZetTrans)
- IFRIC23: Uncertainty over Income Tax Treatments (Not relevant to ZetTrans)
- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation (Not relevant to ZetTrans)

The Code requires implementation in the accounts from 1 April 2019 and there is therefore no impact on the 2018/19 financial statements.

## Note 4: Cash and Cash Equivalents

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

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

## Note 5: Grant Income

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

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

## Note 6: Members' Expenses

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

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

## Note 7: External Audit Costs

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

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

## Note 8: Related Parties

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

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

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

Shetland Islands Council is responsible for funding the net expenditure of the Partnership under the Transport (Scotland) Act 2005. In 2018/19 the Council provided £3.268m (£1.898m in 2017/18) to fund the delivery of the public transport service and a further £0.259m (£0.053m in 2017/18) of match funding for core running costs. ZetTrans does not employ its own staff and during 2018/19, Shetland Islands Council charged ZetTrans £0.258m (£0.164m in 2017/18)

in respect of staff, supplies and other support services.

## Note 9: Critical Judgements in applying accounting policies

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

## Note 10: Accounting Policies

### A General Principles

The Code specifies the applicable accounting policies for:

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

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

## B Accounting Conventions and Concepts

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

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

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

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

## C Accruals of Income and Expenditure

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

## D Government Grants and Contributions

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

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

## E 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.