

Connecting Shetland  
**Ze Trans**  
ZETLAND TRANSPORT PARTNERSHIP



Annual Accounts 2015/16 (Audited)

## **CONTENTS**

<b>Introduction</b>	<b>3</b>
<b>Management Commentary</b>	<b>4</b>
<b>Statement of Responsibilities</b>	<b>11</b>
<b>Annual Governance Statement</b>	<b>13</b>
<b>Primary Financial Statements</b>	
<b>Comprehensive Income and Expenditure Statement for the year ended 31 March 2016</b>	<b>16</b>
<b>Balance Sheet as at 31 March 2016</b>	<b>17</b>
<b>Cash Flow Statement for the year ended 31 March 2016</b>	<b>18</b>
<b>Notes to the Primary Financial Statements</b>	
<b>Note 1 Summary of Significant Accounting Policies</b>	<b>19</b>
<b>Note 2 Short Term Debtors</b>	<b>20</b>
<b>Note 3 Cash and Cash Equivalents</b>	<b>20</b>
<b>Note 4 Short Term Creditors</b>	<b>21</b>
<b>Note 5 Members' Expenses</b>	<b>21</b>
<b>Note 6 External Audit Costs</b>	<b>21</b>
<b>Note 7 Grant Income</b>	<b>22</b>
<b>Note 8 Related Parties</b>	<b>22</b>
<b>Independent Auditor's Report</b>	<b>23</b>

## **INTRODUCTION**

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

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

The Zetland Transport Partnership Members for 2015/16 were as follows:

### **Members:**

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

### **Other Members:**

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

### **Substitute Members:**

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

### **Observer / Advisers:**

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

### **Executive Officers:**

Secretary & Proper Officer for Legal Proceedings: Executive Manager - Governance & Law - Jan Robert Riise  
Proper Officer for Finance: Executive Manager - Finance - Jonathan Belford

### **Lead Officer:**

Executive Manager: Transport Planning - Michael Craigie

## **MANAGEMENT COMMENTARY**

The purpose of the Management Commentary is to inform all users of these accounts and help them to understand the most significant aspects of ZetTrans financial performance during 2015/16 and its year-end financial position as at 31 March 2016.

### **Background**

ZetTrans exists to undertake the strategic transport planning function and to provide and maintain public bus services in the Shetland Islands. Working in co-operation with a number of stakeholders and interested bodies, including bus operators, airlines and ferry companies; ZetTrans is geared towards the development of a sustainable transport network for internal and inter island travel as well as external services and infrastructure to meet the needs of the present while also looking towards the future.

In November 2006 the functional responsibility for the bus service was transferred to ZetTrans and has become its primary item of business. The issue of the functional transfer of inter island Air Services and Ferry Services has remained in the background as the role of the Regional Transport Partnerships (RTPs) continues to develop. Transport Scotland and RTPs continue to establish the working roles to most efficiently deliver regional and national objectives.

### **Strategy and Performance Management**

#### **Transport Strategy**

The Shetland Transport Strategy was developed to fulfil the requirements of the Transport (Scotland) Act 2005 and was approved by Scottish Government in 2008. The Strategy is used to:

- accurately represent the vision for Shetland's Transport;
- provide an assessment of the existing situation;
- set out a programme of activities, projects and interventions for investment and infrastructure;
- guide and co-ordinate transport-related activities in Shetland; and
- make the case for specific projects that meet funding criteria from the Scottish Government.

When the Strategy was developed over the course of 2006/07 it considered five separate scenarios regarding public sector resources. It was decided to plan around a scenario of less revenue and capital funding and by adopting this perspective the Strategy remains largely relevant in the current climate.

## ZETLAND TRANSPORT PARTNERSHIP (ZetTrans) 2015/16 AUDITED ANNUAL ACCOUNTS

The Partnership is currently in the process of undertaking a review of its Transport Strategy. The timing of the refresh comes during the ten year anniversary of Regional Transport Partnerships and adopts a ten year horizon when considering the direction to be set strategically. There are a number of areas, such as the emerging findings of the Shetland Inter-Island Transport Study and the Northern Isles Ferry Services STAG study, which need to be captured in the refresh process as well as bringing the Strategy into alignment with the Shetland Partnership's Community Planning process.

Through engagement with partners and stakeholders four key messages were given in relation to refreshing the Strategy. These were:

- It must clearly define ZetTrans' purpose and image.
- The refreshed strategy must be concise. As a second generation strategy we can focus more precisely on what has been shown to be important.
- It must be the core of ZetTrans' direction and business planning and be supported by a realistic annual delivery / action plan.
- The process must ensure adequate input from stakeholders whilst avoiding being overly long or complicated.

With these points in mind officers are undertaking the process of refreshing the strategy with the aim of having the 2016 - 26 Strategy published in autumn 2016.

### **Key Performance Indicators**

A series of Key Performance Indicators (KPIs) have been developed for ZetTrans to monitor the delivery of its Transport Strategy. Due to temporary staffing constraints this information was not available for 2014/15, but now the service is fully resourced arrangements are being put in place to ensure that the relevant performance information is available from 2015/16 onwards.

Officers have reviewed the current KPIs and re-established the process of gathering and recording the necessary data which will be reported to the Partnership on a quarterly basis to aid performance management and business planning. Work is also ongoing to ensure that financial information is recorded and analysed appropriately to help support better decision making.

### **ZetTrans Annual Report**

Under the Transport (Scotland) Act 2005, regional transport partnerships are required to produce an annual report detailing the overall performance of the Partnership and how it is performing against its regional transport strategy. ZetTrans has not presented an annual report for the last few years, mainly due to the lack of available staffing as reported above.

## ZETLAND TRANSPORT PARTNERSHIP (ZetTrans) 2015/16 AUDITED ANNUAL ACCOUNTS

The annual report for 2015/16 is currently being prepared and will be presented to the Partnership in September 2016.

### **Projects / Initiatives**

#### *Inter Island Transport Study*

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

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

#### *2018 Northern Isles Ferry Service Contract*

On 13 August 2015 the Minister for Transport and Islands announced that the Scottish Government intended to undertake a full Scottish Transport Appraisal Guidance (STAG) based study into the Northern Isles Ferry Services. This is seen as a significant achievement and it will form the basis of the specification of the 2018 Northern Isles Ferry Service contract. This will ensure that the development of the next contract is fully informed by what is proven to be important to the Shetland economy and society. It is anticipated that the STAG study will be completed by September 2016.

### **Workforce Management**

Shetland Islands Council provides the staffing resources along with the majority of funding to enable ZetTrans to carry out its business. Following a review of the staffing structure it was concluded that additional resources were required to enable ZetTrans, and the Council’s other transport functions, to carry out the whole range of duties and functions required. Until then staff were limited in what they could achieve in terms of performance management, as work was mainly focused on what was necessary to meet the minimum requirements of the service.

A recruitment exercise was completed in March 2016 which brought the service up to a full capacity. Staff are currently focussed on re-establishing and refining the processes and procedures to support service delivery, business planning, performance management and performance reporting.

## ZETLAND TRANSPORT PARTNERSHIP (ZetTrans) 2015/16 AUDITED ANNUAL ACCOUNTS

The staff working on ZetTrans are covered by a number of Council policies and procedures to ensure that workforce management is fair, consistent and provides the appropriate level of support and guidance. Further detail can be found in Shetland Islands Council's Annual Accounts.

### **Primary Financial Statements**

The Annual Accounts summarises ZetTrans transactions for the year, its year-end position as at 31 March 2016 and its cash flows for the year. The Annual Accounts is 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 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 provides a true and fair view of the financial position and the financial transactions of the Partnership.

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

These three Statements are accompanied by Notes to the Accounts which set out the Accounting Policies adopted by the Partnership and provide more detailed analysis of the figures disclosed on the face of the primary financial statements. These statements and notes form the relevant Annual Accounts for the purpose of the independent auditor's report.

No Remuneration Report is included as ZetTrans has no employees. Remuneration of the Chair and Vice-Chair of the Partnership is disclosed in the Shetland Islands Council Annual Accounts. No additional remuneration is paid for acting for the Partnership.

### **Financial Performance in 2015/16**

#### **The Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement (CIES) shows that the full economic cost of providing ZetTrans services in the 2015/16 was £2.154m. This expenditure was met through grant income from the Scottish Government and Shetland Islands Council, and the interest received on its balances held with the bank.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

This can be summarised as follows:

2014/15 Actual £ 000	Revenue	2015/16 Budget £ 000	2015/16 Actual £ 000	2015/16 Variance £ 000
267	Policy Strategy & Projects	138	138	0
1,970	Bus Operations	1,889	2,016	(127)
<u>2,237</u>	<u>Total Expenditure</u>	<u>2,027</u>	<u>2,154</u>	<u>(127)</u>
(132)	Scottish Government Grant	(132)	(132)	0
(2,105)	SIC Grant	(1,895)	(2,022)	127
<u>(2,237)</u>	<u>Total Income</u>	<u>(2,027)</u>	<u>(2,154)</u>	<u>127</u>
<b>0 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 (£0.138m) which is a £0.129m (48%) reduction when compared to expenditure in 2014/15 (£0.267m). The main reasons for this is a £0.096m reduction in consultancy costs and a £0.041m reduction in the Service Level Agreement between ZetTrans and the Council in 2015/16 due to less input being required from external consultants and staff following the implementation of the new bus contracts in 2014/15.

Bus Operations (£2.016m) which is a £0.046m (2%) increase when compared to expenditure in 2014/15 (£1.970m). This was mainly due to contract inflation for 2015/16 and a number of one off costs additional costs.

### Comparison of Outturn against Budget

Policy Strategy and Projects is largely in line with the budgets set for 2015/16, however, there is a £0.127m overspend in Bus operations, mainly due to fare income being £0.117m less than budgeted. The main reason for this is that the original 2015/16 budgets were drawn up during autumn 2014, when the new contracts commenced, so there was very little income data available to use in setting the budget.

The shortfall was met by additional grant income from Shetland Islands Council which is ultimately responsible for providing ZetTrans funding.



## **The Balance Sheet**

This statement sets out the total net worth of ZetTrans as a snapshot in time on the 31 March 2016. Shetland Islands Council incurs the costs of the public bus service during the year which is invoiced to ZetTrans at the end of the financial year. The sum owed by ZetTrans to Shetland Islands Council is shown as a Short Term Creditor at the year-end. ZetTrans also receive grant funding from Shetland Islands Council, which in turn appears as a Short Term Debtor in the Balance Sheet. It should be noted that, total Current Assets equal total Current Liabilities in the Balance Sheet, and that both are the same value as the 'Cost of Service' total appearing in 'Comprehensive Income and Expenditure Statement'. This is because Shetland Islands Council will only cover the exact shortfall in the provision of services by ZetTrans, resulting in the Net Assets of ZetTrans being nil at the year-end. As a result of this, ZetTrans does not hold any usable reserves as at 31 March 2016.

## **Cash Flow Statement**

As described above, ZetTrans is funded in part by grants from Central Government and Shetland Islands Council. These transactions, along with a small amount of bank interest, form the Operating Activities within the cash flow. Since all costs, and therefore cash outflow, of ZetTrans is fully funded – the net cash inflow of £22 is explained by a higher level of bank interest when compared with the previous year.

## **2016/17 Budget Outlook**

The provision of suitable transport arrangements across the Shetland Islands is vital to the people and communities of Shetland and as such, the delivery of reliable and affordable transport solutions is a key priority of ZetTrans. Having implemented the bus contracts across the Islands in 2014, the Council, will continue to pursue a new long-term funding arrangement for the Inter Islands Ferry Services in conjunction with ZetTrans, HITRANS Scottish Government, Transport Scotland and Orkney Islands Council. The financial climate for the delivery of this is challenging, due to the nature of services, revenue and capital costs associated with funding of operations and replacement costs of the required infrastructure. Work has also commenced on the Public Service Obligation for the provision of transport services to the outer islands, which incorporates a review of the air and ferry services that supply transport to these areas.

The total proposed revenue budget for ZetTrans in 2016/17 is £2.836m of which £0.195m is for core funding and the implementation of the Regional Transport Strategy, and £2.641m is for scheduled Public Bus Services in Shetland.

The core running costs and implementation of the Regional Transport Strategy work, including the work to access better information on the services being delivered and implementing the processes for better performance management, is funded by a grant of

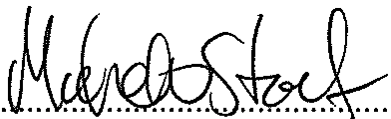
ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

£0.132m from Scottish Government, and match funding of £0.064m from Shetland Islands Council.

Public Bus Services cost £2.641m and are funded by Fare Income of £0.699m and a contribution from Shetland Islands Council of £1.942m. A detailed review has recently taken place to ensure that Council and ZetTrans budgets are aligned, and can be separately identified for VAT purposes. Officers continue to review and validate fares income levels to ensure that revenue security is assured.

**Acknowledgements**

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



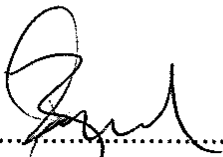
.....  
**Michael Stout**  
Chairperson

Date: 23/09/16



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

Date: 23/09/16



.....  
**Jonathan Belford, CPFA**  
Proper Officer for Finance

Date: 23/09/16

## STATEMENT OF RESPONSIBILITIES

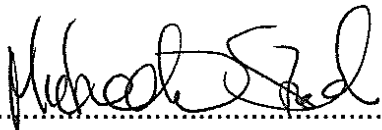
### Zetland Transport Partnership's Responsibilities

ZetTrans is required to:

- make arrangements for the proper administration of its financial affairs and to secure that 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 the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature.

I confirm these audited annual accounts were approved for signature by the Partnership at its meeting on 23 September 2016

Signed on behalf of Zetland Transport Partnership



.....

**Michael Stout**  
Chairperson

Date: 23/09/16

### **The Proper Officer for Finance's Responsibilities**

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

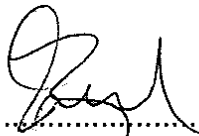
In preparing the Annual Accounts, the Proper Officer for Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the legislation; and
- complied with the local authority Code (in so far as it is compatible with legislation).

The Proper Officer for Finance has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Zetland Transport Partnership at the reporting date and the transactions for the year ended 31 March 2016.



.....  
**Jonathan Belford, CPFA**  
Proper Officer for Finance

Date: 23/09/16

## **ANNUAL GOVERNANCE STATEMENT**

### **Scope of Responsibility**

ZetTrans is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this accountability, members collectively and senior officers individually, are responsible for putting in place proper arrangements for the governance of the organisation's affairs and the stewardship of the resources at its disposal and the management of risk. They cannot eliminate all risk of failure of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

### **The Governance Framework**

ZetTrans is a statutory body and its role is set out in the Transport Scotland Act 2005 and was established under the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005. The overall strategic direction, in terms of setting the priorities for ZetTrans and allocating its resources, rests with the Zetland Transport Partnership.

The governance framework in place is built upon that of Shetland Islands Council. Complete details of the governance framework have been included in the Shetland Islands Council Annual Accounts, should a user of these accounts require any further information.

The Code of Governance was adopted by the Council on 20 September 2012 and is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

The Zetland Transport Partnership governs ZetTrans and is currently undergoing a governance review that will reconfirm and fully describe its relationship with the Shetland Islands Council. The governance 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 November 2016.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

The financial management arrangements conform with 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;
- External Audit and the Accounts Commission observations, comments and recommendations for improvement; and
- external inspections and quality assurance reports and recommendations for improvement.

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

Officers undertook a series of checks on bus and ferry services during November 2015 which were used to develop and implement a process of routine and regular service inspections coupled with interrogation of the ticketing “back office” systems to verify income recorded against observations in the field.

Initial analysis suggests there are no immediate concerns regarding fare income. However, a longer period of observation and analysis is required to establish sufficient data to offer a fully informed position on this matter. This issue will feature specifically in the developing Management Information Systems and the first report on this will be presented to ZetTrans in September 2016.

As noted in the Management Commentary, staff working on ZetTrans are covered by a number of Shetland Islands Council policies and procedures. Internal Audit identified some weaknesses in the application of these policies during the year. Internal Audit’s recommendations have been accepted and an action plan has been prepared to address these issues.

During 2015/16 a number of issues were identified in relation to the recording and reporting of performance information. Actions are in the process of being implemented to ensure that this information is available for 2015/16 and beyond.

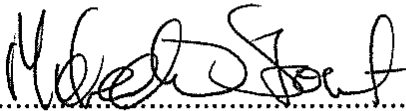
**Conclusion**

Overall, we consider the governance and internal control environment operating in 2015/16, 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 require to be disclosed.



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

Date: 23/09/16



.....  
**Michael Stout**  
Chairperson

Date: 23/09/16

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

PRIMARY FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR  
ENDED 31 MARCH 2016

The **Comprehensive Income and Expenditure Statement** shows the accounting costs of providing the service in accordance with generally accepted accounting practices. These costs are recovered through Scottish Government and Shetland Islands Council grant funding to reach a break even position. This funding must be used to meet the running costs of ZetTrans and the implementation of the Regional Transport Strategy in accordance with the grant conditions and the local authority governance arrangements.

2014/15 TOTAL		2015/16 TOTAL
£	Note	£
267,080	Policy, Strategy & Projects	137,984
1,970,315	Bus Operations	2,016,027
1	Other Payments (Bank Charges)	0
<b>2,237,396</b>	<b>Cost of Services</b>	<b>2,154,011</b>
(429)	Financing and Investment Income	(464)
(2,236,967)	Taxation and non-specific grant income (Note 7)	(2,153,547)
<b>0</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>0</b>
0	Other Comprehensive income and Expenditure	0
<b>0</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>0</b>



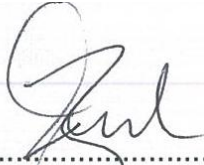
ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

BALANCE SHEET AS AT 31 MARCH 2016

The **Balance Sheet** shows the value of the assets and liabilities recognised by the Partnership (i.e. the net worth of the entity).

31 March 2015 £	Note	31 March 2016 £	31 March 2016 £
2,105,217	Short term debtors (Note 2)	2,021,810	
132,179	Cash and cash equivalents (Note 3)	132,201	
<u>2,237,396</u>	<b>Current Assets</b>		2,154,011
(2,237,396)	Short term creditors (Note 4)	(2,154,011)	
<u>(2,237,396)</u>	<b>Current Liabilities</b>		(2,154,011)
<u>0</u>	<b>Net Assets</b>		<u>0</u>

The audited accounts were authorised for issue on 23 September 2016.



.....  
**Jonathan Belford, CPFA**  
Proper Officer for Finance

Date: 23/09/16

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

The **Cash Flow Statement** is a key indicator of the extent to which the operations are funded by way of grant income from the authority and how ZetTrans utilises its cash and cash equivalents.

2014/15 TOTAL £		Note	2015/16 TOTAL £
	<b>OPERATING ACTIVITIES</b>		
	<b>Cash Inflows</b>		
(1,742,489)	Grants		(2,236,967)
(429)	Bank Interest		(451)
0	Taxation		(53,067)
(1,742,918)	<b>Cash inflows from operating activities</b>		(2,290,485)
	<b>Cash Outflows</b>		
1,742,974	Other Payments for Operating Activities		2,237,396
0	Taxation		53,067
1,742,974	<b>Cash outflows from operating activities</b>		2,290,463
56	<b>Net Cash outflows/(inflows) from operating activities</b>		(22)
56	<b>Net decrease/(increase) in cash and cash equivalents</b>		(22)
132,235	Cash and cash equivalents at the beginning of the reporting period		132,179
132,179	Cash and cash equivalents at the end of the reporting period	(Note 3)	132,201
56	<b>Net cash outflows/(inflows) in cash and cash equivalents in year</b>		(22)

## **NOTES TO THE PRIMARY FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **General Principles**

The Code specifies the applicable accounting policies for:

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

A valid estimation technique can be used to derive the monetary amount (i.e. the one that best reflects the economic reality of a transaction or event) to be recognised in the financial statements in such circumstances when the basis of measurement for the monetary amount cannot be applied with certainty (and the range of options is considered to be material).

#### **Accounting Conventions and Concepts**

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

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

The concept of materiality derives from the premise that financial statements need not be precisely accurate to represent a true and fair view. It is a matter of professional judgement as to whether users of the accounts could come to different conclusions about the Partnership's standards of stewardship or make different economic decisions as a result of deviations from the provisions set out in the Code.

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

#### **(a) Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Income and expenditure in relation to services provided/received is recorded as income/expenditure when the service has been provided rather than when receipts or payments have been made.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

**(b) Government Grants and Contributions**

Government grants, third party contributions and donations are recognised as due to the Partnership and hence credited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

**(c) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received.

**(d) Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**NOTE 2 - SHORT TERM DEBTORS**

31 March 2015 £		31 March 2016 £
2,105,217	Shetland Islands Council	2,021,810
<b>2,105,217</b>	<b>Total</b>	<b>2,021,810</b>

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2015 £		31 March 2016 £
132,179	Bank current accounts	132,201
<b>132,179</b>	<b>Total</b>	<b>132,201</b>

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

NOTE 4 - SHORT TERM CREDITORS

31 March 2015 £		31 March 2016 £
(2,237,396)	Shetland Islands Council	(2,154,011)
<b>(2,237,396)</b>	<b>Total</b>	<b>(2,154,011)</b>

NOTE 5 - MEMBERS' EXPENSES

The Partnership Members do not receive an attendance allowance, however expenses incurred in the course of carrying out approved duties are reimbursed and therefore the Partnership paid the following amounts to Members during the year. The increase between the two years can be explained by an increase in the number of meetings attended by members during the year. The majority of these meetings are held outside of the Shetland Islands, some in very remote locations, and travel and accommodation for these events can cost a significant amount.

2014/15 £		2015/16 £
1,422	Members Expenses	8,737
<b>1,422</b>	<b>Total</b>	<b>8,737</b>

NOTE 6 - EXTERNAL AUDIT COSTS

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

2014/15 £		2015/16 £
9,725	Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice	9,530
<b>9,725</b>	<b>Total</b>	<b>9,530</b>

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)  
2015/16 AUDITED ANNUAL ACCOUNTS

NOTE 7 - GRANT INCOME

The Partnership credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £		2015/16 £
(131,750)	Scottish Government Revenue Expenditure Grant	(131,750)
(2,105,217)	Shetland Islands Council Grant	(2,021,797)
<b>(2,236,967)</b>	<b>Total</b>	<b>(2,153,547)</b>

NOTE 8 - 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 might 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 the Partnership.

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

In 2015/16 the Scottish Government provided £0.132m to fund the running costs of the Partnership (£0.132m in 2014/15).

Shetland Islands Council is responsible for the funding the net expenditure of the Partnership under the Transport (Scotland) Act 2005. In 2015/16 the Council provided £2.016m (£1.970m in 2014/15) to fund the delivery of the bus service and a further £0.006m (£0.135m in 2014/15) of match funding for core running costs. ZetTrans does not employ its own staff and during 2015/16 Shetland Islands Council charged ZetTrans £0.105m (£0.145m in 2014/15) in respect of staff support, supplies and other support services.

## **INDEPENDENT AUDITOR'S REPORT**

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

I certify that I have audited the financial statements of Zetland Transport Partnership for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Proper Officer for Finance and auditor**

As explained more fully in the Statement of Responsibilities, the Proper Officer for Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the partnership and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Proper Officer for Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of Zetland Transport Partnership as at 31 March 2016 and of the income and expenditure of the partnership for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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.

### **Opinion on other prescribed matters**

In my opinion:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I am required to report by exception**

I am required 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; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Carole Grant CPFA  
Senior Audit Manager  
Audit Scotland  
4th Floor South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
GLASGOW  
G2 1BT

23 September 2016