



If calling please ask for: Leisel Gair
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Date: 23 June 2017

Dear Sir/Madam

You are invited to the following meeting:

Zetland Transport Partnership (ZetTrans)
Room 10, Islesburgh Community Centre, Lerwick
Thursday 29 June 2017 at 10am

Apologies for absence should be notified to Leisel Gair at the above number.

Yours faithfully

J R Riise
Secretary to ZetTrans

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Appointment of a Chairperson and Vice Chairperson
ZTP-14
- (c) Declarations of Interest.
- (e) Minutes of the meeting held on 10 March 2017, enclosed.

Item

1. Zetland Transport Partnership – Management Accounts 2016/17 – Draft Outturn at Quarter 4
ZTP-15
2. Unaudited Annual Accounts 2016/17
ZTP-17
3. ZetTrans FINAL Main Issues Report for the Transport Strategy Refresh
ZTP-16
4. Lead Officer's Report
ZTP-19
5. ZetTrans Business Programme 2017/18
ZTP-18
6. Shetland External Transport Forum Minutes – 2 March 2017



Zetland Transport Partnership

Agenda Item

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Meeting(s):	Zetland Transport Partnership (ZetTrans)	29 June 2017
Report Title:	Appointment of a Chairperson and Deputy-Chairperson of ZetTrans	
Reference Number:	ZTP-14-17-F	
Author / Job Title:	Jan Riise – Executive Manager – Governance and Law/Secretary to ZetTrans	

1.0 Decisions / Action required:

1.1 That the Partnership:

- a. appoint a Chairperson, for 5 years to the next ordinary Council election, using the process set out in Section 4.
- b. appoint a Deputy Chairperson, for 5 years to the next ordinary Council election, through the process set out in section 4.

2.0 High Level Summary:

- 2.1 Local Government Elections were held on 4 May 2017, and the Shetland Islands Council has appointed four substantive Councillor Members and two Substitute Councillor Members as Members of the Zetland Transport Partnership (ZetTrans) at its first statutory meeting held on 18 May 2017.
- 2.2 The Partnership's Membership is made up of six substantive members, namely four Councillor Members and two Other Member representatives, one each from HIE Shetland and NHS Shetland.
- 2.3 At its first meeting, following the Council's first Statutory Meeting, the Partnership is required to appoint a Chairperson and Deputy Chairperson from within its substantive membership.

3.0 Corporate Priorities and Joint Working:

- 3.1 ZetTrans' policy is to seek to have in place transport arrangements that are affordable and meet people's needs. To achieve this policy ZetTrans works closely with Shetland Islands Council. Shetland Islands Council's "Our Plan 2016 to 2020" states: 'There will be transport arrangements in place that meet people's needs and that we can afford to maintain in the medium term'.
- 3.2 The Chair of ZetTrans is a Member of the Shetland Partnership Board. The role of the Shetland Partnership is to support and enhance community planning with particular regard for community engagement and partnership working. The

partnership also brings together those involved in working towards the outcomes of the community plan, to provide an effective link between strategic direction and coordinated planning. The partnership plays a key role in meeting the objectives and priorities detailed in the Community Plan and the Local Outcome Improvement Plan (LOIP).

The SPB is currently undergoing a review of its governance arrangements, however the Chair of ZetTrans will remain a Member of the SPB pending completion of the governance review.

4.0 Key Issues:

Method of Appointment

- 4.1 As detailed in the ZetTrans Administration Regulations, paragraph 3.2, the method of election of office bearers shall require that all nominations for the election of a Chairperson and Deputy Chairperson shall be sought prior to the first ballot and no further nominations will be allowed after voting begins. Also prior to voting, each nominee shall be permitted to address the meeting as to their candidature, however no questions will be allowed.
- 4.2 Voting shall be by secret ballot. Regardless of the number of candidates, each Member will vote for one candidate at each ballot. After the first ballot, the candidate who secures a clear majority of the total votes cast shall be elected.

However, in the case of no clear majority, the lowest scoring candidate shall drop out, and the second ballot will take place. This method shall continue until the appointment is made either by clear majority or a choice between two remaining candidates.
- 4.3 In the case of an equality of votes the Office Bearers shall be elected by lot as between those who received equal votes and proceed on the basis that the person to whom the lot falls upon had received an additional vote.
- 4.4 The Chairperson and Deputy Chairperson of ZetTrans shall each hold office for a period to be determined by ZetTrans not exceeding two full Council terms.
- 4.5 The Council appointed the Chair and Vice Chair of Environment and Transport Committee as two of the substantive Members on the Partnership. It has been custom and practice for the Partnership to appoint them as Chair and Vice-Chair respectively, however this remains a decision of the Partnership.

5.0 Exempt and/or confidential information:

- 5.1 This report does not contain exempt information.

6.0 Implications :

6.1 Service Users, Patients and Communities:	The appointment of the Chairperson and Deputy Chairperson will ensure the proper decision making structure is in place in order that services under the Partnership's remit continue to be provided to the Community of Shetland.
6.2 Human	The appointment of a Chairperson and Deputy Chairperson to

Resources and Organisational Development:	the Partnership will ensure the proper decision making structure is in place that in turn allows Officers to deliver the services for which the Partnership is responsible.	
6.3 Equality, Diversity and Human Rights:	There are no implications arising from this report.	
6.4 Legal:	The Partnership was established by, and exists in accordance with, the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005 made under the Transport (Scotland) Act 2005.	
6.5 Finance:	No form of remuneration is payable in terms of the relevant legislation for the position of Chairperson and Deputy Chairperson of ZetTrans and therefore there are no implications arising from this report.	
6.6 Assets and Property:	There are no implications arising from this report.	
6.7 ICT and new technologies:	There are no implications arising from this report.	
6.8 Environmental:	There are no implications arising from this report.	
6.9 Risk Management:	The Partnership is required to ensure the delivery of its responsibilities within its remit and the appointment of its Office Bearers will ensure that the Partnership continues to do so.	
6.10 Policy and Delegated Authority:	The appointment of a Chairperson and Deputy Chairperson rests with the Partnership and is a requirement under the ZetTrans Administrative Regulations 2007.	
6.11 Previously considered by:	The Shetland Islands Council appointed four substantive and 2 substitute members to the partnership at its first statutory meeting after the recent local government election.	18 May 2017

Contact Details:

Leisel Malcolmson, Committee Officer, leisel.malcolmson@shetland.gov.uk
19 June 2017

Background Documents:

ZetTrans Administrative Regulations 2007

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

Shetland Islands Council, Statutory Meeting, 18 May 2017.

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5414>

MINUTE

“A&B - PUBLIC”

Zetland Transport Partnership
Drama Room, Islesburgh Community Centre, Lerwick
Friday 10 March 2017 at 10.00 a.m.

Present:

M Stout
S Coutts
D Sandison
G Smith

Advisers:

S Laurenson
S Mathieson

Apologies:

B Fox
R Hunter
I Kinniburgh
J Smith

In attendance (Officers):

M Craigie, Lead Officer
P Mogridge, Transport Policy and Projects Officer
P Wishart, Solicitor
B Kerr, Communications Officer
L Gair, Committee Officer

Chair

Mr M Stout, Chairperson of the Partnership, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minutes

The minutes of the meeting held on (i) 3 February 2017 were confirmed on the motion of Mr Coutts, seconded by Mr Sandison; and (ii) 21 February 2017 were confirmed on the motion of Mr Coutts, seconded by Mr Stout.

11/17 **Mandatory Annual Reporting of Climate Change Duties**

The Partnership considered a report by the Transport Policy and Projects Officer (ZTP-10-17-F), that informed on the duties of the Partnership in terms of Mandatory Annual Reporting of Climate Change to the Scottish Government.

The Transport Policy and Projects Officer introduced the report and explained the circumstances for the late reporting but advised that the Scottish Government had now accepted the Partnership's submission. He went on to advise that the Partnership's carbon footprint is difficult to disaggregate from that of the Council, and as the second section ties in strongly with the Transport Strategy Refresh there would be more information to submit next year. The Lead Officer said that ZetTrans should consider what elements it could control such as the bus services and as there had been no established principles around reporting, Officers were working it out as they go along. The Transport Policy and Projects Officer said that the process of reporting and its structure is fluid and each organisation is free to set its own boundaries regarding its activities concerning carbon. He added that this is a "one-size fits all" structure and there is no sanction or target to follow. He was unsure however whether that would change but that would be a discussion for national Government.

The Lead Officer said that ZetTrans should consider what it should report on and discuss with the Council to ensure Shetland is properly represented. He said that the next monitoring report should be more refined who is accountable for carbon management in each organisation. The Transport Policy and Projects Officer said that he had discussed the response presented with colleagues in the Council in terms of whether anything had been missed or double-counted.

Decision:

The Partnership NOTED the Government's acceptance of the Partnership's Climate Change Duties Report 2016.

12/17

Audit of Ferry Services in Scotland

The Partnership considered a report by the Lead Officer (ZTP-11-17-F), that presented the Audit Scotland project scope in respect of the Audit of Ferry Services in Scotland.

The Lead Officer provided a detailed introduction explaining that the Audit would be carried out between now and July/August. He said that the Audit would be able to input into the North Isles Ferry Services (NIFS) Contract 2018 and comes at a good time where it can influence the changes for the future. The Lead Officer drew attention to Appendix 2, and highlighted the relationships between the Council, ZetTrans and the Government in terms of the inter island ferry services and the fair ferry fares review. The Lead Officer advised that since the scope was written he had been invited to join the overseeing panel for the Audit, which provided another level of input on the conduct of the Audit.

The Lead Officer went on to advise on the key issues he had already raised with Audit Scotland. He explained that there is no evidence of a strategy to tackle the Scottish network and that there is a lean towards the West Coast in terms of investment in services and infrastructure, strategy and ferry plan, where there is very little for the North Isles in terms of NIFS or Inter Island Ferry Services (IIFS). The Lead Officer informed the Partnership that the funds for the NIFS was decreasing but the West Coast were increasing and this was both in terms of

capital and service spend. In referring to the consideration of responsibility, delivery and funding of inter-island ferry services, the Lead Officer said that it had been possible, for the first time, to give the government a solid base of information and analysis to support of tackling inequalities in the future. He said that national ownership would not solve the issues as funding was a problem across all services but there needs to be understanding and planning so that when Transport Scotland make decisions it prioritises according to needs such as the age and capacity across the whole network. The Lead Officer said that the response would be refined having presented the Audit scope to Environment and Transport Committee and having now met with Audit Scotland.

The Chair said that he welcomed this audit and commented on the work by HITRANS, Orkney Islands Council, Shetland Islands Council and ZetTrans and that a clear strategy that gives fairness and equity across the network was always the goal. He said that he was content that ZetTrans input into the process could demonstrate benefit to the Scottish Government and North Isles.

In response to a question, the Lead Officer said that he would make comment to the Auditors on the omission of freight from the Audit, as it is important to ensure that, the audit is complete.

Members commented on the need to ensure that value for money is achieved and the Chair said that there also had to be policies in place relevant to the outcomes being pursued. The Lead Officer said that it would be easy to leap to the conclusion that the North Isles do not get enough funding but it is important to ensure that the data drives that conclusion, as it could still be the case that more money is needed on the West Coast and less on the North Isles. In that regard, it was crucial that the information provided is robust, complete and accurate.

In response to a comment, the Chair advised that Audit Scotland had quickly understood that the internal ferry service forms part of the overall picture in terms of establishing what is fair and would produce good outcomes. He said that Audit Scotland also acknowledged that the West Coast costs do include inter-island ferry services within their contracts.

The Chair advised that there had been a recent announcement from the Scottish Government on the contract for NIFS and that it would be looked at further. He said it was important to support the Scottish Government in getting to a place where Transport Scotland can provide adequate services to all Island groups.

The Vice-Chair said that the distinction between internal and external ferry services was important, as these services were not external to Scotland. He said that it was crucial to have a strong evidence based approach.

The Chair advised that at a meeting of the RTP Chairs yesterday he met with the Minister for Transport and the Islands, they discussed the need for quality engagement with RTPs and to have a good flow of information between RTPs and the civil services. He said that partnership working was acknowledged, and that there are elements, which will be beneficial to all involved.

During further discussion, the Partnership was advised that, in terms of the commitment made by the Minister for Transport and the Islands regarding fair fares on Northern Isles Ferry Services, there is a letter to the Orkney Islands

Council and the Shetland Islands Council that sets out the principles agreed around this issue. In terms of these commitments, the Lead Officer said that having received such reassurance, the details of any proposals on fare levels are not yet available. The Lead Officer advised that questions had been presented to the Minister indicating that the working group are unclear where matters stand at this stage.

The Lead Officer advised that the decision required should include at 1.2 the addition of "in consultation with the Chair". The Partnership unanimously approved the recommendations with that addition.

Decision:

The Partnership NOTED:

- The Audit Scotland project scope covering their audit of Ferry Services in Scotland attached as Appendix 1 to this report.
- The main Audit questions given on the second page of Appendix 1 discuss the draft responses to those questions in Appendix 2 and the supplementary discussion points in Appendix 3 and, subject to any comments raised, agree that the Lead Officer, in consultation with the Chair, will submit the responses to Audit Scotland.

13/17

National Transport Review Early Engagement Survey

The Partnership considered a report by the Transport Policy and Projects Officer (ZTP-12-17-F), that presented a draft response to the National Transport Review Early Engagement Survey.

The Transport Policy and Projects Officer introduced the report.

The Partnership was advised that there would be further opportunity to engage as it is expected that Regional Transport Partnerships (RTP's) will be consultees. Members agreed on the importance of further engagement in the process, to ensure the needs of Shetland are taken into the National Strategy.

The Partnership unanimously approved the recommendations contained in the report.

Decision:

- The Partnership approve the proposed response to the Government's National Transport Strategy Review Early Engagement Survey as contained in Appendix 1; and
- Noted that subject to comment from the Partnership, the Lead Officer will issue the response, in consultation with the Chair.

14/17

Councillors Code of Conduct Consultation

The Partnership considered a report by the Secretary and Standards Officer for ZetTrans (ZTP-13-17-F), that presented a view on the Councillors Code of Conduct Consultation issued by the Scottish Government.

The Solicitor introduced the report. In providing background to the issue that arose for a Councillor Member on NesTrans, he explained that the Standards Commission responded to a request for advice stating that there were issues under Article 5, of the Councillors Code of Conduct, that required to be addressed in more detail and they would not be responding on the Consultation at this time.

The Chair said that he appreciated that while there was no direct response required from ZetTrans on this matter, it was important to keep a watching brief as the matter progressed.

The Partnership unanimously approved the recommendation contained in the report.

Decision:

The Partnership RESOLVES to offer no comment in relation to how conflicts of interest are managed by individual Councillors or in relation to any proposals the Government may have insofar as that affects ZetTrans and any other public body.

The Chair advised that as this was the last meeting of ZetTrans before the local elections he extended his thanks to the Partnership for their support over the years.

Ms Laurenson thanked the Chair for his service and wished him good luck, should he stand for re-election. The Partnership concurred.

The meeting concluded at 11am.

CHAIRPERSON



Meeting(s):	Zetland Transport Partnership	15 June 2017
Report Title:	Zetland Transport Partnership – Management Accounts 2016/17 – Draft Outturn at Quarter 4	
Reference Number:	ZTP-15-17-F	
Author / Job Title:	Jonathan Belford – Proper Officer for Finance	

1.0 Decisions / Action required:

1.1 The Zetland Transport Partnership RESOLVE to:

- Review the Management Accounts showing the draft outturn position for ZetTrans at Quarter 4.

2.0 High Level Summary:

- 2.1 The purpose of this report is to enable the Zetland Transport Partnership to note its financial performance of ZetTrans for the 2016/17 financial year. This report shows the financial consequences of the services performance and will be subject to final accounting and audit adjustments as part of the year end accounts process.
- 2.2 This report presents the draft position for 2016/17 as at the end of the fourth quarter for revenue. The position has been determined by SIC Finance Services in consultation with relevant budget responsible officers.
- 2.3 The draft revenue outturn position for ZetTrans is an underspend of £109k.

3.0 Key Issues:

- 3.1 On 9 December 2015, (ZTP Min Ref: 16/15) the Zetland Transport Partnership approved its 2016/17 revenue budgets.
- 3.2 This report forms part of the financial governance and stewardship framework which ensures that the financial position of ZetTrans is acknowledged, understood and quantified on a regular basis. It provides assurance that resources are being managed effectively and allows corrective action to be taken where necessary.

4.0 Exempt and/or confidential information:

4.1 None.

5.0 Implications :

5.1

Service Users,

None.

Patients and Communities:	
5.2 Human Resources and Organisational Development:	None.
5.3 Equality, Diversity and Human Rights:	None.
5.4 Legal:	<p>The Zetland Transport Partnership was established by and exists in accordance with legislation made under the Transport (Scotland) Act 2005. Under The Transfer of Functions to the Shetland Transport Partnership Order 2006 certain functions relating to public transport were transferred from the Council to ZetTrans. These include the duties of the Council under section 63 of the Transport Act 1985 namely:</p> <ul style="list-style-type: none"> • to secure the provision of such public passenger transport services as the Council consider it appropriate to secure to meet any public transport requirements within their area which would not in their view be met apart from any action taken by them for that purpose; and • to formulate from time to time general policies as to the descriptions of services they propose to secure. ZetTrans are, specifically, not responsible for the Council's transport functions insofar as they refer to educational or social work purposes. <p>By Minute of Agreement between the Council and ZetTrans the parties agreed that certain administrative and, where requested, professional services be provided to ZetTrans. In the provision of such services the Council acts as agent of ZetTrans and Council officers have the authority to enter into contracts on behalf of ZetTrans.</p>

5.5 Finance:	<p>In accordance with Section 3 of the Transport (Scotland) Act 2005, the net expenses of ZetTrans for each financial year shall be paid by the Council, however the main financial objective for ZetTrans shall be to ensure that the financial outturn achieved in 2016/17 is within the approved resource budget, in line with that allocated by Scottish Ministers.</p> <p>The projected revenue outturn position for ZetTrans is an underspend of £28k on Core Services and an underspend of £81k on Public Bus Services.</p>
5.6 Assets and Property:	<p>None.</p>
5.7 ICT and new technologies:	<p>None.</p>
5.8 Environmental:	<p>None.</p>
5.9 Risk Management:	<p>There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.</p> <p>From a financial perspective, risks are an integral part of planning for the future, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.</p> <p>The main financial risks for ZetTrans are:</p> <ul style="list-style-type: none"> • security of public bus fare income; and • the additional costs associated with the delay in addressing issues with buses on the Westside Mainline, which have been ongoing, and increasingly critical maintenance issues, leading to reduced reliability and frequent and prolonged periods out of service. This issue is currently in the process of being resolved. At the time of writing, contracts are being awarded with a start date of 1 September 2017. There is no impact on approved budgets for 2017/18. <p>The figures presented in this report are subject to final accounting and audit adjustments as part of the year end accounts process and as such there is a risk that the outturn position will be amended following this process.</p>
5.10 Policy and Delegated Authority:	<p>The Partnership has authority to take decisions and monitor performance in terms of its statutory obligations in relation to its delegated functions.</p>

	This report provides information and assurance, to the Partnership, in respect of service provision in relation to approved budgets.	
5.11 Previously considered by:	Not Applicable.	

Contact Details:

Ivor Johnson, Senior Assistant Accountant, ivor.johnson@shetland.gov.uk,

Appendices:

Appendix 1 – Zetland Transport Partnership – Draft Revenue Outturn Position 2016/17
Financial Year

Background Documents:

SIC Budget Book 2016-17, SIC 10 February 2016

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18870>

Zetland Transport Partnership

1.0 - Draft Revenue Outturn Position 2016/17 Financial Year

ZetTrans - Quarter 4 - 2016/17	Annual Budget 2016/17 £000	Projected Outturn Quarter 4 2016/17 £000	Proj. Outturn Variance Quarter 4 (Adv) / Pos £000
<u>CORE SERVICES</u>			
Support Services	180	153	27
Consultants	0	0	0
External Audit Fees	11	10	1
Grants to Organisations	5	5	0
Total Core Expenditure	195	168	28
Regional Transport Funding	(132)	(132)	0
SIC Match Funding	(64)	(36)	(28)
Bank Interest	0	(0)	0
Total Core Funding Income	(195)	(168)	(28)
Core Services Variance	0	0	(0)
<u>PUBLIC BUS SERVICES</u>			
Contracts	2,641	2,560	81
Total Public Bus Service Expenditure	2,641	2,560	81
Public Bus Service Income	(699)	(696)	(3)
Public Bus Service Contribution (SIC)	(1,942)	(1,864)	(78)
Total Public Bus Service Income	(2,640)	(2,561)	(81)
Public Bus Services Variance	0	(0)	0
ZetTrans Surplus/(deficit)	0	0	0

Overall, ZetTrans' outturn position is £109k less than that budgeted, reducing the contribution required from the Council.

Explanations of the main variances at Quarter 4 are set out below:

1.1 Core Services, Support Services – Draft underspend £27k (15%)

Minor one-off savings in operating and administration costs, due in some part to a reduction in overtime.

1.2 Core Services, SIC Match Funding not required (£28k) (44%)

This position reflects the reduction in the cost of Core Services leading to a reduced contribution required from the Council.

1.3 Public Bus Services, Contracts – Draft underspend £81k (3%)

- Savings in the Westside route as a result of lower breakdown cover costs than anticipated and grant income not budgeted for - £64k.
- Other minor variances across bus services.

1.4 Public Bus Services, Contribution (SIC) not required (£78) (4%)

This position reflects the reduction in cost of Public Bus Services leading to a reduced contribution required from the Council.



Meeting(s):	Zetland Transport Partnership	29 June 2017
Report Title:	Unaudited Annual Accounts 2016/17	
Reference Number:	ZTP-17-17-F	
Author / Job Title:	Partnership Proper Officer for Finance	

1.0	Decisions / Action required:
1.1	That the Zetland Transport Partnership: <ul style="list-style-type: none"> a) Considers the 2016/17 Unaudited Accounts for the Zetland Transport Partnership (Appendix 1); b) Approves the 2016/17 Annual Governance Statement that forms part of the accounts (Appendix 2); and c) Considers the information at section 4.0 that highlights the key points from the 2016/17 accounts.
2.0	High Level Summary:
2.1	The Local Authority Accounts (Scotland) Regulations 2014 require the Zetland Transport Partnership to prepare and publish a set of accounts, including an annual governance statement, by 30 June each year.
2.2	The draft accounts are then required to be formally considered by the Zetland Transport Partnership no later than 31 August and the Annual Governance Statement should be formally approved at this time.
2.3	The accounts are then subject to external audit by 30 September. 2016/17 is the first year of a five-year appointment with Deloitte LLP as external auditors, as appointed by Audit Scotland. The audited accounts will be presented to the Zetland Transport Partnership on 21 September 2017.
3.0	Corporate Priorities and Joint Working:
3.1	The preparation and presentation of the Annual Accounts is a key element of the Partnership's overall governance and reporting arrangements.
4.0	Key Issues:
4.1	Gross expenditure for the Partnership was £2.031m in 2016/17;
4.2	This was funded by the Scottish Government (£0.132m) and Shetland Islands Council (£1.899m);
4.3	There is a new Expenditure & Funding Analysis (page 10) that reconciles budgetary outturn to the accounting surplus or deficit in the year;
4.4	The Management Commentary (page 2) includes information about a recent consultation exercise that identified six key themes for the Partnership to develop.
5.0	Exempt and/or confidential information:
5.1	None.

6.0 Implications :		
6.1 Service Users, Patients and Communities:	None	
6.2 Human Resources and Organisational Development:	None	
6.3 Equality, Diversity and Human Rights:	None	
6.4 Legal:	Zetland Transport Partnership has a responsibility to ensure that the annual accounts are prepared in accordance with 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).	
6.5 Finance:	None	
6.6 Assets and Property:	None	
6.7 ICT and new technologies:	None	
6.8 Environmental:	None	
6.9 Risk Management:	The annual accounts are subject to independent audit by 30 September 2017 to mitigate the risk of material misstatement.	
6.10 Policy and Delegated Authority:	Zetland Transport Partnership has a responsibility to make arrangements for the proper administration of its financial affairs and also to approve the Annual Accounts for signature.	
6.11 Previously considered by:	N/A	

Contact Details:

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 Executive Manager - Finance
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 Telephone: 01595 74 4607
 19 June 2017

Appendices:

Appendix 1: Zetland Transport Partnership (ZetTrans) Unaudited Accounts 2016/17

*Appendix 2: Zetland Transport Partnership (ZetTrans) Annual Governance Statement
2016/17*

Background Documents: [The Local Authority Accounts \(Scotland\) Regulations 2014](#)



Unaudited Annual Accounts 2016/17

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Introduction

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

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

The Zetland Transport Partnership Members for 2016/17 were as follows:

Shetland Islands Council Members:

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

Other Members:

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

Substitute Members:

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

Observer / Advisers:

Mr A Steven (Promote Shetland)
Ms S 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.

Management Commentary

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

Background

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

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

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

Shetland Islands Council, the primary funder for ZetTrans, has been working to reduce costs for a number of years. In planning for the future, its Medium Term Financial Plan for 2016/17 – 2021/22 identifies an expected funding gap of £20m by 2021/22. It is therefore more important than ever that all services provided are reviewed and challenged, to reduce service costs where possible, while maintaining or improving outcomes.

Strategy and Performance Management

Revision of the Shetland Transport Strategy

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

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

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

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

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

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

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

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

Key Performance Indicators

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

ZetTrans Annual Report

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

Projects / Initiatives

Inter-island Transport Study

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

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

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

2018 Northern Isles Ferry Service Contract

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

Workforce Management

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

Primary Financial Statements

The Annual Accounts 2016/17 summarise ZetTrans transactions and cash flows for the year and its year-end position as at 31 March 2017. The accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on International Financial Reporting Standards (IFRS), with interpretation appropriate to the public sector and the overriding requirement of the Code is that the annual accounts provide a true and fair view of the financial position and the financial transactions of the Partnership.

A description of the purpose of the primary statements has been included immediately prior to each of the financial statements: the Comprehensive Income and Expenditure

Statement, Balance Sheet and Cash Flow Statement.

These three statements are accompanied by notes to the accounts, which set out the accounting policies adopted by the Partnership and provide more detailed analysis of the figures disclosed on the face of the primary financial statements. These statements and notes form the relevant annual accounts for the purpose of the auditor's certificate and opinion.

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

Financial Performance in 2016/17

The Comprehensive Income and Expenditure Statement

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

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

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

Expenditure is categorised into two main areas:

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

Bus Operations (£1.863m), which is a £0.153m (8%) decrease when compared to expenditure in 2015/16 (£2.016m). This is primarily due to higher value of fares and concessionary fares collected in 2016/17, coupled with increased the value of the Bus Service Operators Grant.

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

Comparison of Outturn v Budget

In 2016/17, there was a budget underspend of £0.027m in Policy Strategy & Projects and £0.078m in Bus Operations. This is due to a more reliable bus service on certain routes that haven't required the level of repair and service cover costs anticipated in the budget, as well as minor savings in operating and administration costs over the course of the year.

2017/18 Budget Outlook

The provision of suitable transport arrangements across the Shetland Islands is vital to the people and communities of Shetland and as such, the delivery of reliable and affordable transport solutions is a key priority of ZetTrans. Having implemented the bus contracts across the Islands in 2014, the Council, will continue to pursue a new long-term funding arrangement for the Inter Islands Ferry Services in conjunction with ZetTrans, HITRANS Scottish Government, Transport Scotland and Orkney Islands Council. The financial climate for the delivery of this is challenging, due to the nature of services, revenue and capital costs associated with funding of operations and replacement costs of the required infrastructure. Work continues on the Public Service Obligation, for the provision of air services to the outer islands and will be addressed through an Outline Business Case following on from the Shetland inter-Island Transport Study, completed in November 2016.

The total proposed revenue budget for ZetTrans in 2017/18 is £2.795m of which £0.177m is for core funding and the implementation of the Regional Transport Strategy, and £2.618m is for scheduled public bus services in Shetland.

The core running costs and implementation of the Regional Transport Strategy work, including the work to access better information on the services being delivered and implementing the processes for better performance management, is funded by a grant of £0.132m from Scottish Government and match funding of £0.044m from Shetland Islands Council.

Public bus services are budgeted to cost £2.618m and are funded by fare income of £0.609m and a contribution from Shetland Islands Council of £2.025m. A detailed review has recently taken place to ensure that Council and ZetTrans budgets are aligned, and can be separately identified for VAT purposes. Officers continue to

review and validate fares income levels to ensure that revenue security is assured.

Acknowledgements

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

.....
Michael Stout
Chairperson
Zetland Transport Partnership

29 June 2017

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

29 June 2017

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

29 June 2017

Statement of Responsibilities

Zetland Transport Partnership's Responsibilities

ZetTrans is required to:

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

I confirm these unaudited annual accounts were approved for signature by the Partnership at its meeting on 29 June 2017.

Signed on behalf of Zetland Transport Partnership.

.....
Michael Stout
Chairperson
Zetland Transport Partnership

29 June 2017

The Proper Officer for Finance's Responsibilities

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

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

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

The Proper Officer for Finance has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Zetland Transport Partnership at the reporting date and the transactions for the year ended 31 March 2017.

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

29 June 2017

Annual Governance Statement

Scope of Responsibility

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

The Governance Framework

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

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

The Code of Governance was adopted by the Council on 20 September 2012 and is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'. This underpinned the governance framework for the majority of the year. At its meeting of 22nd March 2017, the Council approved a revised Code of Corporate Governance.

The Zetland Transport Partnership is currently undergoing its own governance review with the

main purpose to clarify and fully describe its relationship with the Shetland Islands Council. The review will also establish a Planning and Performance Management Framework to underpin the governance arrangements, including a focus on service prioritisation, resource allocation, performance management and securing efficiencies.

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

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

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

Review of Effectiveness

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

- progress towards key strategic and service objectives;
- financial and budget monitoring;
- Internal Audit reviews on specific services and on activities which occur across the Council; and
- External Audit and the Accounts Commission observations, comments and recommendations for improvement.

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

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

An initial analysis of the data collected during the exercise suggested that there were no immediate concerns regarding fare income. It was agreed by the project board that further observation and

analysis were required to establish sufficient data that would enable a better informed decision on fare income. A report on bus network usage in 2015/16 was presented to the Partnership in December 2016 along with recommendations on changes that could be made to the network routes. However, additional work was expected to be carried out and without which, has delayed the realisation of the benefits anticipated from this exercise.

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

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

Conclusion

Overall, we consider that the governance and internal control environment operating in 2016/17 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

There are no significant issues that require to be disclosed.

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

29 June 2017

.....
Michael Stout
Chairperson

Zetland Transport Partnership

29 June 2017

Primary Financial Statements

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

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

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

Expenditure and Funding Analysis

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

2015/16				2016/17		
Net Expenditure chargeable to ZetTrans £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure chargeable to ZetTrans £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
137,984	-	137,984	Policy, Strategy & Projects	167,697	-	167,697
2,016,027	-	2,016,027	Bus Operations	1,863,639	-	1,863,639
2,154,011	-	2,154,011	Net Cost of Services	2,031,336	-	2,031,336
(2,153,547)	(464)	(2,154,011)	Other income and expenditure	(2,031,085)	(251)	(2,031,336)
464	(464)	-	(Surplus) or Deficit	251	(251)	-

Balance Sheet as at 31 March 2017

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

As at 31 March 2016 £		Notes	As at 31 March 2017 £
2,021,810	Short term debtors	1	1,899,335
132,201	Cash and cash equivalents	2	132,001
2,154,011	Current Assets		2,031,336
(2,154,011)	Short term creditors	3	(2,031,336)
(2,154,011)	Current Liabilities		(2,031,336)
-	Net Assets		-

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

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Jonathan Belford CPFA
Proper Officer for Finance
Zetland Transport Partnership

29 June 2017

Cashflow Statement

This statement shows the changes in cash and cash equivalents of the Partnership during the reporting period and how ZetTrans generates and uses cash and cash equivalents. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income, or from the recipients of services provided.

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

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

Notes to the Financial Statements

Note 1: Short-term Debtors

As at 31 March 2016 £		As at 31 March 2017 £
2,021,810	Shetland Islands Council	1,899,335
2,021,810	Total	1,899,335

Note 2: Cash and Cash Equivalents

Cash and Cash Equivalents is comprised of:

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

Note 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:

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

Note 6: Grant Income

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

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

Note 7: 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.

Note 3: Short-term Creditors

As at 31 March 2016 £		As at 31 March 2017 £
(2,154,011)	Shetland Islands Council	(2,031,336)
(2,154,011)	Total	(2,031,336)

Note 4: Members' Expenses

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

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

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

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

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

Note 8: Accounting Policies

General Principles

The Code specifies the applicable accounting policies for:

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

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

Accounting Conventions and Concepts

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

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

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

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

A Accruals of Income and Expenditure

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

B Government Grants and Contributions

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

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

C Value Added Tax

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

Annual Governance Statement

Scope of Responsibility

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

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

The Code of Governance was adopted by the Council on 20 September 2012 and is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'. This underpinned the governance framework for the majority of the year. At its meeting of 22nd March 2017, the Council approved a revised Code of Corporate Governance.

The Zetland Transport Partnership is currently undergoing its own governance review with the

main purpose to clarify and fully describe its relationship with the Shetland Islands Council. The review will also establish a Planning and Performance Management Framework to underpin the governance arrangements, including a focus on service prioritisation, resource allocation, performance management and securing efficiencies.

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

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

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

Review of Effectiveness

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

- progress towards key strategic and service objectives;
- financial and budget monitoring;
- Internal Audit reviews on specific services and on activities which occur across the Council; and
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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.

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analysis were required to establish sufficient data that would enable a better informed decision on fare income. A report on bus network usage in 2015/16 was presented to the Partnership in December 2016 along with recommendations on changes that could be made to the network routes. However, additional work was expected to be carried out and without which, has delayed the realisation of the benefits anticipated from this exercise.

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

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

Conclusion

Overall, we consider that the governance and internal control environment operating in 2016/17 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

There are no significant issues that require to be disclosed.

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

29 June 2017

.....
Michael Stout
Chairperson

Zetland Transport Partnership

29 June 2017



Zetland Transport Partnership

Agenda Item

3

Meeting(s):	Zetland Transport Partnership	29 June 2017
Report Title:	ZetTrans FINAL Main Issues Report for the Transport Strategy Refresh	
Reference Number:	ZTP-16-17-F	
Author / Job Title:	Peter Mogridge – Transport Policy and Projects Officer	

1.0 Decisions/Action Required:

1.1 That the Partnership:

1.1.1 Comment on the FINAL Main Issues Report (Appendix 1).

1.1.2 Note the timescale contained in section 4 for the production of the Shetland Transport Strategy Refresh.

2.0 High Level Summary:

2.1 The FINAL Main Issues Report has been compiled as the principle output to date, of the process to refresh the Shetland Transport Strategy.

2.2 The refresh process has been undertaken in two stages and the proposed revised Vision, revised Objectives and proposed Main Issues have been identified by a specially convened Working Group which last met on 14 December 2016.

2.3 The first DRAFT Main Issues Report was reviewed by the Partnership on 3 February 2017.

2.4 The second DRAFT Main Issues Report was reviewed by the Partnership on 21 February 2017.

2.5 On 21 February 2017, the Partnership agreed that the incoming, post-election Partnership, should comment on a FINAL Main Issues Report as the basis for moving forward the Shetland Transport Strategy Refresh.

3.0 Corporate Priorities and Joint Working:

3.1 ZetTrans' policy is to seek to have in place transport arrangements that are affordable and meet people's needs. To achieve this policy ZetTrans works closely with Shetland Islands Council. Shetland Islands Council's "Our Plan 2016 to 2020" states: 'There will be transport arrangements in place that meet people's needs and that we can afford to maintain in the medium term'.

4.0 Key Issues:	
4.1	The FINAL Main Issues Report contains proposals for 6 Main Issues: Lifeline transport; Community support; Behavioural change; Integrated services; Change management; Transport sector robustness.
4.2	In addition, the FINAL Main Issues Report contains an amended Vision and three revised Strategic Objectives for ZetTrans.
4.3	It is proposed that comments made by the Partnership be noted and, together with comments received during external consultation, will be incorporated into a DRAFT Shetland Transport Strategy Refresh.
4.4	The DRAFT Shetland Transport Strategy will be presented to the Partnership at its next meeting on 21 September 2017.
4.5	Comments made by the Partnership on 21 September 2017 will be noted and incorporated into a FINAL Shetland Transport Strategy Refresh to be presented to the Partnership on 2 November 2017.
5.0 Exempt and/or Confidential Information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	For ZetTrans to fulfil its statutory obligations, it is essential to identify the Main Issues to be addressed by ZetTrans and maintain a clear vision and strategic objectives of the Partnership.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	None arising from this report.
6.5 Finance:	None.
6.6 Assets and Property:	None.
6.7 ICT and New Technologies:	None.

6.8 Environmental:	None.	
6.9 Risk Management:	If the Main Issues Report does not progress, the Transport Strategy Refresh will be delayed and ZetTrans risks operating with an outdated Transport Strategy.	
6.10 Policy and Delegated Authority:	ZetTrans has functional responsibility to secure transport services in Shetland under the Transfer of Functions to the Shetland Transport Partnership Order 2006. The Partnership is responsible for the Shetland Transport Strategy refresh.	
6.11 Previously considered by:	The Main issues have been developed by the short-term Main Issues Working Group which has met on two occasions. The first DRAFT Main Issues Report was presented to the Partnership on 3 February 2017 and the second DRAFT was presented to the Partnership on 21 February 2017.	15 November 2016 14 December 2016 03 February 2017 21 February 2017

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21 June 2017

Appendices:

Appendix 1 – FINAL Main Issues Report

Background Documents: Shetland Transport Strategy -

<http://www.zettrans.org.uk/consultation/documents/ShetlandTransportStrategy050508.pdf>

SHETLAND TRANSPORT STRATEGY REFRESH

MAIN ISSUES REPORT

Ze Trans
SHETLAND'S TRANSPORT PARTNERSHIP



NOTES ON THE FINAL MAIN ISSUES REPORT

The Main Issues have been compiled in two stages.

Stage 1 was undertaken on behalf of ZetTrans by external consultants: Natural capital. Their work comprised: Reviewing the existing Shetland Transport Strategy; Examining the new policy environment; Consulting with key stakeholders; Identifying key issues and resulting key questions for stage 2 of the refresh process.

Stage 2 was undertaken on behalf of ZetTrans by Shetland Islands Council Transport Planning Service and comprised convening a short-term working group of key stakeholders to examine the outputs from stage 1 and identify the Main Issues for transport in, to and from Shetland.

The Main Issues identified, together with the renewed vision and objectives, are described in this FINAL Main Issues Report. This report will form a core part of the Shetland Transport Strategy Refresh.

Feedback from the 975 responses to the Shetland Place Standard (SPS) consultation has also fed into this document. The FINAL Shetland Transport Strategy Refresh will include appendices containing summaries of stages 1 and 2 together with relevant data from the SPS consultation and all necessary references to external material used and referred to.

Electoral timescales have had an impact on the completion of the Main Issues Report. The National Transport Strategy for Scotland is now under review and developments from this may also affect the refresh schedule.

In The FINAL Shetland Transport Strategy, this section will be replaced by an executive summary.

FOREWORD AND INTRODUCTION

Regional Transport Partnerships (RTPs) were formally established on December 1st 2005 and ZetTrans formally took up its powers in April 2006 and transport functions in November 2006. After a decade of operation, and in line with many other RTPs, the Partnership feels it is time to revisit and refresh the document which underpins and guides its activities: The Shetland Transport Strategy.

Establishing the Main Issues is central to refreshing the 2008 Shetland Transport Strategy and sets out the Partnership's renewed vision and objectives for the future. This strategic document has been informed by a two-stage review of the Partnership's activities over the past decade and the reshaped strategy and policy environment of 2016. This report also takes account of the Shetland Place Standard public consultation exercise and other relevant local and national strategies and policies.

In order to continue to develop and deliver effective transport solutions for communities across Shetland, ZetTrans must clearly identify local transport issues and needs and assess how these are addressed within local and national policies. In this way, we can lay out a well informed and well targeted framework of interventions to address those issues and needs. By adopting a robust, evidence-based methodology, this document will also contribute, where necessary, to the business case for funding those interventions.

It is intended that this Main Issues report will be of value to all agencies and individuals with an interest in transport provision in Shetland. The purpose of this report is to:

1. Set out the vision for ZetTrans
2. Summarise the current state of transport provision in, to and from Shetland
3. Identify the Main Issues to be addressed in order to maintain and enhance Shetland's transport provision
4. Define the objectives for addressing the Main Issues and achieving the vision

Before finalising the Shetland Transport Strategy Refresh, it will be necessary to seek final input from all relevant interested parties. The Shetland Transport Strategy Refresh will detail proposed interventions and describe how they will be undertaken. Once adopted, the Shetland Transport Strategy Refresh will be accompanied by a Delivery Plan detailing the interventions required to meet our objectives and achieve our vision. This plan will describe when and how these interventions will be undertaken.

OUR VISION

During stage 2 of the process to date, careful consideration was given to reviewing the Partnership's vision. As a result, a new vision is being proposed.

The ZetTrans vision for transport in, to and from Shetland in 2007 was:

"To develop an effective, efficient, safe and reliable transport system for Shetland. The transport system will comprise an integrated network of accessible and affordable internal, inter-island and external links, which will contribute to the development of a safe, healthy, vibrant and inclusive society, a diverse, successful and self-sufficient economy, and enhanced environmental quality"

The stage 2 participants agreed that the above vision has served its purpose well but felt that a more succinct and concise vision is needed for the future.

It was felt that the vision needed to be clear about the vital role of transport as an enabler. In addition, the participants agreed that all the key issues identified in stage 1 of the refresh fall within one or more of the three realms: economy, community and environment. The resulting more succinct and concise vision is suggested:

To develop travel and transport solutions for Shetland which underpin our Economy, support our Communities and conserve our Environment

The 2007 vision encompassed 8 working principles: Sustainability; Accessibility & Inclusion; Accountability; Partnership; Evidence-Based; Efficiency; Compliance; Environmental Responsibility. Although the proposed new vision statement does not mention each of these concepts by name, it is believed that each of the 8 is either inherent in the new vision or continues to comprise an obligatory condition for ZetTrans' operation.

It is vital that the Shetland Transport Strategy both fits in with and informs other key policies and strategies at local and national level. The realms of economy, community and environment directly mirror three of Scotland's 4 National Planning Outcomes (NPOs). The forth NPO, connectivity, includes transport and ties in with this document and its vision of transport as a key enabler.

CURRENT TRANSPORT PROVISION

This section summarises the current transport provision in Shetland. The FINAL refresh document will include appendices containing key data and reference sources relating to this section together with any additional content deemed necessary.

Shetland's location and geography mean that it forms a totally self-contained geographic entity. All the public services and utilities are contained within the land-sea border – there is no overlap with neighbouring authorities. This is a relatively unique situation within the UK and makes it relatively easy to assess and meet local transport needs. Transport within and between the islands is managed and provided locally. With a population of just over 23,000 spread over 15 inhabited islands, 100 miles long within a 1,800 mile coastline however, providing and maintaining the necessary air, sea and road transport infrastructure results in high per capita costs.

Car ownership in Shetland is one of the highest in the UK but Shetland has a good bus network. Lerwick is the main service centre in Shetland and it is possible to commute to Lerwick by bus for a 9-5 work-day, and at lunch times, 6 days a week from most parts of Shetland. Outwith Lerwick, the main service centres are Brae, Scalloway and Sandwick and it is possible to commute locally to these centres by bus for a 9-5 work-day, and at lunch times, 6 days a week. Most outlying rural areas have a local, sometimes demand-responsive, shopping service 1 or 2 days a week. In addition, there is a regular bus service linking Lerwick to the airport at Sumburgh. All bus services are paid for by public subsidy and all fare revenue is retained by ZetTrans. Inter-island air and ferry services are operated by, or under contract to, the Council.

Lifeline air and sea transport to and from the islands for locals, visitors and freight is funded, managed and provided by external bodies over which the people of Shetland have historically had limited influence or control. There is little or no competition in the provision of these links and costs are high. These costs impact tangibly on the cost of living in Shetland, the cost of visiting the islands and the cost of doing business. The reliance on lifeline links also results in the relatively unusual position of the transport services and infrastructure being shared more equally between freight and passengers.

Walking and cycling as a preferred mode for day-to-day travel are affected adversely by Shetland's weather, topography and the distances that can be involved. For localised travel: pavement, shared path and cycle networks in Shetland's main population centres are present but in need of attention in places. The same is true of both rural and long-distance cycling and walking provision. If meaningful modal shift is to be achieved, a programme of improvement, information and publicity is required. Implementing such a programme would be of significant relevance to addressing the carbon reduction and active travel agendas.

Shetland is linked by air from Sumburgh to Aberdeen, Edinburgh, Glasgow, Inverness and Kirkwall. There are also summer flights to Bergen. This service is operated on a commercial basis but registered Shetland residents do receive a 50% fare discount for leisure journeys via the Air Discount Scheme (ADS). There is also an airport at Scatsta which operates charter flights for the Oil and Gas Industry. The ferry service between Lerwick, Aberdeen and Kirkwall is operated under public subsidy. The service operates over night and takes 12 hours each way. Shetland residents and their friends and family get a 30% discount on passenger and vehicle fares.

Shetland is however, identical to the rest of the developed world in that those without access to private transport must rely on public transport if they wish to access work, training, shops, leisure, health and other services. The groups affected are those who cannot drive or have given up driving. This typically includes: anyone under 16, older people and people with disabilities. All those who cannot afford to buy and run a car or motorcycle are also reliant on public transport.

The Shetland Place Standard consultation in June/July 2016 received 975 responses across Shetland and Public Transport was highlighted as the number 1 priority for improvement. The consultation covered a total of 14 themes, 2 of which relate directly to this report: Public Transport and Moving Around. All respondents were invited to add comments to explain why they had prioritised particular themes for improvement. Analysis of these comments has been used to draw up a list of the key issues raised.

The key Public Transport issues (In, to and from Shetland) were:

- Frequency of bus and ferry services
- Affordability of transport
- Location and quality of bus stops and shelters
- Ease of use of timetables and service information
- Integration between services – including between bus and ferry and air
- Access to health facilities
- Parking at ferry terminals

The key Moving Around (In Shetland) issues were:

- Significant comment on the need for new and improved safe cycle and walking access to promote active travel – in both rural and urban areas
- Perceived detrimental effect of traffic speed on the safety of walking and cycling
- Requirement for more seating and shelter for walkers and cyclists along key routes

Shetland Islands Council's vision highlights Quality Transport Services and Independent Older People as two of its top 5 priorities in its "Our Plan 2016/20" document. The document also specifies 5 focal areas:

- Young people
- Older people
- Economy & housing
- Community strength
- Connection & access

All of the issues highlighted in the Council's 2016/20 plan are compatible with the proposals in this document. They, along with the SPS findings, have been crucial in identifying the Main Issues to be addressed by ZetTrans.

Outwith the local situation, Shetland continues to face many of the same travel and transport issues that other areas encounter. Namely:

- The need to reduce carbon generation
- Increased car ownership and use
- A fall in the number of bus passengers, although the decline appears to have levelled out in Shetland
- Budgetary cost pressures
- Declining levels of physical activity

In seeking to identify the Main Issues, ZetTrans has also taken full account of these factors, and the policies of the bodies charged with addressing them.

The final local policy of core importance to ZetTrans Main Issues is the Shetland Partnership's Local Outcome Improvement Plan (LOIP). This document was formerly known as the Single Outcome Agreement. It identifies the 5 desired outcomes which define the priorities for the Shetland Partnership as it acts to improve life in Shetland. Of these 5 priorities, 4 map directly to ZetTrans' own strategic objectives and the Main Issues detailed in this report. The remaining priority, "To ensure that the needs of our most vulnerable children and young people are met", is intrinsic to the ZetTrans commitment to ensuring equity in transport provision.

MAIN ISSUES

The stage 2 participants suggested a synthesis of their own comments and the comments recorded by the Stage 1 consultation exercise. This, together with full consideration of the issues identified in the previous section, led to a total of 6 main issues being proposed. The table in this section details these.

ZetTrans can seek to maintain and enhance Shetland's transport provision by engaging in 3 distinct ways: on its own account, in partnership with others; through influencing others. The table in this section also details which approach is best suited to addressing each of the Main Issues.

Proposed Main Issues	Approach	Detail	Scottish Government Objective	National Transport Strategy Objective
Lifeline Transport	Working in partnership and through influence	To maintain, improve and expand the affordability, availability, flexibility and reliability of Shetland's lifeline transport links for both freight and passengers.	Wealthier, Fairer	Economic growth / Social inclusion
Transport Robustness	Working alone, in partnership and through influence	To enable, develop and promote community, commercial and flexible transport solutions when and where appropriate. To ensure the transport sector provides safe, inclusive and attractive travel options.	Stronger, Wealthier	Environment / Integration / Economic Growth / Safety
Community Support	Working in partnership	To support all of Shetland's communities by securing equitable access to employment, training, leisure, and services.	Fairer, Stronger	Social Inclusion
Integration Support	Working alone and in partnership	To support improved integration in ticketing, information and transport services.	Smarter, Fairer	Integration
Behavioural Change	Working in partnership	To enable and promote healthier, more sustainable and greener travel choices.	Healthier, Greener	Environment
Change Management	Working alone and in partnership	To plan for changes in legislation, transport demand, supply, impact and funding by monitoring, recording and acting.	Smarter, Stronger	Environment / Economic growth / Social inclusion

OUR OBJECTIVES

In the original Shetland Transport Strategy there were 5 groupings of objectives, mirroring the Scottish National Transport Strategy: Economy; Social Inclusion and Accessibility; Environmental Protection; Safety; Integration. Attached to these 5 groupings were a total of 33 individual objectives. It is proposed that a clearer, more succinct set of objectives should be specified. In turn, each of these strategic objectives will frame and inform the interventions and actions proposed by the Partnership. The FINAL Shetland Transport Strategy Refresh will cross reference the components of the agreed strategic objectives with relevant strategies and policies and consultee evidence.

The proposed new objectives have been further informed and framed by Shetland's *Commission for Tackling Inequalities*. The Commission reported its findings in March 2016 identifying 3 main dimensions to socio-economic inequalities in the context of Shetland:

1. The money we have – this links to the role of transport in supporting the local economy, the financial climate and issues regarding the cost and affordability of transport
2. The people we are – this links to the role of transport in enabling full participation in society by providing access to employment, training, health, social and recreational activity
3. The places we live – this links directly with the need to respect and conserve the environment and the enabling role of transport in supporting varied, balanced and sustainable communities

All 3 of these socio-economic dimensions require us to ensure that distance is not a barrier to accessing opportunities. Linking the findings of the refresh stages to the Commission, and connecting them back to both the 2008 and the proposed new visions, the following 3 strategic objectives are proposed:

Strategic Objective 1

To underpin Shetland's economy by enabling individuals to access employment and training and businesses to access labour markets, customers and suppliers

This strategic objective maps to the Local Outcome Improvement Plan (LOIP).

LOIP Outcome D: Shetland has sustainable economic growth and all our people have the chance to be part of island life.

Strategic Objective 2

To support Shetland's communities by enabling individuals, families and localities to thrive socially, physically and economically

This strategic objective maps to the Local Outcome Improvement Plan (LOIP).

LOIP Outcome B: We live longer healthier lives and people are supported to be active and independent throughout adulthood and in older age

LOIP Outcome C: Shetland is a safe place to live for all our people, and we have strong, resilient and supportive communities

Strategic Objective 3

To conserve Shetland's environment by enabling the reduction of detrimental transport impacts on Shetland's unique natural resources

This strategic objective maps to the Local Outcome Improvement Plan (LOIP).

LOIP Outcome E: We deliver all our services in an environmentally sustainable manner to safeguard and enhance our outstanding environment which underpins all our actions and our economic and social well-being

The Partnership's Key Performance Indicators (KPIs) will quantify to what extent the 3 strategic objectives are being delivered. Furthermore, it is necessary to emphasise that, although the focus of the proposed vision and objectives is on Shetland and its residents, the references to the economy, customers and markets are fully intended to include the tourism industry and therefore address the needs of visitors. Equally, all references to the *transport system* are inclusive of both freight and passengers.

INTERVENTIONS

Following appropriate further consultation, this section in the Shetland Transport Strategy Refresh will detail interventions designed to address the agreed Main Issues. A separate Delivery Plan will detail targets, goals and timescales. Funding and cost information will also be included where relevant. The Delivery Plan will also describe monitoring and reporting criteria.

In addition, a table will be presented here demonstrating the relevance of the proposed interventions and summarising how they match ZetTrans' new vision, strategic objectives, Main Issues and relevant external policy goals. Additional information linking activity to the objectives of other key documents will also be included.

In refreshing its objectives, delivering *Equity* is the overriding consideration for ZetTrans and the Shetland Transport Strategy Refresh will develop this key issue and detail a pragmatic approach for ensuring interventions are delivered equitably.

SUMMARY TABLE

To develop travel and transport solutions for Shetland which underpin our Economy, support our Communities and conserve our Environment

STRATEGIC OBJECTIVE 1		STRATEGIC OBJECTIVE 2		STRATEGIC OBJECTIVE 3	
To underpin Shetland's economy by enabling individuals to access employment and training and businesses to access labour markets, customers and suppliers		To support Shetland's communities by enabling individuals, families and localities to thrive socially, physically and economically		To conserve Shetland's environment by enabling the reduction of detrimental transport impacts on Shetland's unique natural resources	
LOIP Outcome D Shetland has sustainable economic growth and all our people have the chance to be part of island life.		LOIP Outcome C Shetland is a safe place to live for all our people, and we have strong, resilient and supportive communities	LOIP Outcome B We live longer healthier lives and people are supported to be active and independent throughout adulthood and in older age	LOIP Outcome E We deliver all our services in an environmentally sustainable manner to safeguard and enhance our outstanding environment which underpins all our actions and our economic and social well-being	
Lifeline Transport	Transport Robustness	Community Support	Integration Support	Behavioural Change	Change Management

Proposed Main Issues	Approach	Detail	Scottish Government Objective	National Transport Strategy Objective
Lifeline Transport	Working in partnership and through influence	To maintain, improve and expand the affordability, availability, flexibility and reliability of Shetland's lifeline transport links for both freight and passengers.	Wealthier, Fairer	Economic growth / Social inclusion
Transport Robustness	Working alone, in partnership and through influence	To enable, develop and promote community, commercial and flexible transport solutions when and where appropriate. To ensure the transport sector provides safe, inclusive and attractive travel options.	Stronger, Wealthier	Environment / Integration / Economic Growth / Safety
Community Support	Working in partnership	To support all of Shetland's communities by securing equitable access to employment, training, leisure, and services.	Fairer, Stronger	Social Inclusion
Integration Support	Working alone and in partnership	To support improved integration in ticketing, information and transport services.	Smarter, Fairer	Integration
Behavioural Change	Working in partnership	To enable and promote healthier, more sustainable and greener travel choices.	Healthier, Greener	Environment
Change Management	Working alone and in partnership	To plan for changes in legislation, transport demand, transport supply and transport funding by monitoring, recording and acting.	Smarter, Stronger	Environment / Economic growth / Social inclusion

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Zetland Transport Partnership

Agenda Item

4

Meeting(s):	Zetland Transport Partnership	29 June 2017
Report Title:	Lead Officer's Report	
Reference Number:	ZTP-19-17-F	
Author / Job Title:	Michael Craigie – Lead Officer	

1.0 Decisions / Action Required:

1.1 That the Partnership:

- 1.1.1 Subject to any comments, agree the response on the Scottish Ferries Procurement Review in section 4.11 of this report.
- 1.1.2 Note the outcome of the Westside Bus Service tender process.

2.0 High Level Summary:

- 2.1 The Lead Officer's Report is a report to the Zetland Transport Partnership (ZetTrans) that gives an overview of current and upcoming issues and events relating to the business of the Partnership but which do not, at this time, warrant a full report.
- 2.2 This report covers the following topics: -
 - Scottish Ferries Procurement Policy Review
 - West Side Mainline Bus Services

3.0 Corporate Priorities and Joint Working:

- 3.1 ZetTrans' policy is to seek to have in place transport arrangements that are affordable and meet people's needs. To achieve this policy ZetTrans works closely with Shetland Islands Council.

Shetland Islands Council's "Our Plan 2016 to 2020" states: 'There will be transport arrangements in place that meet people's needs and that we can afford to maintain in the medium term'.

4.0 Key Issues:

Scottish Ferry Services Procurement Review

- 4.1 In April 2016 Scottish Government, jointly with the RMT Trade Union, approached the European Commission to seek clarification on: -

- Exemption from tendering Clyde and Hebrides (and other lifeline) ferry services – the Teckal exemption.
- Implications for compliance with State aid rules.

4.2 The Commission replied on 22 September 2016 in the following terms: -

- The Commission can provide general guidance and advice not legal certainty, only the European Courts can provide authentic interpretation of EU Law.
- The case law on the in-house operator [i.e. Teckal Exemption] should be applicable in cases on Maritime Cabotage under strict interpretation and fulfilment of certain conditions [i.e. the control and functions tests].
- The use of a public procurement procedure may have consequences for compliance with State aid rules, referencing Commission's decision in 2009 and the four "Altmark" conditions.

4.3 Having considered the response, on 2 February 2017 the Minister for Transport and Islands announced in the Scottish Parliament that he intended to undertake a review of Scottish Ferry Services Procurement Policy taking account of the Commission response.

4.4 Currently Scottish Government has three public ferry service contracts in place.

FERRY SERVICE April 2016 to March 2017	Estimated Annual Subsidy
Clyde and Hebrides	£130m
Northern Isles	£35m
Gourock – Dunoon	£3.5m
Total Circa	£170m

4.5 There are a number of legally and technically complex matters to be understood in considering alternative procurement options and these are for Scottish Government to explore as part of their review and this report does not concern itself with these issues.

4.6 What the report does address is Scottish Government's wish to understand stakeholders' and communities' views on in-house provision versus tendering of lifeline ferry services.

4.7 In his statement to the Scottish Parliament the Minister said: -

"I do not prejudge the outcome but, should the review conclude that it would be possible to apply the Teckal exemption and meet State aid rules, the Government

would be minded to provide ferry services through an in-house operator, taking account of the communities that they serve. That would be subject to wider policy and value-for-money implications and crucially, the views of affected communities.”

4.8 As part of considering the matter Scottish Government is undertaking wide stakeholder engagement posing 2 questions: -

1. If we can apply Teckal and comply with State aid rules, and subject to wider policy and value-for-money implications, should we:

(a) provide services through an in-house operator, or

(b) continue to tender?

2. What are the key considerations that would support in-house operation or competitive tendering of the ferry services in future from a local community perspective?

4.9 Transport Scotland officials were in Shetland on 18 May 2017 and held a meeting with a wide range of stakeholders to discuss these questions.

4.10 The meeting did not reach a firm conclusion one way or another and the main point was that whatever approach is adopted the key requirement is an adequate and affordable service that develops in line with economic and social needs of Shetland.

4.11 In this connection it is recommended that, subject to the views of the Partnership, that a formal response from ZetTrans to Transport Scotland is provided in the following terms: -

- There is no strong view on whether lifeline ferry services are tendered or delivered in-house;
- The key requirements are that services provided are affordable to the user, meet local economic and social needs in the short, medium and long term and are reliable; and
- Any savings that may arise out of alternative procurement methodologies are reinvested to address the service deficiencies in the NIFS network which have been widely articulated through other studies and discussions.

Westside Mainline Bus Services

4.12 At its meeting on 3 February 2017 the Partnership agreed to tender Services 9 (Lerwick to Walls) and 12 (Lerwick to Aith).

4.13 The tendering process achieved a positive outcome with bids for each service being offered which were lower than approved budget for 2017/18.

4.14 As well as a reduced service cost the letting of these new contracts mean that the risks of vehicle reliability that were being incurred have been eliminated and all public bus services are now provided on the same basis, i.e. through service contracts with private sector operators.

5.0 Exempt and/or confidential information:		
5.1 None.		
6.0 Implications :		
6.1 Service Users, Patients and Communities:	None.	
6.2 Human Resources and Organisational Development:	None.	
6.3 Equality, Diversity and Human Rights:	None.	
6.4 Legal:	None.	
6.5 Finance:	None.	
6.6 Assets and Property:	None.	
6.7 ICT and New Technologies:	None.	
6.8 Environmental:	None.	
6.9 Risk Management:	No issues arising directly out of this report.	
6.10 Policy and Delegated Authority:	ZetTrans has functional responsibility to secure transport services in Shetland under the Transfer of Functions to the Shetland Transport Partnership Order 2006. The Partnership is responsible for the Shetland Transport Strategy refresh.	
6.11 Previously considered by:	Westside Mainline Bus Services	ZetTrans – 03/02/17

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22 June 2017

Appendices: None

Background Documents: None



Zetland Transport Partnership

Agenda Item

5

Meeting(s):	ZetTrans	29 June 2017
Report Title:	ZetTrans Business Programme 2017/18	
Reference Number:	ZTP-18-17-F	
Author / Job Title:	Secretary to ZetTrans/Executive Manager – Governance and Law	

1.0 Decisions / Action required:

- 1.1 That the Partnership **RESOLVES** to comment on and approve the attached Business Programme for 2017/18.

2.0 High Level Summary:

- 2.1 The purpose of this report is present an updated Business Programme for ZetTrans for the period ending March 2018.

3.0 Corporate Priorities and Joint Working:

- 3.1 In order to fulfil the statutory duties with regard to the functions delegated to ZetTrans, and in order to meet public governance principles, ZetTrans must make sure its Business Programme supports the Council's role in the planning and direction of services to meet the needs of our community, to ensure that the priorities of the Partnership are being monitored, and to set business in accordance with local and national reporting frameworks.

4.0 Key Issues:

- 4.1 The Business Programme for 2017/18 is attached as Appendix 1 and is presented to the Partnership for approval. The Business Programme is intended to organise the business of the Partnership in accordance with the various administrative requirements to present key information, such as performance indicators, budget setting and outturn reports, as well as the statutory requirement to consider draft and final Audit of Account reports. The Business Programme enhances these requirements by publicising the plans for decision making and other public reporting requirements, in keeping with the principles of good governance.
- 4.2 The Business Programme and schedule of meetings was approved on 3 February 2017 (Min Ref. 03/17) with the timescales for ongoing and future projects and studies in mind.
- 4.3 The updated Business Programme will be presented regularly and will serve as an indication of the business that has been conducted and is yet to be undertaken during the year.

5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications	
6.1 Service Users, Patients and Communities:	The Business Programme will provide important information for stakeholders and communities as to the planned business throughout the year.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	<p>a) There are no direct impacts on equality, diversity or human rights with regard to approval of the Business Programme, although individual items will have to have regard to those in terms of any outcomes and associated risks.</p> <p>b) The terms of this report does not require an Equalities Impact Assessment.</p>
6.4 Legal:	<p>a) There are no specific legal requirements however this report is good practice in developing and monitoring the Partnership's business.</p> <p>b) There are no direct legal impacts with regard to approval of the Business Programme, although individual reports will have to have regard to current and impending legislation and the impact these may have on ZetTrans, the Council, and the services which the Partnership delivers, in terms of outcomes and legal risks.</p>
6.5 Finance:	The proposals in this report do not have any direct financial implications, but indirect costs may be avoided by optimising member and officer time.
6.6 Assets and Property:	There are no implications for major assets and property. Where possible, all meetings of the Partnership will be held in Council premises and that such costs will therefore be covered by the Council.
6.7 ICT and new technologies:	There are no implications for ICT and technologies. Where possible, all meetings of the Partnership will be held in Council premises and will have facilities to allow members to attend meetings remotely. Any associated costs will be covered accordingly by the Council.
6.8 Environmental:	There are no environmental issues arising from this report.
6.9 Risk Management:	The risks associated with setting the Business Programme are around the challenges for officers meeting the reporting timescales required, and any part of the business programme slipping and causing reputational damage to the Partnership. Equally, not keeping to the dates set would result in decision

	making being unplanned and haphazard.
6.10 Policy and Delegated Authority:	<p>(a) Maintaining a Business Programme will ensure the effectiveness of the Partnership's reporting framework, and its planning and performance management, by monitoring and reviewing the achievement of key outcomes and objectives as set out in its strategic and operational plans.</p> <p>(b) The Partnership has authority to approve its own Business Programme for 2017/18, as set out in this report.</p>
6.11 Previously considered by:	The last update of the Business Programme for 2017/18 was considered by the Partnership at its meeting on 3 February 2017 (Min. Ref. 03/17).

Contact Details:

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Finalised: 19 June 2017

Appendices:

Appendix 1 - ZetTrans Business Programme 2017/18

Background Documents: None



**ZetTans - Meeting Dates and Business Programme 2017/18
as at Monday, 19 June 2017**

D= Delegated R=Referred			
Quarter 1 1 April 2017 to 30 June 2017	Date of Meeting	Business	
	29 June 2017 Unaudited Accounts & Ordinary	Unaudited Accounts 2016/17	
		Appointment of Chairperson and Vice-Chairperson	
		Lead Officer Report	
		Business Programme 2017/18	
		Shetland External Transport Forum Minutes – 2 March 2017	
		Management Accounts – Draft Outturn	
D= Delegated R=Referred			
Quarter 2 1 July 2017 to 30 September 2017	Date of Meeting	Business	
	21 September 2017 Final Accounts	Deloitte - Annual Audit Report on 2016/17	
		Deloitte - Final Audited Accounts 2016/17	
	Date of Meeting	Business	
	5 October 2017 Ordinary	Shetland Inter Island Transport Study	
		Key Performance Indicators 2016/17 – Quarter 4	
		Key Performance Indicators 2017/18 – Quarter 1	
		ZetTrans Annual Report 2016/17	
		2018 North Isles Ferry Services Contract	
		Management Accounts – Quarter 1	
		Transport Strategy Refresh	
		Lead Officer Report	
		Business Programme 2017/18	
Shetland External Transport Forum Minutes – 5 July 2017			

D= Delegated R=Referred



**ZetTans - Meeting Dates and Business Programme 2017/18
as at Monday, 19 June 2017**

Quarter 3 1 October 2017 to 31 December 2017	Date of Meeting	Business	
	2 November 2017 Ordinary	Lead Officer's Report	
		2018 North Isles Ferry Services Contract	
		Shetland External Transport Forum Minutes – 28 September 2017	
		Code of Corporate Governance and Annual Review	
	Date of Meeting	Business	
	14 December 2017 Ordinary and Budget Setting	Management Accounts – Quarter 2	
		Business Programme 2017/18	
		Lead Officer's Report	
Quarter 4 1 January 2018 to 31 March 2018	Date of Meeting	Business	
	1 February 2018 PPMF & Ordinary	Lead Officer Report	
		2018 North Isles Ferry Services Contract	
		Key Performance Indicators 2017/18 – Quarter 3	
		Business Programme 2018/19	
		Management Accounts – Quarter 3	
		Shetland External Transport Forum Minutes 11 December 2017	
	22 February 2018 Special	Budget Setting	

Planned business still to be scheduled - as at Monday, 19 June 2017

- Inter-Island Air Services Specification

Updates on the following 4 items will be provided within the Lead Officer's report as matters progress:

- Shetland Inter Island Transport Study
- Transport Strategy Refresh
- Smart Integrated Ticketing
- National Transport Policy/Strategy

tbcc = to be confirmed

PPMF = Planning and Performance Management Framework meetings – no other business to be added

Budget = Budget setting meetings – other items can be added if time permits

Ordinary = Ordinary meetings – other items can be added

Special = Special meetings arranged for particular item(s) – other items can be added if time permits

END OF BUSINESS PROGRAMME as at Monday, 19 June 2017

NOTE

Shetland External Transport Forum
Room 12, Islesburgh Community Centre, Lerwick
Thursday 2 March 2017 at 2.15 p.m.

Present:

M Stout
B Fox

In attendance (Officers):

M Craigie, Lead Officer
B Kerr, Communications Officer, SIC
L Gair, Committee Officer, SIC

Also In attendance:

J Hinkles, Loganair Limited
M Boyle, Loganair Limited
S Garrett, NorthLink Ferries
R Smith, NorthLink Ferries
G Laidlaw, Transport Scotland
D Ellis, Transport Scotland
L Carter, Audit Scotland
G Miller, Audit Scotland
J Tait, Shetland Tourism Association
R Henderson, Councillor
T Smith, Councillor
J Wills, Councillor
V Wishart, Councillor
I Pearson, Ferries Services, SIC
K Duerden, Infrastructure Services, SIC
S Mathieson, Visit Scotland
W Hand, Voluntary Action Shetland
L Still, HIAL
A Gower, HIAL
A Farquhar, HIAL
N Leslie, Northwards Ltd
G Crichton, Streamline Shipping Group
V Sandison, Lerwick Port Authority
D Neil, JBT Distribution Ltd
A Morrison, Andrews Adventures
R Nickerson, Dunrossness Community Council &
Sumburgh Airport Consultative Committee
A Leslie, Public
J Leslie, Public
I Hughson, Public

M Hughson, Public
L Pottinger, Public
A Johnson, Public
R Thomson, Public
B Adams, Public

Apologies:

S Coutts, Vice-Chairperson
R Hunter, HIE
J Smith, Chair, Sumburgh Airport Consultative Committee
C Laignel, Shetland Shellfish Management Organisation
K Bevan, NorthLink Ferries
A Duncan, Vice-Chair, Sumburgh Airport Consultative Committee

Chairperson

Mr Stout, Chairperson presided.

Circular

The circular calling the meeting was held as read.

Minutes

The minutes of the meeting held on 12 December 2016 were confirmed.

01/17 **Matters Arising**

None.

02/17 **Presentation by Loganair**

Mr Hinkles, Managing Director, Loganair gave a slide presentation and reported on a number of matters including:

- Loganair Routes Update
- Improvements in Reliability
- Punctuality
- Royal Mail 5 year contract
- Air Departure Tax
- Removal of Unaccompanied Minors
- Introduction of a Child Drop Off fare
- Removal of Credit Card Surcharge
- Codeshare with BMI
- Codeshare with Flybe
- Customer Services

In response to questions Mr Hinkles advised that should a ticket need to be changed, there would be a charge if there is a difference between the fare originally paid and the new booking. He explained that in order to keep fares down, a number of cheaper fares are available on certain flights, he said that if there are no cheaper fares available then customers would face a higher charge when changing their booking.

Mr Hinkles also explained that the change in flights to Aberdeen would mean that the sale of seats would be spread across more flights therefore the SAAB 2000 will now be used as standby in Aberdeen and used across the network. He said that the SAAB2000 is fuel hungry so is best used as standby.

Mr Hinkles was asked when the code share would be in place with Flybe. Mr Hinkles advised that it was hoped that it would be in place by the end of March 2017 however there were challenges in terms of the computer systems being able to link together, but he would know more by the end of the month.

In terms of the Flybe credit card and Avios, Mr Hinkles said it was unlikely that Avios points could be redeemed on Loganair flights after September, but it can be used on other airlines. He explained that Loganair are looking into loyalty schemes but their priority is to keep fares low and to keep out unnecessary costs.

Reference was made to the unaccompanied minors policy ceasing and in response to a question, Mr Hinkles advised that the new drop off fare would only be available on the Loganair Network.

Mr Hinkles was thanked for his presentation.

03/17 **Presentation by Serco NorthLink Limited**

Mr Garrett, Managing Director, NorthLink Ferries, gave a slide presentation and reported on a number of matters including:

- Aberdeen – Lerwick volumes of passengers, cars and freight
- Operations update including sailings, delays and cancellations
- Cabin usage
- Pod usage
- Pre-booked reclining seat usage
- Magnus Lounge usage
- Public showers usage
- Promotions, including Kids go Free and Landbridge
- Forward bookings March – August there is cabin and car deck availability every day
- Sponsorship and Community Engagement
- Marketing
- Booking Questionnaire responses
- Drydocking update – Passenger and Freight
- Customer Services Questionnaire Statistics

Mr Garrett was asked what discussion NorthLink have had with NHS Shetland regarding patient travel as there are comments being made that patient travel is moving from air to sea travel. Mr Garret advised that NorthLink cannot offer discounted travel and any negotiations would be with the Scottish Government. Mr Laidlaw advised that he was not aware of any discussion happening but in general terms the Scottish Government is looking at the North Isles Ferry fares. He explained that fares are already subsidised but there was a commitment from Ministers to reduce fares. In response to a comment that the NHS and Transport funding all

comes from the same pot, Mr Laidlaw advised that each agency has to manage its own budget.

Mr Garret was thanked for his presentation.

04/17 **Northern Isles Ferry Services Contract 2018**

Mr Laidlaw, Transport Scotland provided a verbal update on the North Isles Ferry Service Contract (NIFS) 2018 and highlighted the following key issues:

- North Isles Ferry Service – Scottish Government has announced it intends to carry out a procurement review in relation to ferry services contracted by Transport Scotland. The current STAG Study continues but is paused until the review of fares is complete and the Minister for Transport and Islands has decided the way ahead on fares.
- Gourock-Dunoon Service – discussions are being held around extending the contract whilst the procurement review is undertaken. Updates will be given throughout the process and a published outcome report will be available on the Transport Scotland website in due course. Engagement with Regional Transport Partnership and user groups will be undertaken going forward.
- North Isles Freighters – The issue last year regarding the national minimum wage was addressed and the contract will end in April 2018. Transport Scotland has negotiated a bare boat charter arrangement with Seatruck to retain the freighters for a further five year period with the option of a further two years. This means that the pay and conditions of the crew is not tied to Seatruck's company terms and conditions.

Mr Laidlaw responded to a question and advised that discussions were being held regarding a possible extension to the North Isles Contract but that was not decided yet.

With regard to concerns that the commitment for lower fares was not going to be realised as soon as expected and possibly not at all, Mr Laidlaw advised that there will be discussion with the Minister for Transport and the Islands in the next two weeks. He said that the Minister made a commitment to reduce fares and the content and timing was currently being discussed. The timing is the Minister's call but it is going to happen.

The Chair said that ZetTrans welcomed the review of procurement and the aim of getting better value from the public pound but he sought further reassurance that the huge amount of work done would not be lost. Mr Laidlaw commented that there was a good relationship with the Chair, the Lead Officer and colleagues in HITRANS, which is valuable to Transport Scotland. The Chair added that the 2018 Contract must provide best value and the best service as well, and commented that the changes in Aberdeen and the use of alternative fuels all form part of that matrix. He said that part of the original contract was looking at ferry services across the whole of Scotland with a view to having equity of ferry services across Scotland and this will affect the next contract.

A further concern was expressed regarding the promise of reduced fares and the comment made that this was now a year on, with a possible extension of the current contract. Mr Laidlaw advised that there had been a couple of informal discussions with Serco Colleagues and he was waiting for feedback from the Scottish Government as drydocking would have an effect on any details of a contract extension. He said that once he had advised the Minister and clarity provided around the procurement regulations he would contact communities as soon as possible.

The Chair thanked Mr Laidlaw for his update.

05/17 **Audit Scotland – Audit of Ferry Services in Scotland**

Ms Carter and Ms Miller, Audit Scotland, provided a verbal presentation setting out their role and remit and the aims and objectives of the Audit. The Forum was advised that Audit Scotland is an independent public sector watchdog with 220 organisations that they audit. Audit Scotland's work is normally financial but this is a performance audit of which they carry out 10-15 per year. Audit Scotland look at themes and issues that are of high interest within public bodies. The Forum were also advised that the increased cost of ferries is of political interest but the work of Audit Scotland is entirely separate from the Review being carried out by Scottish Ministers and Audit Scotland would not get into the technicalities of the EU regulations.

The Forum was given an overview of the areas to be looked at, the methodology to be followed and the area that the review would cover. Stakeholders were advised that should there be anything further they wish to raise following the meeting contact should be made with ZetTrans who will pass on any views not captured today. Conclusions and recommendations will be produced in a report and it will be sent to the Scottish Parliament Audit Committee.

In response to Ms Carter and Ms Miller's introduction the Chair set out the current picture from an Island perspective and advised that there has been an increase in spend by the Scottish Government but there had been extensive work with Mr Laidlaw around the principle that there has been an increase in the West Coast funding that has not been seen in other areas. An important point of consideration is also the discussions currently being held around the principle that it should be the Scottish Government who has responsibility for inter island ferries. The Chair said that he appreciated that this was not part of the Audit but it was very relevant to all stakeholders present today.

Comment was made that ZetTrans has a wealth of information and feedback from stakeholders and clear views on the future of the North Isles Ferry Services. It was suggested that the Audit Scotland Officers should spend time with the Chair and Lead Officer of ZetTrans to gain a full understanding of the issues.

The issue of fair fares was raised and the commitment given a year ago to reduce fares which had still not been implemented. The Chair advised that fair fares were by far not the biggest issue and that it was a complicated picture. He said that this was a life line service and understanding the costs for families. The Chair added that he had assured this Forum that there is now a relationship with Transport Scotland and the Scottish Government and that Shetland's views were being heard.

When asked by Audit Scotland if stakeholders were happy with the service provided and whether it was just the cost of travel, the Forum agreed that there are no complaints about the Service provider, the onboard facilities, customer service and sponsorship and other incentives, but this was only one part of the overall contract. It was noted that the current provider was an improvement on the previous provider. It was also acknowledged however that the vessels are not ideal and do not perform well in bad weather.

The Lead Officer advised that if travelling from Stornoway to the Mainland with a family and a car there is a cost of about £150, but from Shetland this would cost in excess of £600. He said that there needs to be a move from the traditional thinking around cost being related to distance towards a view of what is fair and equitable. He commented that for users of the service it is a question of whether they can afford to travel and this influences inclusion/exclusion and how individuals develop socially. The Chair added that this is also relevant to the development of the ferry services around Scotland and this is an opportunity to address the type and level of services provided for hauliers, tourism, families, visitors, and to attract people to live and work in Shetland. The Forum noted that it was cheaper to travel to a foreign country than to travel to Shetland. The Chair said that information available demonstrates that transport costs have an impact on people considering moving to Shetland. The frustration for this Forum is that the positive contribution to the West Coast is paying off socio-economically and it struggles to see why an equitable provision is not applied to the North Isles.

During further discussion, examples of families constrained by the cost of travelling to Shetland were given, and constraints felt by individuals competing in sports as well as their families who cannot afford to travel as spectators. It was noted that a Tourism Survey in 2015 had been undertaken by tourism businesses and it was agreed that this feedback would be shared with Audit Scotland.

The Lead Officer commented that the services to Shetland were the same as the previous contract but there needs to be capacity in the next contract to plan ahead. The Chair added that the quality of the relationship with Serco and the Scottish Government was much improved. He said that there had been a learning process and future specification development should benefit from what has been learned.

The Forum noted that Serco had listened to customers and communicated well with its customers reacting to any issues brought up. It was noted that Serco arranged for the airport bus to link with the ferry terminal in Aberdeen which improved the transport services for the travelling public. This was seen as a small but important matter. Further comment was made in regard to Serco's good communication and continued focus on customer services. The Chair said however that the continued misconception that it is the provider that is constraining the service needs to be stopped and a better understanding that it is the detail of the contract that has to be addressed is an area that would need more focus. The Chair advised on the need to have the right level and cost attributed to the service and a provider that is sensitive to that issue but also the contract wording has to be done right.

Reference was made to the cost of the North Isles Ferry Contract and it was suggested that the accounts of the provider be made public to understand where

costs are attributed. Mr Laidlaw explained that that information was commercially confidential but details of the contract are received on an annual basis.

Ms Miller advised that Audit Scotland would receive information on the spend incurred on the vessels and harbours but not on staff costs as this is commercial information. She said that how Serco run their business is their own concern. She said that she would categorise the three contracts and see how they have changed over time.

Ms Miller said that there would be evidence gathered until May with the draft report initially being passed to the operator in July for checking and recommendations and conclusions would be presented in October.

Main points from the discussions were:

- Increase in investment in West Coast ferry services not seen elsewhere.
- The principle that the Scottish Government should have responsibility for inter island ferry services should be a consideration for Audit Scotland.
- Fair fares commitment has not been delivered yet.
- Cost of travel compared to other island areas is very disproportionate.
- The planning and development of ferry services around Scotland is done in an ad hoc way.
- Their needs to be fair funding across Scotland's ferry network to provide equal opportunities to all Island communities.
- People are excluded/constrained from opportunities outside the Islands.
- Individuals competing in sports at regional and national level are constrained by Transport.
- The vessels are not ideal and do not perform well in bad weather.
- Continued misconception that it is the provider that is constraining the service needs to be stopped and a better understanding that it is the detail of the contract that has to be addressed is an area that would need more focus.

06/17 **Agenda Items for Future Meetings**

Items for future meetings can be sent to the Lead Officer or the Committee Officer.

07/16 **AOCB**

None

08/16 **Date of Next Meeting**

The date of the next meeting is 2.15pm on 5 July 2017, Room 16, Islesburgh Community Centre, Lerwick.

The meeting concluded at 4.20 p.m.

Chairperson