



ACCOUNTS— 2007/08 (Audited)

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

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INTRODUCTORY STATEMENT

This is the second Annual Accounts report of Zetland Transport Partnership. It is a statutory statement, the purpose of which is to present a public statement on the stewardship of funds for the benefit of both members of the Zetland Transport Partnership (ZetTrans) and the public.

The document includes the formal statements of accounts as required by statute and the relevant code of practice, and it is this document and its supporting material which is the subject of external audit. The Transport Partnership's external auditors are Audit Scotland.

Composition of the Zetland Transport Partnership

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.

On 11 January 2007 the Shetland Transport Partnership considered a report with regard to the name of the Partnership and settled on the name Zetland Transport Partnership with the working name "ZetTrans". (ZetTrans Minute Ref 02/07). Confirmation of agreement to the change of name was received from the Scottish Executive on 20 September 2007.

The Zetland Transport Partnership Members for 2007/08 were as follows:

Members:

Mr J C Irvine (Chairperson - terminated 22 May 2007)
Mr J A Inkster (Vice-Chairperson - terminated 22 May 2007)
Capt G G Mitchell (terminated 22 May 2007)
Mr W A Ratter (terminated 22 May 2007)

Mr A S Wishart (Chairperson - commenced 23 May 2007)
Mrs I J Hawkins (Vice-Chairperson - commenced 23 May 2007)
Mr F A Robertson (commenced 23 May 2007)
Mrs C H J Miller (commenced 23 May 2007)

Other Members:

Dr S Taylor (NHS Shetland Board commenced 18 February 2008)
Dr A Black (HIE Shetland Nominee)

Substitute Members:

Mrs I J Hawkins (terminated 22 May 2007)
Mr J H Henry (terminated 22 May 2007)
Mr A T Doull (commenced 23 May 2007)
Mr R S Henderson (commenced 23 May 2007)

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Observer / Advisers:

Mr A Steven (Sumburgh Airport Consultative Committee - terminated 18 February 2008)
Mr J L B Smith (Sumburgh Airport Consultative Committee)
Mr. A Steven (VisitShetland)
Mr. J Dickson (SIC Ports and Harbours)
Mr A S Wishart (Lerwick Port Authority terminated 22 May 2007)
Ms S Laurenson (Lerwick Port Authority commenced 12 June 2007)
Mr J G Simpson (Shetland Development Trust commenced 12 June 2007)

Executive Officers:

Secretary & Proper Officer for Legal Proceedings – Head of Legal & Administration -Jan Riise
Proper Officer for Finance – Head of Finance - Graham Johnston

Lead Officers:

Head of Transport – Michael Craigie
Secondment – Kenneth Duerden Shetland Islands Council's Ferry Services Manager seconded to ZetTrans for a two year period from 1 July 2006 until 30 June 2008 as Transport Development Manager.

Implementation of Policies

In November 2006, responsibility for bus services was transferred to ZetTrans and inter-island air services was to follow in 2007 but this has been delayed until 2008/09 in line with the Scottish Government decision. Responsibility for the inter-island ferry service is due to transfer to ZetTrans in 2008/09.

Operational funding for the Partnership is secured from Shetland Islands Council, with support provided by the Scottish Government. The majority of projects and actions arising from the Transport Strategy are likely to be funded either through Shetland Islands Council's capital and revenue funds or from the Scottish Government.

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1. EXPLANATORY FOREWORD

1.1 Introduction

The Zetland Transport Partnership's accounts for the year ended 31 March 2008 have been prepared to comply with statutory requirements and also with reference to the Code of Practice on Local Authority Accounting in the United Kingdom 2007.

In 2008/09 Scottish Government match funding has been reduced for revenue from £447,000 in 2007/08 to £155,000 in 2008/09. Capital funding in 2008/09 has been rolled up into the Local Authority Settlement and is no longer ring-fenced funding. ZetTrans will have to bid alongside other Council service areas for funding for capital projects. There is no guarantee that they will be successful, the implication is that there may be a risk to projects and studies which are planned for 2008/09.

1.2 Explanation of statements which follow, their purpose and relationships

The following statements are contained in this Abstract of Accounts:

Statement of Accounting Policies

This statement explains the basis of the figures in the accounts, with particular reference to the treatment applied where more than one approach is possible.

Statement of Responsibilities for the Statements of Accounts

This statement sets out the respective responsibilities of the Zetland Transport Partnership and the Treasurer to the Partnership.

Income & Expenditure Account

This statement reports the net cost for the year of the functions for which the Zetland Transport Partnership is responsible and demonstrates how that cost has been financed.

Statement of Movement on Zetrans Balances

This statement shows the adjustments required to the Income and Expenditure account for the statutory and non-statutory proper practices taking into account when determining the Zetrans budget and the contribution by the Shetland Islands Council.

Statement of Total Recognised Gains and Losses

This statement shows the recognised gains and losses for the year.

Balance Sheet as at 31 March 2008

This statement shows the balances and reserves at the disposal of the Zetland Transport Partnership at the year end.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue purposes.

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Notes to the Core Financial Statements

These include notes to the Income and Expenditure Account, Balance Sheet and Cash Flow Statement.

Statement on the System of Internal Financial Control

This statement sets out the framework within which financial control is managed and reviewed.

1.3 Overall comparison of expenditure with budget

Overall for the year, the Zetland Transport Partnership was equal to budget in line with guidance that it is not possible for Regional Transport Partnerships to accumulate General Fund reserves. At the year-end there was a reduced contribution for the bus service of £62,528 and an increase in administration of £43,177 over budget from Shetland Islands Council. Expenditure and income in 2007/08 may be summarised as follows:

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<u>CAPITAL FUNDING</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	£	£	£
EXPENDITURE:			
Operating Costs	438,464	263,946	174,518
Total Expenditure	<u>438,464</u>	<u>263,946</u>	<u>174,518</u>
INCOME:			
Scottish Government Grant c/f	(11,745)	(11,745)	0
Scottish Government Grant	(176,719)	(176,719)	0
SIC Funding	(250,000)	(75,482)	(174,518)
Total Income	<u>(438,464)</u>	<u>(263,946)</u>	<u>(174,518)</u>
TOTAL	<u>0</u>	<u>0</u>	<u>0</u>

<u>REVENUE FUNDING</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	£	£	£
EXPENDITURE:			
Employee Costs	125,480	105,344	20,136
Operating Costs	525,152	588,467	(63,315)
Grant to SIC for Bus Services	929,655	867,127	62,528
Other Payments	0	13,948	(13,948)
Total Expenditure	<u>1,580,287</u>	<u>1,574,886</u>	<u>5,401</u>
INCOME:			
Scottish Government Grant	(447,000)	(447,000)	0
SIC Grant for Bus Services	(929,655)	(867,127)	(62,528)
SIC match funding	(203,632)	(246,811)	43,179
Bank Interest	0	(13,948)	13,948
Total Income	<u>(1,580,287)</u>	<u>(1,574,886)</u>	<u>(5,401)</u>
TOTAL	<u>0</u>	<u>0</u>	<u>0</u>

Total All Expenditure	2,018,751	1,838,832	179,919
Total All Income	<u>(2,018,751)</u>	<u>(1,838,832)</u>	<u>(179,919)</u>
OVERALL TOTAL	<u>0</u>	<u>0</u>	<u>0</u>

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2. STATEMENT OF ACCOUNTING POLICIES

2.1 Introduction

The accounting policies presented below apply to all statements in this abstract.

2.2 Debtors and creditors

All known and determinable amounts due to the Zetland Transport Partnership have been brought into account. This is effected by taking into account all invoices raised by 2 April 2008, which relate to 2007/08, and accruing all other known material amounts not raised by that date which relate to 2007/08.

All known material amounts due by the Zetland Transport Partnership have been brought into account. This is effected by taking into account payments made by 15 April 2008, which relate to 2007/08, and accruing other known material amounts not paid by that date which relate to 2007/08.

2.3 Grants

Grants have been credited to the revenue account of the Transport Partnership at the date the Transport Partnership satisfies the conditions of entitlement to the grant. Where applicable, outstanding grants due/prepaid at 31 March 2008 have been accrued.

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3. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

3.1 The Zetland Transport Partnership's Responsibility

The Zetland Transport Partnership:

- is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For Zetland Transport Partnership, the Proper Officer for Finance is the Head of Finance of the Shetland Islands Council.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

3.2 The Proper Officer for Finance's Responsibilities

The Proper Officer for Finance to the Partnership is responsible for the preparation of the Zetland Transport Partnership's statement of accounts as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Proper Officer for Finance to the Partnership has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP, in so far as local circumstances and the overriding requirement to present fairly the financial position and transactions of the Zetland Transport Partnership permit.

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.

The statement of accounts presents fairly the financial position of the Zetland Transport Partnership at the accounting date and its income and expenditure for the year ended 31 March 2008.



.....
Graham Johnston B.Sc. (Hons) C.P.F.A
Proper Officer for Finance

17 June 2008

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
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4. INCOME AND EXPENDITURE ACCOUNT 2007/08

2006/07 TOTAL	ACCOUNT DESCRIPTION	2007/08 TOTAL		
£		Gross Expenditure £	Income £	Net Expenditure £
	SERVICES			
617,466	Roads and Transport	1,574,886	(447,000)	1,127,886
0	Grants for Capital Expenditure	263,946	(188,464)	75,482
<u>617,466</u>	NET COST OF SERVICES	<u>1,838,832</u>	<u>(635,464)</u>	<u>1,203,368</u>
(5,462)	Interest			(13,948)
<u>612,004</u>	NET OPERATING EXPENDITURE			<u>1,189,420</u>
(612,004)	Requisition from Shetland Islands Council			(1,189,420)
<u>0</u>	SURPLUS FOR THE YEAR			<u>0</u>

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5. STATEMENT OF MOVEMENT ON ZETRANS BALANCES

2006/07 TOTAL	ACCOUNT DESCRIPTION	2007/08 TOTAL
£		£
0	Deficit/(Surplus) for the year on the Income and Expenditure Account	0
0	Net additional amount required by statute and non-statutory proper practices to be (credited)/debited to the Zetrans balance for the year	0
<u>0</u>	CHANGE IN ZETRANS BALANCE FOR THE YEAR	<u>0</u>

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6. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07		2007/08
£		£
0	(Surplus)/Deficit on Income and Expenditure Account	0
0	Surplus arising on revaluation of fixed assets	0
0	Actuarial (gains)/losses on pension fund assets and liabilities	0
<u>0</u>	Total recognised gains for the year	<u>0</u>

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7. BALANCE SHEET AS AT 31 MARCH 2008

2006/07 £		2007/08 £	2007/08 £
	Current Assets		
651,029	Debtors	1,189,420	
155,157	Bank	<u>837,107</u>	2,026,527
	Current Liabilities		
(794,441)	Creditors	(1,686,038)	
(11,745)	Accruals	<u>(340,489)</u>	(2,026,527)
<u>0</u>	TOTAL ASSETS LESS LIABILITIES		<u>0</u>
	Financed By:		
<u>0</u>	TOTAL EQUITY		<u>0</u>

The unaudited accounts were issued on 17 June 2008 and the audited accounts were authorised for issue on 29 August 2008.



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 Graham Johnston B.Sc. (Hons) C.P.F.A
 Proper Officer for Finance

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
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8. CASHFLOW STATEMENT

2006/07 TOTAL		2007/08 TOTAL
£	REVENUE ACTIVITIES	£
	Cash Outflows	
129,431	Other Operating Cash Payments	947,235
<u>129,431</u>		<u>947,235</u>
	Cash Inflows	
10,848	Requisition from Shetland Islands Council	(979,773)
(289,974)	Grants	(635,464)
<u>(279,126)</u>		<u>(1,615,237)</u>
<u>(149,695)</u>	NET REVENUE CASH (INFLOW) / OUTFLOW	<u>(668,002)</u>
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	Cash Inflows	
(5,462)	Interest Received	(13,948)
<u>(155,157)</u>	NET (INCREASE)/DECREASE IN CASH	<u>(681,950)</u>

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9. NOTES TO THE CORE FINANCIAL STATEMENTS

9.1 Publicity expenditure

Expenditure on publicity must be recorded under Section 5 of the Local Government Act 1986. The table below summarises 2007/08 expenditure.

2006/07		2007/08
£		£
<u>1,349</u>	Other Advertising	<u>1,500</u>

9.2 Employees

Member Allowances / Officer Remuneration

The Zetland Transport Partnership has no employees. All employees working for the Partnership are Shetland Islands Council employees. The Zetland Transport Partnership Members do not receive an attendance allowance, however expenses incurred in the course of carrying out approved duties are reimbursed.

9.3 Audit Fee Costs

Audit Scotland is to carry out the audit of the Zetland Transport Partnership's accounts for the 2007/08 audit. The fees for audit services undertaken in accordance with the 'Code of Audit Practice' are paid to Audit Scotland and are as follows:-

2006/07		2007/08
£		£
8,910	Local Auditors fee (max level)	9,130
3,100	Fixed Charge	1,700
<u>12,010</u>	Total Audit Fee	<u>10,830</u>

9.4 Events after the Balance Sheet date

There are no events after the Balance Sheet date that require to be reflected in the Statement of Accounts.

9.5 Analysis of Debtors and Creditors

All creditors and all debtors relate to the Shetland Islands Council.

9.6 Date of Authorisation for Issue

The Statement of Accounts has been authorised for issue by Graham Johnston, B.Sc (Hons) C.P.F.A., Proper Officer for Finance on 17 June 2008.

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9.7 Reconciliation of Income and Expenditure Account to net cash flow to the revenue activities net cash flow shown in the Cash Flow Statement

2006/07		2007/08
TOTAL		TOTAL
£		£
0	(Surplus)/Deficit for Year	0
	Items on an accruals basis:	
651,029	Movement in debtors	538,391
(806,186)	Movement in creditors	(1,206,393)
<u>(155,157)</u>		<u>(668,002)</u>

9.8 Reconciliation of the movement in cash to the movement in Net Debt

2006/07		2007/08
TOTAL		TOTAL
£		£
(155,157)	(Increase)/Decrease in Cash	(681,950)
<u>(155,157)</u>		<u>(681,950)</u>
0	Opening Net Debt as at 01/04/07	(155,157)
<u>(155,157)</u>	Closing Net Debt as at 31/03/08	<u>(837,107)</u>

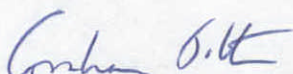
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9.9 Reconciliation of movement in cash and cash equivalents to relevant items in opening and closing balance sheets

	Balance at 1/4/07 £	Cashflow £	Balance at 31/3/08 £
Cash and Bank	155,157	681,950	837,107
TOTAL	155,157	681,950	837,107

9.10 Analysis of Government Grants

	£
Scottish Executive Funding for:-	
Revenue Grant	447,000
Capital Grant	188,464
TOTAL	635,464



 Graham Johnston B.Sc. (Hons) C.P.F.A.
 Proper Officer for Finance

17 June 2008

10. STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for the Zetland Transport Partnership. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a reasonable period.

The system of internal financial control is based on a framework of guidance and management information. Key aspects include:

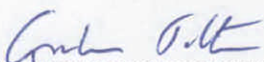
- comprehensive and up to date financial regulations;
- comprehensive budgeting systems;
- regular review of financial data;
- targeted reporting of budget against actual to managers;
- close management of capital expenditure.

The Proper Officer for Finance is responsible for Internal Audit within the Partnership. The Service Manager – Internal Audit is responsible to the Proper Officer for Finance for the day to day discharge of the internal audit function. It is the responsibility of Internal Audit to assist management in establishing an operating environment which is controlled, efficient and effective. Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government, the Institute of Internal Auditors Standards and Guidelines for the Professional Practice of Internal Auditing and operates in accordance with the ISO 9001:2000 quality standard for systems based audit work.

The effectiveness of internal financial control is also informed by:

- the work of managers within the Transport Partnership;
- the work of internal audit, as mentioned above;
- the external auditors in their annual letter and other reports.

The conclusion of Internal Audit was that the Partnership's system of internal control was adequate and effective.


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Graham Johnston B.Sc. (Hons) C.P.F.A

17 June 2008

**ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
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Proper Officer for Finance

GLOSSARY OF TERMS

ACCRUALS

The concept that income and expenditure is recognised as it is earned or incurred, not as money is received or paid. Accrual is the process by which income and expenditure is matched to the financial year to which it relates.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

EXPENDITURE

Employee Costs

Includes wages, salaries, bonus, overtime, employer's national insurance and pension contributions as well as staff training, travelling and subsistence expenses.

Operating Costs

Includes expenditure on property and plant, supplies and services, transport, administration and agency payments (i.e. payments to other bodies to carry out functions on the Zetland Transport Partnership's behalf).

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 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on Regional Transport Partnership Balances, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 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 Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly the financial position of the Transport Partnership in accordance with applicable laws and regulations and the 2007 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Transport Partnership has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects the Transport Partnership's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the Transport Partnership's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Introductory Statement, Explanatory Foreword and Glossary of Terms. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Transport Partnership's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- present fairly, in accordance with applicable laws and regulations and the 2007 SORP, the financial position of the Transport Partnership as at 31 March 2008 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.



Fiona Mitchell-Knight BA (Hons) FCA
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29 August 2008