

Connecting Shetland
Ze Trans
ZETLAND TRANSPORT PARTNERSHIP



Annual Accounts 2014/15 (Audited)

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2014/15 AUDITED ANNUAL ACCOUNTS

CONTENTS

Introduction	3
Management Commentary	4
Statement of Responsibilities	10
Annual Governance Statement	12
<u>Primary Financial Statements</u>	
Comprehensive Income and Expenditure Statement for the year ended 31 March 2015	14
Balance Sheet as at 31 March 2015	15
Cash Flow Statement for the year ended 31 March 2015	16
<u>Notes to the Primary Financial Statements</u>	
Note 1 Summary of Significant Accounting Policies	17
Note 2 Short Term Debtors	18
Note 3 Cash and Cash Equivalents	18
Note 4 Short Term Creditors	19
Note 5 Members' Expenses	19
Note 6 External Audit Costs	19
Note 7 Grant Income	19
Note 8 Related Parties	20
Independent Auditor's Report	21

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 2014/15 were as follows:

Members:

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

Other Members:

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

Substitute Members:

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

Observer / Advisers:

Mr A Steven (Promote Shetland)
Mr R Moore (Marine Team Leader, BP)
Ms S Laurenson (Lerwick Port Authority)
Mr S Mathieson (VisitShetland)
Mr J Smith (Sumburgh Airport Consultative Committee)

Executive Officers:

Secretary & Proper Officer for Legal Proceedings – Executive Manager – Governance & Law - Jan Robert Riise
Proper Officer for Finance – Executive Manager - Finance – Steve Whyte

Lead Officer:

Executive Manager – Transport Planning - Michael Craigie

MANAGEMENT COMMENTARY

The purpose of the Management Commentary is to inform all users of these accounts and help them to understand the most significant aspects of ZetTrans financial performance during 2014/15 and their year-end financial position as at 31 March 2015.

Background

ZetTrans exists to provide and maintain public transport services in the Shetland Islands. Working in co-operation with a number of stakeholders and interested bodies, including bus operators, airlines and ferry companies; ZetTrans is geared towards the development of a sustainable transport network to meet the needs of the present while also looking towards the future.

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

The partnership collaborated with partners during 2012/13 to review the provision of inter island air services which was implemented on 1 April 2013.

The Bus Service

During financial year 2014/15 a review, tendering and implementation of new public and schools bus service contracts across Shetland was undertaken. These contracts commenced in August 2014 and are expected to achieve the predicted savings of £5.5m over the 5 year life of the contracts, when compared directly to tenders received during the previous tendering exercise conducted in 2013. Securing this reduction in costs for bus services means that ZetTrans can deliver public bus services at a much more sustainable level. This is in line with the approved budget of Shetland Islands Council, the primary funder, which has been working to balance its budget and draw a more sustainable sum from its reserves than ever before.

During the course of designing the new service, project officers met with public, stakeholders and existing service providers to discuss the shape of the future network. Socio-economic studies and impact assessments were completed to support the decision making process, in order to deliver the best possible service for the people of Shetland, within sustainable budgets.

Other Services

Central Government has been in dialogue with ZetTrans and Shetland Islands Council regarding the funding and responsibility for inter-island Ferry Services. This has included establishing a collaborative approach with Orkney Islands Council, the Highlands and Islands Transport Partnership (HITRANS) and Transport Scotland. There is currently work ongoing to establish a methodology to deliver the best service levels for Shetland and the other authorities and partnerships. This has included a survey of service users which has seen an encouraging level of engagement so far, with strong feedback. However it is essential that this survey is as widely available to service users as possible in order to obtain the most comprehensive set of results. It is anticipated that the conclusions for these discussions will be available during late 2015.

Looking to the future, a new Northern Isles Ferry Contract is anticipated to be established in 2018. ZetTrans has been working closely with Shetland Islands Council, Orkney Islands Council, HITRANS and Transport Scotland and has set up workshops in order to establish collaborative working between these interested parties. These workshops have been constructive and comprehensive and a final report was completed on 1 July and will form the basis for moving matters forward.

Primary Financial Statements

The Annual Accounts summarises ZetTrans transactions for the year, its year-end position at 31 March 2015 and its cash flows. The Annual Accounts is prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

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.

The primary financial statements and notes to the accounts, including the accounting policies, form the relevant Annual Accounts for the purpose of the auditor's certificate and opinion.

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

Financial Performance 2014/15

The ZetTrans financial performance is presented in the three primary statements:

The Comprehensive income and Expenditure Statement (CI&ES)

This statement presents the full economic cost of providing ZetTrans services in the financial year 2014/15.

When comparing the CI&ES to both the budget laid out at the beginning of the year and the 2013/14 CI&ES, there are significant unfavourable variances in the 2014/15 period.

Expenditure is categorised into two main areas:

Policy, Strategy & Projects – when compared to the figure for the previous financial year, there is an increase of £0.05m (23%) spend in this area. This relates to additional consultancy costs incurred on Bus Network Redesign, Transport Strategy, Outer Isles Transportation and Public Service Obligation Review, and the Ferry Fares Review.

Bus Operations - saw an increase in spend of £0.44m (29%) when compared to the same area in the previous financial year. During the year there were a number of activities undertaken that incurred one-off costs including £0.15m for the implementation of the new contracts, and £0.07m for refitting engines to two buses and the service impacts associated with that.

ZetTrans was able to meet all of its expenses by income obtained through grant income and interest received on its balances held with the bank. Grant income is received from two sources; the Scottish Government contributes £0.13m, which has remained at the same level for a number of years, and Shetland Islands Council, which is ultimately responsible for ZetTrans costs.

The Balance Sheet

This statement sets out the total net worth of ZetTrans as a snapshot in time on the 31 March 2015. Given the nature of ZetTrans, Shetland Islands Council incurs the cost of providing public bus services. The sum owed by ZetTrans to the Shetland Islands Council at the year-end is shown as a Short Term Creditor. At the year-end, ZetTrans also receive grant funding from Shetland Islands Council, which in turn appears as a Short Term Debtor in the Balance Sheet. It should be noted that, total Current Assets equal total Current Liabilities in the Balance Sheet, and that both are the same value as the 'Cost of Service' total appearing in 'Comprehensive Income and Expenditure Statement'. This is because Shetland Islands Council will only cover the exact shortfall in the provision of services by ZetTrans, resulting in the Net Assets of ZetTrans being nil at the year-end.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2014/15 AUDITED ANNUAL ACCOUNTS

Cash Flow Statement

As described above, ZetTrans is funded in part by grants from Central Government and Shetland Islands Council. These transactions, along with a small amount bank interest, form the Operating Activities within the cash flow. Since all costs, and therefore cash outflow, of ZetTrans is fully funded – the net cash outflow of £56 is explained by a lower level of bank interest when compared in the previous year.

Comparison of Outturn against Budget

During 2014/15 ZetTrans received funding of £0.13m from the Scottish Government and £2.106m from Shetland Islands Council towards running costs of £2.237m. The total expenditure for Bus Operations in 2014/15 was £1.970m which exceeded budget by £0.38m due to a number of one off costs. The budget for Policy, Strategy and Projects in 2014/15 was £0.17m, which was over spent by £0.1m. This was due to consultancy costs related to *Bus Network Redesign, Transport Strategy, Outer Isles Transportation and Public Service Obligation Review, and the Ferry Fares Review.*

Funding

Scottish Government revenue funding (granted under section 70 of the Transport (Scotland) Act 2001) has remained at a value of £0.13m since 2011/12.

Income and Expenditure in 2014/15 may be summarised as follows:

2013/14 Actual £	Revenue	2014/15 Budget £	2014/15 Actual £	2014/15 Variance £
216,625	Policy Strategy & Projects	167,808	267,080	(99,272)
1,526,349	Bus Operations	1,591,261	1,970,315	(379,054)
1	Bank Charges	0	1	(1)
<u>1,742,975</u>	Total Expenditure	<u>1,759,069</u>	<u>2,237,396</u>	<u>(478,327)</u>
(131,750)	Scottish Government Grant	(131,750)	(131,750)	0
(1,610,739)	SIC Grant	(1,627,319)	(2,105,217)	477,898
(486)	Financing Income (Bank Interest)	0	(429)	429
<u>(1,742,975)</u>	Total Income	<u>(1,759,069)</u>	<u>(2,237,396)</u>	<u>478,327</u>
0 Net (Surplus)/Deficit for Year			0	

ZetTrans 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 last year, ZetTrans will continue to pursue a long-term arrangement for the Inter Islands Ferry Services in conjunction with the Scottish Government, Transport Scotland and Orkney Islands Council. The financial climate for the delivery of this is challenging, due to the nature of services, revenue and capital costs associated with funding of operations and replacement costs of the required infrastructure. Work has also commenced on the Public Service Obligation for the provision of transport services to the outer islands, which incorporates a review of the air and ferry services that supply transport to these areas.

The total budgeted expenditure for ZetTrans in 2015/16 is £1.820m, of which £0.17m is for core running costs and implementation of the Regional Transport Strategy and £1.651m is for scheduled bus operations in Shetland.

Regulatory Framework

In Scotland the local authority accounting framework is enacted as follows:

- local authorities are defined as a council constituted under section 2 of the Local Government (Scotland) Act 1994, the Strathclyde Partnership for Transport, and those bodies to which section 106(1) of the Local Government (Scotland) Act 1973 applies (i.e. committees, joint committees and joint boards, the members of which are appointed by local authorities, charities, etc, the trustees of which are local authorities or their members and transport partnerships created under the Transport (Scotland) Act 2005);
- section 96 of the Local Government (Scotland) Act 1973 requires Scottish authorities to keep accounts;
- section 12 of the Local Government in Scotland Act 2003 places a duty of Best Value on the authority and also a duty to observe proper accounting practices; the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS), the Service Reporting Code of Practice and the Prudential Framework and other statutory guidance issued under section 12 of the 2003 Act defines proper accounting practices for local authorities in the UK;
- under paragraph 3 of the Local Authority Account (Scotland) Regulations 1985 (section 1 1985/267, Finance circular 5/1985) the "proper officer" is formally responsible for the form of accounts; the Code requires this officer to sign, date and submit the un-audited Annual Accounts to the authority and the Controller of Audit by 30 June.

The Code reiterates the primacy of legislative requirements whereby the overriding principle of public sector accounts is that where an accounting treatment is prescribed by law, the legal requirement must be applied.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2014/15 AUDITED ANNUAL ACCOUNTS

The Code was developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board and has effect for financial years commencing on or after 1 April 2013. The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector.

The overriding requirement of the Code is that the Annual Accounts provides a true and fair view of the financial position and the financial transactions of the authority.

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.

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

Date.. 28/9/15

.....
Steven Whyte, CPFA
Proper Officer for Finance

Date.. 28/9/15

.....
Michael Stout
Chairperson Shetland Transport Partnership (ZetTrans)

Date.. 28/9/15

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

1 Zetland Transport Partnership's Responsibilities

ZetTrans is required to:

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

I confirm these audited annual accounts were approved for signature by the Partnership at its meeting on 28 September 2015

Signed on behalf of Zetland Transport Partnership



Michael Stout
Chairperson Shetland Transport Partnership (ZetTrans)

2 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.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2014/15 AUDITED ANNUAL ACCOUNTS

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 2015.



Steven Whyte, CPFA
Proper Officer for Finance

Date 28/9/15

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, elected 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.

The Governance Framework

The governance framework in place fully mirrors 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 however, an overview is provided here.

The role of committees in decision-making with regards to ZetTrans is set out within the Council's Constitution, which also sets out the delegated powers of individual officers. The revised Code of Governance was adopted on 20 September 2012 and is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

The overall strategic direction, in terms of setting the priorities for ZetTrans and allocating its resources, rests with the full Council, advised by the Policy and Resources Committee. The primary committees that governs ZetTrans itself is the Zetland Transport Partnership and the Environment & Transport committee. A refreshed Planning and Performance Management Framework underpins the governance arrangements, including a focus on service prioritisation, resource allocation, performance management and securing efficiencies. The Committees ensure that their decisions are implemented by:

- Drawing up action plans and receiving progress reports;
- Setting and monitoring performance targets; and
- Receiving budget monitoring reports on revenue and capital spend.

The decision-making process is appropriately supported and challenged through the Audit Committee, with a remit to oversee audit and scrutiny arrangements, and standards within the Council and ZetTrans.

The Chief Executive and Directors, along with the Monitoring Officer and Chief Financial Officer, meet weekly as the Corporate Management Team, with the Director of Development chairing a more specific management team which includes the ZetTrans Lead Officer.

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

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2014/15 AUDITED ANNUAL ACCOUNTS

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, as demonstrated through reporting on targets and performance;
- financial and budget monitoring;
- Internal Audit reviews on specific services and on activities which occur across the Council;
- the Annual Report and Accounts;
- External Audit and the Accounts Commission observations, comments and recommendations for improvement; and
- external inspections and quality assurance reports and recommendations for improvement.

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

During financial year 2014/15, ZetTrans undertook tendering exercises for bus services following the Standing Orders, processes and procedures of Shetland Islands Council. Adherence to these policies ensured the effectiveness of ZetTrans.

Overall, we consider the governance and internal control environment operating in 2014/15, provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. There are no significant issues that require to be disclosed.



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

Date 28/9/15



Michael Stout
Chairperson Shetland Transport Partnership (ZetTrans)

Date 28/9/15

PRIMARY FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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

2013/14 TOTAL		2014/15 TOTAL
£	Note	£
216,625	Policy, Strategy & Projects	267,080
1,526,349	Bus Operations	1,970,315
1	Other Payments (Bank Charges)	1
1,742,975	Cost of Services	2,237,396
(486)	Financing and Investment Income	(429)
(1,742,489)	Taxation and non-specific grant income (Note 7)	(2,236,967)
0	(Surplus) or Deficit on Provision of Services	0
0	Other Comprehensive income and Expenditure	0
0	Total Comprehensive Income & Expenditure	0


ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2014/15 AUDITED ANNUAL ACCOUNTS

BALANCE SHEET AS AT 31 MARCH 2015

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

31 March 2014 £	Note	31 March 2015 £	31 March 2015 £
1,610,740	Short term debtors (Note 2)	2,105,217	
132,235	Cash and cash equivalents (Note 3)	132,179	
1,742,975	Current Assets		2,237,396
(1,742,975)	Short term creditors (Note 4)	(2,237,396)	
(1,742,975)	Current Liabilities		(2,237,396)
0	Net Assets		0

The audited accounts were authorised for issue on 28 September 2015.



 Steven Whyte, CPFA
 Proper Officer for Finance

Date 28/9/15

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2014/15 AUDITED ANNUAL ACCOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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

2013/14 TOTAL £	Note	2014/15 TOTAL £
OPERATING ACTIVITIES		
	Cash Inflows	
(1,648,719)	Grants	(1,742,489)
(486)	Bank Interest	(429)
(1,649,205)	Cash inflows from operating activities	(1,742,918)
	Cash Outflows	
1,647,376	Other Payments for Operating Activities	1,742,974
1,647,376	Cash outflows from operating activities	1,742,974
(1,829)	Net Cash outflows/(inflows) from operating activities	56
(1,829)	Net decrease/(increase) in cash and cash equivalents	56
130,406	Cash and cash equivalents at the beginning of the reporting period	132,235
132,235	Cash and cash equivalents at the end of the reporting period (Note 3)	132,179
(1,829)	Net cash outflows/(inflows) in cash and cash equivalents in year	56

NOTES TO THE PRIMARY FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Principles

The Code specifies the applicable accounting policies for:

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

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

Accounting Conventions and Concepts

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

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

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

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

(a) Accruals of Income and Expenditure

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

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

(b) Government Grants and Contributions

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

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

(c) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received.

NOTE 2 SHORT TERM DEBTORS

31 March 2014 £		31 March 2015 £
1,610,740	Shetland Islands Council	2,105,217
1,610,740	Total	2,105,217

NOTE 3 CASH AND CASH EQUIVALENTS

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

31 March 2014 £		31 March 2015 £
132,235	Bank current accounts	132,179
132,235	Total	132,179

NOTE 4 SHORT TERM CREDITORS

31 March 2014		31 March 2015
£		£
1,742,975	Shetland Islands Council	2,237,396
1,742,975	Total	2,237,396

NOTE 5 MEMBERS' EXPENSES

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

2013/14		2014/15
£		£
859	Members Expenses	1,422
859	Total	1,422

NOTE 6 EXTERNAL AUDIT COSTS

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

2013/14		2014/15
£		£
9,440	Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice	9,725
9,440	Total	9,725

NOTE 7 GRANT INCOME

The Partnership credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14		2014/15
£		£
(131,750)	Scottish Government Revenue Expenditure Grant	(131,750)
(1,610,739)	Shetland Islands Council Grant	(2,105,217)
(1,742,489)	Total	(2,236,967)

NOTE 8 RELATED PARTIES

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

Scottish Government is responsible for providing the statutory framework within which the Partnership operates. They provide some of the Partnership's funding in the form of grants and prescribes the terms of many of the transactions that the Transport Partnership has with other parties. Details of Scottish Government Grants received are contained in Note 7.

Shetland Islands Council is responsible for providing the funding for the net expenditure of the Partnership under the Transport (Scotland) Act 2005. In 2014/15 the Council provided £0.135m (£0.084m in 2013/14) funding for core running costs and a further £1.970m (£1.526m in 2013/14) was requisitioned by the Partnership to fund the delivery of the bus service. ZetTrans does not employ its own staff and during 2014/15 Shetland Islands Council charged ZetTrans £0.145m (£0.117m in 2013/14) in respect of staff support, supplies and other support services.

INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of Zetland Transport Partnership for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Proper Officer for Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of affairs of the body as at 31 March 2015 and of the income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

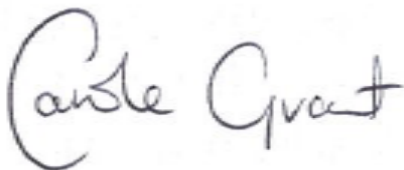
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



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28 September 2015