

Annual Report 2025/26

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SHETLAND'S TRANSPORT PARTNERSHIP



Version v1.0

Foreword

ZetTrans exists to fulfil two closely connected roles: to secure public transport services for Shetland where there is a public need, and to provide strategic leadership on transport planning across the islands.

During the 25/26 financial year ZetTrans has been working to develop a Delivery Plan and Performance Framework for the [Regional Transport Strategy 2040](#). This work is advancing well and it is intended that Board approval will be sought in June 2026. Assuming that approval, the next Annual Report will begin highlighting the progress of the Delivery Plan against a revised set of Key Performance Indicators.

January 30th saw the start of Transport Scotland's £2 bus fare cap pilot in Shetland for one year. 2025/26 has also seen the conclusion of the Public, School and Adult Social Care Transport Full Business Case, with contracts awarded for a new Public Bus Network to commence operation in August 2026.

Work has continued on the new Fair Isle Ferry, with completion expected in November 2026. ZetTrans has worked closely with Shetland Islands Council on the Inter-Island Transport Connectivity Programme Outline Business Case, due to be presented to the Council on 30th June.

The second year of the Transport Scotland People & Place Programme, intended to support behaviour change by encouraging more people to walk, cycle and wheel, has built on the solid foundation set in 2024/25. ZetTrans has worked closely with national delivery partners Cycling UK, Scottish Cycling, Love to Ride, Walking Scotland and Travelknowhow. Funding has been sought to continue the programme into 26/27.

Ongoing dialogue with Transport Scotland, Loganair, HIAL and Northlink, including through the Shetland External Transport Forum, has enabled the voice of the local community in Shetland to be heard in relation to our external transport connections. This has led to incremental improvements to Northlink ferry services in the areas of cost, accommodation and capacity constraints.

Cllr Moraig Lyall, Chair of ZetTrans
21 September 2026

Cllr Moraig Lyall



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1 Introduction to ZetTrans

ZetTrans Structure, Governance and Operation

ZetTrans was established following the Transport (Scotland) Act 2005 and held its first meeting on 20 December 2005, after Shetland successfully secured recognition as a Regional Transport Partnership in its own right.

ZetTrans is one of seven Regional Transport Partnerships covering the whole of Scotland. Each Regional Transport Partnership is required to prepare a Regional Transport Strategy setting out the transport needs and priorities of its region and the actions required to address them.

The membership of ZetTrans comprises four elected members of Shetland Islands Council together with one member from NHS Shetland and one member from Highlands and Islands Enterprise. The Partnership also invites advisers from a number of organisations including Lerwick Port Authority, Promote Shetland, VisitScotland and the Sumburgh Airport Consultative Committee.

The Partnership normally meets in public at least four times a year.

ZetTrans is an independent statutory body. Its staffing, financial, legal and administrative support arrangements are provided through Shetland Islands Council.

Operational funding for ZetTrans continues to be provided primarily by Shetland Islands Council, with additional support from the Scottish Government. Projects and actions arising from the Regional Transport Strategy are funded through a combination of Council revenue and capital resources, Scottish Government support and other external funding sources.

ZetTrans Responsibilities

Further to the transfer of functions from the local authority to the transport partnership in 2006, ZetTrans has a duty under section 63 of the Transport Act 1985 to secure the provision of such public passenger transport services as is considered appropriate to secure to meet any public transport requirements within their area, which would not in ZetTrans view be met apart from any action taken by them for that purpose

In carrying out its responsibilities, ZetTrans has regard to a range of relevant Scottish and UK legislation, including:

- Transport Act 1985
- Transport (Scotland) Act 2005
- Community Empowerment (Scotland) Act 2015
- Equality Act 2010

- Public Services Reform (Scotland) Act 2010
- Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015
- UK General Data Protection Regulation

ZetTrans is also a statutory partner in Shetland's Community Planning Partnership, alongside Shetland Islands Council, NHS Shetland, Highlands and Islands Enterprise, Police Scotland and the Scottish Fire and Rescue Service.

In support of its wider role, ZetTrans is aligned with a number of key regional strategies and plans, including:

- Shetland's Partnership Plan
- Shetland's Tourism Strategy
- Equality Outcomes and Mainstreaming reports
- Active Shetland Strategy

2 ZetTrans Strategic Framework

As an island region, Shetland's transport system can be understood in two broad parts: internal and inter-island connectivity within Shetland, and external connectivity linking Shetland to the Scottish mainland and beyond.

Reflecting this, ZetTrans delivers its role in three main ways:

- directly, through the specification of certain public transport services
- in partnership, with Shetland Islands Council, Transport Scotland, operators and other stakeholders
- through engagement and influence, particularly in relation to external and national transport policy

Across all of this work, ZetTrans continues to operate in a challenging context shaped by the climate emergency, inequality, demographic change, affordability pressures, and the ongoing need to renew or replace key transport assets and infrastructure.

National transport policy has also continued to evolve in recent years. ZetTrans has therefore needed both to respond to local transport pressures and to engage actively with wider Scottish Government policy development.

That combination of local delivery and wider strategic influence remains central to the Partnership's role.

Shetland's Partnership Plan (2018-2028)

As a statutory community planning partner, ZetTrans contributes to the delivery of Shetland's Partnership Plan. The Plan is focused on improving outcomes for communities and reducing inequality across Shetland, in line with the Community Empowerment (Scotland) Act 2015. Transport has an important role in supporting these aims by improving access to employment, education, services and social participation.

Shetland Regional Transport Strategy 2040

The Shetland Regional Transport Strategy 2040 was approved by Scottish Ministers in March 2025. The Strategy sets the following vision:

Our transport networks in Shetland and our connections to the rest of Scotland support our social and inclusive economic prosperity, provide equitable access to opportunities, enable people to live health and active lives, facilitate the development of sustainable and inclusive communities, and contribute to our net zero emission targets.

Its six objectives are:

- To address the barriers which constrain access to and / or impose unreasonable costs on travel and freight transport for all groups to / from the rest of Scotland
 - To address the barriers which constrain access to and/or impose unreasonable costs on travel and freight transport for all groups within Shetland
 - To facilitate and encourage safe walking, cycling and wheeling for everyone, including for leisure and tourism
 - To improve alternative, more sustainable travel options in Shetland for all including those without access to, or who would prefer not to use a car
- To transition towards an environmentally and financially sustainable, post-carbon transport network
- To support safe, resilient, and efficient movement of all people and freight across Shetland

Other key strategic influences

The work of ZetTrans during the period was also informed by a range of wider regional and national strategies, including:

- **Shetland Islands Council's Our Ambition (2021–2026)**, which identifies transport as a key enabler of climate action, public health, social and economic wellbeing, and long-term affordability
- **The 10 Year Plan to Attract People to Live and Work in Shetland**, which highlights the importance of transport in supporting population sustainability
- **Shetland Place Standard Refresh 2025**, which continued to highlight public transport as a significant local priority

- **On Da Level**, which highlighted transport affordability and accessibility as important dimensions of inequality
- **National Transport Strategy 2**, which provides the national policy framework through its four priorities of reducing inequalities, taking climate action, delivering inclusive economic growth, and improving health and wellbeing

3 Operational Update

Public Bus Services

The specification and procurement of the current generation of public and school bus contracts was informed by the Public, School and Adult Social Care Transport Business Case completed in February 2020. Additional consultancy support for that work was provided by Stantec UK.

The current contracts commenced in August 2020 for an initial period of five years, with provision for extension. Where practical, public network contracts are packaged with statutory school transport requirements in order to secure operational and financial efficiencies. A one year extension to 16 August 2026 was made to all public bus contracts during the 2024/25 reporting year. This was due to the high level of detailed engagement carried out as part of the Public and School Bus Service Business Case, which was reported and approved by ZetTrans in February 2026.

The public bus network in Shetland comprises a mix of mainline, feeder and demand responsive services, alongside public transport arrangements that support entitled school transport. Lerwick remains the principal service centre, with other key centres including Brae, Scalloway and Sandwick. The network is designed to support access to employment, education, shopping and services, including links between Sumburgh Airport and other parts of Shetland.

Transport Scotland introduced a £2 bus fare cap pilot in Shetland, to run for 12 months from 31st January 2026.

Public and School Bus Business Case

In 2025/26, consultancy support from Stantec continued throughout the latter stages of the business case process, culminating in the Final Business Case being reported to and approved by the ZetTrans Board in February 2026.

The reporting year focussed on the procurement of the redesigned network, with the Framework for Passenger Transport established through Public Contracts Scotland in October 2025 as the first stage.

During the first procurement phase, the timetable information and service specification documents were established ahead of the second stage of detailed procurement.

Upon conclusion of the Framework, the Public and School bus contracts were opened for bidding to the Operators who were successful in gaining a place on the Framework with the deadline for submissions in December 2025. Bidding allowed for individual contract bids and package bids, encouraging the tenderers to look to efficiencies gained by grouping contracts together.

The procurement results were then incorporated into the final report for the ZetTrans Board, which was subsequently approved and contracts were then awarded to the successful tenderers ahead of the start date of 17th August 2026.

Improvements to the public bus network that were realised through the business case process include additional evening and weekend services, with the introduction of Sunday services for the north and west mainland and the north isles. Other minor changes were also made in response to the issues raised by those who fed into the engagement process.

Electric Bus Trial

Staff continued to support the Shetland Islands Council's Innovate UK-funded trial of a Sigma 8 electric bus during the early part of the reporting year. The trial tested the vehicle across a range of current public bus service routes and conditions, with local operators and drivers participating in route testing.

The trial concluded in a report which analysed all the data gathered through the trial, including results recorded with the vehicle empty, with start/stop manoeuvres at all bus stops, with heaters and other electrical instruments on and in loaded scenarios. The final report indicated that, while electric bus operation in Shetland is potentially viable in principle, significant barriers remain, including vehicle cost, local grid constraints and the limited availability of charging infrastructure.

The report also indicated that transition to electric public vehicles would not be achievable within the 2026–2031 contract period. Further consideration will be taken forward through wider decarbonisation planning linked to the Shetland Transport Strategy Delivery Plan.

Inter-island Ferry Service

The Council conducted a Ferries Resilience Review (FRR) to identify short term improvements to the inter-island ferry service, while the Inter-Island Transport Connectivity Programme investigates options for the medium and long term.

One action identified through the FRR was a change in crew terms and conditions, including changes to shift patterns to make positions within the service more attractive and support improved service provision to communities. Changes introduced include additional early morning and late evening sailings, with a six-day service now being offered to Fetlar.

A new booking system and additional vessels are also being implemented or explored as part of this review.

Inter-island Air Service

Inter-island air services are specified by ZetTrans and are currently operated by Airtask under a Public Service Obligation. Services are delivered using two Britten-Norman Islander aircraft owned by Shetland Islands Council and leased to Airtask.

The service operates from Tingwall Airport, approximately six miles from Lerwick, to Fair Isle and Foula. Grant support for the airstrips serving these islands is administered through the Council's

Transport Planning Service. Funding for the air service itself is provided by ZetTrans, with support from Shetland Islands Council.

The current pattern of service reflects the conclusions of the Inter-Island Air Services Business Case completed in February 2020. That work supported an increase in rotations to Fair Isle and Foula, while previously suspended services to Out Skerries and Papa Stour were formally discontinued.

Air services continued to be delivered in line with the current contract which started on 1 April 2024. Work to establish the parameters of a proposed pilot to provide nominated Friends and Family discounted air travel was carried out during Quarter 4 and the scheme was reported to and approved by the ZetTrans Board in March 2026. The pilot will be in place for the 2026/27 reporting year and will be closely monitored in order to provide detailed information for its review.

4 Key Achievements

RTS Delivery Planning

Work progressed to develop a Delivery Plan and Performance Framework for the Regional Transport Strategy 2040, with a view to gaining Board approval in June 2026. The 2-year rolling plan is based around the 8 themes identified within the RTS:

- Enable and encourage active travel
- Improve quality, affordability and access to public transport
- Extend bus connectivity
- Connect our islands
- Enhance external connections and supply chain
- Decarbonise transport
- Embrace new technologies
- Enhance network efficiency

The Performance Framework will incorporate some of the existing Key Performance Indicators, and some that are new, with baseline data to be gathered where necessary in 2026/27.

Fair Isle Ferry and Terminal Replacement

The Full Business Case (FBC) and associated funding arrangements for the Fair Isle ferry and terminal replacement project were approved by Shetland Islands Council in December 2024. Funding support for the project was subsequently confirmed by the Department for Transport in January 2025.

Following these approvals, the project entered the delivery phase. Contracts for the terminal infrastructure works and vessel construction were awarded during 2025, enabling work to progress on both elements of the project.

Works at Grutness Pier progressed throughout 2025 and remained ongoing at the end of March 2026. By the year end, the majority of the principal structural works and rock armour installation had been completed.

Infrastructure works on Fair Isle were programmed over two construction seasons in 2025 and 2026. During the 2025 season, the Noust, the excavated harbour used to haul the ferry Good Shepherd IV out of the water, was enlarged to accommodate the replacement vessel. The second construction season commenced in February 2026, with completion of the Noust excavation works and the demolition of the existing slipway, associated buildings and equipment.

Construction activity remained ongoing at both terminals at the end of March 2026, with completion of the infrastructure works anticipated by the end of 2026.

Detailed design of the replacement vessel was substantially completed by October 2025, allowing hull construction to commence. By the end of March 2026, the majority of the hull structure had been completed, with vessel delivery anticipated in October 2026.

Inter-Island Transport Connectivity Programme

The Inter-island Transport Connectivity (IITC) Programme reached a significant milestone with the approval of its draft Strategic Outline Case (SOC) by Shetland Islands Council in June 2025. The Network Strategy SOC established the case for investment in ferries, harbours and, in some cases, fixed links.

At the same time, the Council commissioned the Fixed Link Model (FLM) Study to explore whether fixed link tunnels could be delivered in Shetland. The study was designed to examine key considerations beyond engineering feasibility, attracting support from three internationally experienced contractors.

During early 2026, work progressed on the Network Strategy Outline Business Case (OBC), incorporating findings from the FLM Study alongside a detailed appraisal of various ferry options. Preparations were also made for a further round of public engagement sessions to be held in May 2026, ahead of the OBC being presented to Shetland Islands Council in June.

Throughout the year, the ZetTrans Chair and Lead Officer continued to be involved in the development of the business case, ensuring alignment with the ZetTrans Regional Transport Strategy, particularly in relation to the strategic importance of resilient, reliable, accessible, and sustainable inter-island transport connectivity.

Active Travel

Significant progress was made in delivering the Active Travel Strategy 2021-26, particularly in relation to infrastructure development and support for behaviour change. The Strategy had now been superseded by the Regional Transport Strategy, which contains 14 policies in relation to Active and Sustainable Travel.

Infrastructure

ZetTrans has been working with Systra to develop a prioritisation tool for the c.400 interventions recommended in the 24 settlement audits undertaken to date. This will allow the development of a prioritised programme infrastructure delivery where projects move through design to construction as external funding becomes available. The tool will be finalised by end 2026. In parallel, work is ongoing with Stantec to develop a programme management tool to support delivery of the programme once established.

Behaviour Change

The Transport Scotland People and Place Programme continued to support walking, wheeling and cycling across Shetland, with activities delivered in both Lerwick and rural and island communities. Working with partners including Cycling UK, Scottish Cycling, Love to Ride, Walking Scotland and TravelKnowHow, the programme improved access to active travel opportunities, built skills and confidence, and encouraged more sustainable travel choices.

The programme also helped reduce barriers to participation through free activities, cycle grants, adaptive cycles and e-bikes, supporting people of different ages and abilities to take part.

Strategy Team Recruitment

Recruitment commenced for two Transport Strategy Officers to support delivery, monitoring and evaluation of the Regional Transport Strategy Delivery Plan.

5 Financial Performance

This report covers activity over the period 2025/26. Detailed financial information for ZetTrans is set out separately in the Partnership's Annual Accounts.

The financial affairs of ZetTrans are the responsibility of the Proper Officer for Finance, being the Executive Manager – Finance of Shetland Islands Council. Day-to-day financial administration is undertaken by the Council's Finance Service on behalf of ZetTrans, including budget monitoring, financial reporting and preparation of the Annual Accounts in accordance with the relevant accounting framework.

Through these arrangements, ZetTrans' finances are also subject to external audit scrutiny.

Financial Performance 2025/26

The full financial cost of providing ZetTrans functions and services was £6,258,404 in 2025/26 compared with £5,843,870 in 2024/25. The expenditure was met through public bus fare income and grant income from the Scottish Government and the Shetland Islands Council.

Audit Scotland, as the appointed external auditor, assessed the accounting processes and the annual accounts and gave the opinion that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the applicable requirements

The Future

The financial climate for the delivery of ZetTrans functions remains challenging. This reflects the cost of operating lifeline transport services, wider inflationary pressures, and the capital requirements associated with asset replacement and infrastructure renewal.

The approved gross revenue budget for ZetTrans in 2026/27 is £6,450,000 of which £855,000 is for core running costs and £5,595,000 is for scheduled passenger transport services in Shetland.

6 Statutory Reporting

ZetTrans' legal and financial functions are supported through Shetland Islands Council's governance, legal, finance and internal audit arrangements. Relevant statutory and financial reporting is made available through the Partnership's public reporting processes and website. The following reports can be accessed via the ZetTrans website through the links below:

[Audited Annual Accounts 2025-26](#)

[Annual Audit Report 2025-26](#)

[Climate Change Report 2025-26](#) (Link to be added once Report approved)

7 Appendices

Appendix A - ZetTrans 2025-26 KPI Tables