

# Annual Report 2017-2019



## Foreword

ZetTrans continues to fulfil its statutory functions of securing public transport services and strategic planning. Since the last Annual Report officers have been focused on a mixture of policy development initiatives and projects to improve transport services in Shetland. It's really just business as usual to ensure the priorities of Shetland are supported locally and well reflected at the National level.

*Cllr Ryan Thomson*



We have undertaken some very important initiatives in 2017-19 including the Business Cases for the Fair Isle Ferry, the Whalsay Transport Link, Ferry Services Revenue and Inter Island Air Services. These projects reflect the priority areas for transport investment in the short term and have been the principal focus of ZetTrans resources over the last 18 months or so.

We have continued to work with Shetland Islands Council to engage with Transport Scotland to secure Fair Funding for our Inter Island Ferry Services and on the important issue of the next contract for our lifeline ferry service to Aberdeen. However, both these matters have yet to reach a satisfactory outcome for Shetland and there is important work yet to do.

We continue to work collaboratively with our Shetland Partnership colleagues to integrate service planning and delivery. This focus on collaboration with colleagues and services across the public sector, and with communities, is vital for developing the new initiatives needed to augment conventional public transport.

As the Chair of ZetTrans, I think the coming year must focus on concluding the matter of funding inter island ferry services; continuing to push the case for improvements in the cost to users of our lifeline ferry link to Aberdeen as well as much needed service improvements to capacity; the completion of the Business Cases for important transport infrastructure for Fair Isle and Whalsay; and the completion of the Business Case for public, school and adult social care bus services leading to the procurement of the next generation of services and the necessary financial support.

Added to this we need to focus on the Climate agenda and develop a path to more sustainable travel options for travel within Shetland and to/ from Shetland as well as improving the performance of our existing transport services and infrastructure.

It's going to be another busy year for ZetTrans and with continued collaborative working nationally, regionally and locally I expect a successful year ahead.

Cllr Ryan Thomson – Chairman of ZetTrans, 12/09/2019



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## 1 Introduction to ZetTrans

### ZetTrans Structure, Governance and Operation

ZetTrans was established and held its first meeting on 20th December 2005, following the introduction of Regional Transport Partnerships under the Transport (Scotland) Act 2005, and a campaign by Shetland to be recognised as a Regional Transport Partnership (RTP) in its own right.

ZetTrans is one of 7 Regional Transport Partnerships (RTPs) which together cover the whole of Scotland. Each RTP is required to produce a Regional Transport Strategy (RTS) detailing its assessment of the transport needs and priorities for its region and how those can be delivered.

ZetTrans Membership consists of four Shetland Islands Councillor members as well as a member each from NHS Shetland and the Local Enterprise Company: Highlands and Islands Enterprise. The Partnership also invites advisors from Lerwick Port Authority, Promote Shetland, Visit Scotland and the Sumburgh Airport Consultative Committee.

Meetings of the partnership are held, in public, a minimum of once every quarter.

ZetTrans is an independent statutory body and its resources are provided and serviced by Shetland Islands Council.

Operational funding for ZetTrans continues to be provided in the main by Shetland Islands Council, with support provided by the Scottish Government. Projects and actions arising from the Regional Transport Strategy are predominantly funded through the SIC's capital and revenue funds, from the Scottish Government and through other external funders.

A Governance Review of the Regional Transport Partnership is underway.

The last annual report presented to the Partnership covered the 2016/17 financial year. This annual report covers the financial years 2017/19.

### ZetTrans Responsibilities

The functional responsibility for public transport services lies with ZetTrans. Under Sections 63 and 64 of the Transport Act 1985 there is a duty placed upon local authorities "to secure the provision of such public transport services as the council considers 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". This duty was transferred from Shetland Islands Council to ZetTrans when the Regional Transport Partnership was established.

ZetTrans takes close account of its duties under the following Scottish and UK legislation:

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



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

ZetTrans is a statutory member of Shetland’s Community Planning Partnership, alongside Shetland Islands Council, NHS Shetland, Highlands and Islands Enterprise, Police Scotland and the Scottish Fire and Rescue Service. It is a signatory to the following key regional documents

- Shetland’s Partnership Plan
- Shetland’s Tourism Strategy
- Shetland’s Equality Outcomes Progress and Mainstreaming Report 2017-2021.
- Active Shetland Strategy

## 2 ZetTrans Strategic Framework

As an island community, Shetland can divide its transport needs clearly between internal / inter-island and external. Recognising this clear division, ZetTrans can make an equally clear division between the activities and projects it is able to deliver:

1. In its own right
2. By working in partnership
3. By consulting and influencing

Internal/ inter island transport is addressed within 1 and 2 and external transport is addressed mainly through 3.

Since 2005, ZetTrans has operated against the ongoing background issues of:

- Pressures to reduce costs
- Changing regulatory requirements
- Infrastructure renewal and replacement needs

As well as this, in the last few year there has been an increasingly complex environment of policy review at the National level which the Partnership has had to engage in and contribute to.

In addition, there is a general background of declining populations in the more remote parts of the county which has an inevitable impact on the passenger numbers on connecting bus, ferry and air services. At the same time, in order to support these vulnerable communities, the need to connect them with the rest of Shetland is ever more vital.

### Shetland’s Partnership Plan (2018-2028)

ZetTrans has committed fully to its statutory role in Community Planning and has taken a great deal of care to ensure it undertakes its duties fully and effectively in this process.

The Shetland Partnership brings together representatives from the public, private and voluntary sectors, community councils and Shetland Charitable Trust. It is the main statutory Local Outcomes Improvement Plan, developed to take a long term view of how Shetland will realise its ambitions for growth and sustainability.

### Shetland Regional Transport Strategy 2008 (Refreshed 2018)

The strategy was developed in 2008, with the following vision:

*“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 2008 strategy adopted the five overarching objectives set out in Scotland’s Transport Future (2004) which were:

- *Economy*
- *Social Inclusion and Accessibility*
- *Safety*
- *Environmental Protection*
- *Integration*

In 2018 the Regional Transport Strategy was refreshed, allowing for a more succinct expression of the original strategic aspirations, resulting in the following revised vision and objectives:

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

- *Objective 1: To underpin Shetland’s economy by enabling residents to access employment, training and leisure, businesses to access labour markets, customers and suppliers, and non-residents to visit*

This strategic objective broadly aligns with the Money priority of Shetland’s Partnership Plan – “All households can afford to have a good standard of living”

- *Objective 2: To support Shetland’s communities by enabling individuals, families and localities to thrive socially, physically and economically*

This strategic objective broadly aligns with the People priority of Shetland’s Partnership Plan – “Individuals and families can thrive and reach their full potential”

- *Objective 3: To conserve and enhance Shetland’s unique natural environment by developing and promoting healthy, sustainable and low-carbon travel choices*

This strategic objective broadly aligns with the Place priority of Shetland’s Partnership Plan – “Shetland is an attractive place to live, work, study and invest”

### **Our Plan - 2016 to 2020**

“Our Plan” is the core corporate plan for the Shetland Islands Council and it is regularly reviewed to provide a strategic direction for all Council services.

### **10 Year Plan to Attract People to Live and Work in Shetland (2017)**

As part of the Partnership Plan specific work was undertaken to understand and address key demographic issues which, if successful in delivering population growth, will have specific transport impacts.

### **Shetland – Our Place - Place Standard Final Report (2017)**

The Place Standard consultation and reporting methodology is identified as the best way of achieving an understanding of attitudes by inviting people to rank the place they live against 14 different themes. Overall the Shetland community rated Public Transport as their No.1 priority.

### **On Da Level (Shetland’s Commission on Tackling Inequalities) (2016)**

The Shetland Partnership Board identified inequalities as key issue to address in its community planning initiatives and therefore established Shetland’s Commission on Tackling Inequalities. “On Da Level” is the main report of the findings of the commission and transport inequalities are identified to be addressed in further work.

### **National Transport Strategy (2006) and NTS Refresh 2016**

The National Transport Strategy, published in 2006, set a framework for transport in Scotland for a twenty year period. It proposed a single transport vision, set five high level objectives and targeted achieving three key strategic outcomes.

High Level Objectives:

- Promote economic growth
- Promote social inclusion
- Protect our environment and improve health
- Improve safety of journeys
- Improve integration

Key Strategic Outcomes

- Improved journey times and connections,
- Reduced emissions
- Improved quality, accessibility and affordability

In 2016 the Government published National Transport Strategy Refresh, which has updated the text of the NTS where required but generally restates the National Transport Strategy framework as set out in 2006. A full review of the NTS commenced in 2016 and is ongoing.

## **3 Operational Update**

### **Public Bus Services**

The current Bus Contracts came into force in August 2014 for a period of 5 years, with an option to extend for up to 5 more years.



The current public bus network is made up of mainline and feeder services, with dial-a-ride services providing additional demand responsive provision. Public Network contracts are packaged with statutory Local Authority School transport provision where possible to create financial and operational efficiencies. School Transport is provided by a mix of dedicated services, taxis and use of public services where compatible.

Lerwick is the main service centre in Shetland. 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, including the Northern Isles. Outwith Lerwick, the main service centres are Brae, Scalloway and Sandwick. 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 between the airport at Sumburgh and Lerwick which connects with services to other areas of Shetland.

This network of public and school transport services comprises 174 contracts covering 63 public services and 111 dedicated school services.

Work commenced on a Public and School Bus Transport Business Case in late 2018 to inform the specification and procurement of the next generation of public and school bus contracts. In early 2019 the Business Case remit was extended to incorporate Adult Social Care Transport, with a view to implementing new contracts in August 2020, requiring an extension of one year of the existing contracts. Peter Brett Associates were appointed to provide the additional resources required to support the Business Case Development.

New ticketing equipment was installed in March 2019 across all public bus services in Shetland. There is a mixture of standard ticket machines on larger service buses and handheld machines on smaller service buses typically used for shopper or feeder services. The standard machines have the ability to accept contactless payment methods including contactless bank cards and payment mechanisms available through mobile phones. The technology to enable handheld machines is under development and this will be rolled out for smaller vehicles as soon as it is available.

The new ticket machines allow the gathering of more sophisticated real time network usage data than was previously unavailable to Transport Planning staff, and this will be used to inform development of the Business Case.

### Inter-island Ferry Service

Inter-island ferry services are specified by ZetTrans and provided by Shetland Islands Council, with the exception of the Foula Service, which is provided under contract between ZetTrans and BK Marine since the commencement of the most recent contract in April 2017.

A fleet of 12 SIC ferries connects mainland Shetland with the islands of Bressay, Fair Isle, Papa Stour, Foula, Whalsay, Skerries, Unst, Yell and Fetlar. Services run between 17 terminals with Lerwick harbour providing facilities for the Skerries and Fair Isle services, providing a vital link for nearly 3,500 island residents as well as crucial cohesion to the overall Shetland economy and society.

Roll on / roll off (Ro-Ro) services, carrying passengers and all types of vehicles, operate every day to the islands of Yell, Unst, Fetlar, Whalsay and Bressay. Vehicle places can be booked on all these routes except to Bressay. Freight and limited passenger services operate to Foula, Skerries, Fair Isle, and Papa Stour. Frequencies for these services vary across the year and can in winter be as low as a single weekly weather dependent connection to Fair Isle and two to Foula. Papa Stour receives 7 return connections per week year round and Skerries receives 12. Papa Stour and Skerries are Ro-Ro services whilst Fair Isle and Foula are lift on – lift off with vehicle capacity limited to vehicles up to 1.5 tonnes (i.e. a small van or average family car). All passengers and vehicles must be booked.

Funding for the inter-island ferry services is currently provided by SIC and the Scottish Government. Capital investment requirements, escalating costs and a reduction in the funding available at the local authority level has led to a need to consider the future of the inter-island transport network at the strategic level.

To this end, the Council, in partnership with ZetTrans, Highlands & Islands Enterprise and Transport Scotland, commissioned the Shetland Inter-Island Transport Study (completed in 2016 using STAG appraisal methodology), with a view to developing and appraising options for the future of the inter-island transport services. The study set out a range of capital and revenue options for inter-island transport, together with a timeline for progressing specific elements to Outline Business Case stage. Priorities were identified and ZetTrans commissioned Peter Brett Associates to undertake 3 Outline Business Cases for the ferry service, which are currently underway and expected to report in late 2019:

- Ferries Revenue
- Fair Isle Ferry Service
- Whalsay Ferry Service

### Inter-island Air Service

Inter-island air services are specified by ZetTrans and have been provided by Airtask trading as Direct flight under a Public Service Obligation since the last procurement exercise in 2017, using 2 Britten Norman Islander aircraft owned by Shetland Islands Council.

Inter-island air services are based at SIC's Tingwall Airport, 6 miles from Lerwick. The airstrips on each of the islands served by inter-island air services are supported by grant funding administered from the Council's Transport Planning Service. Funding for the inter-island air services is provided by ZetTrans and grant funded by Shetland Islands Council.

Currently air services operate between Shetland Mainland and the islands of Fair Isle, Foula and Papa Stour. Regular inter-island air services to/from Out Skerries continue to be suspended because of a lack of fire service provision at the Skerries air strip.

Following the Shetland Inter-Island Transport Study, completed in 2016, which explored the future of the inter-island transport network at strategic level, work commenced on an Outline Business Case for Shetland's inter-island air services. The OBC report is expected later in 2019.

## 4 Key Achievements

### Strategic developments

ZetTrans has contributed either directly or through consultation to the following local and national activity: -

#### Local Developments

- Shetland Transport Strategy Refresh and Delivery Plan
- Shetland Partnership Plan
- Shetland Tourism Strategy
- Active Shetland Strategy

#### National Developments:

- National Transport Strategy Review
- Strategic Transport Projects Review
- Scottish Government Ferry Procurement Policy Review
- Audit Scotland report on Ferry services
- Introduction of GDPR
- Northern Isles Consultative Forum
- Northern Isles Ferry Services tender process
- RET Rollout
- Freight Fares Review
- Transport Bill
- National Planning Framework
- Environmental Strategy
- Smart Ticketing
- Framework for Bus service delivery
- Concessionary Travel

### ZetTrans Projects

ZetTrans has completed or is in the process of undertaking the following activity: -

- Introduction of new ticketing hardware on buses
- Development of rugged/weather proof ITSO compliant ticketing hardware on inter island ferries
- Development of integration of ticketing between bus services and ferry services
- Public Bus and School Transport Business Case
- Ferries Revenue Business Case

- Fair Isle Ferry Business Case
- Whalsay Transport Link Business Case
- Inter Island Air Services Business Case
- Development of multi-agency Active Travel Group

### External Transport issues

ZetTrans has engaged / continues to engage with key stakeholders and the public as required in relation to external transport issues that impact on the local community.-

- Introduction by HIAL of parking charges at Sumburgh airport
- HIAL proposal to provide remote digital Air Traffic Control for Sumburgh Airport
- Flybe ceasing to operate services from Sumburgh Airport
- Retendering of Northern Isles Ferry Service

## 5 Financial Performance

The scope of this plan covers a period of two financial cycles and ZetTrans financial overview can be seen in greater detail within the publications of its Annual Accounts for 2017/18 and 2018/19.

The finances of the Partnership are the responsibility of the Proper Officer for Finance, being the Executive Manager – Finance for the Shetland Islands Council (SIC) and all financial activity is handled by the SIC's Finance team on behalf of ZetTrans. This team oversees the day-to-day activity, reports on its performance to members and delivers the Annual Accounts in line with appropriate generally accepted accounting principles.

Through the SIC's administration of the finances, they are subject to scrutiny of an external auditor in order to verify the quality of its financial management and reporting. Since the 2016/17 year, this has been carried out by Deloitte.

### Financial Performance 2017/18

The Annual Accounts show that the full economic cost of providing ZetTrans services in 2017/18 was £2.083m. 2.56% increase on 2016/17. The expenditure was met through public bus fare income and grant income from the Scottish Government and the Shetland Islands Council.

In Comparison to budget, there was a budget overspend of £0.08m in Policy Strategy & Projects, and an underspend of £0.022m in Transport Services. Overall this has resulted in a lower Grant requirement than that budgeted for at the start of the year from the Council – who are ultimately responsible for providing ZetTrans funding.

Deloitte, as the appointed external auditor, assessed the accounting processes and the annual accounts and gave the opinion and they represent a true and fair view, were properly prepared and were in accordance with all relevant laws and codes of practice. This equates to an 'Unqualified Audit Opinion'.

## Financial Performance 2018/19

In 2018/19, the Annual Accounts show that the full economic cost of providing ZetTrans services was £3.659m. This was again met through bus service fare income and grants from the Scottish Government and the Shetland Islands Council.

In comparison to budget, there was an overspend of £0.29m in Policy, Strategy and Projects and an underspend of £0.130m in Transport Services when compared to revised budgets. As the year progressed, regular monitoring of ZetTrans financial position revealed that the Partnership would require a greater level of funding to deliver services in 2018/19. On March 6 2019, ZetTrans formally requested, and received approval for, an additional £0.484m in funding from the SIC in order to fund a projected shortfall. This has resulted in an overall overspend of £0.373m beyond its initially approved budget. The overspend was primarily a result of the necessity to begin the delivery of the Transport Network redesign project and a reduction in volume of passengers on the bus network, thereby reducing fare income.

The overall cost of ZetTrans operations increased by 75% between 2017/18 and 2018/19. Whilst this is partly explained by the above points, it is mostly due to ZetTrans assuming responsibility of providing the Inter-Island Air Service and the Foula Ferry services for the first time in 2018/19, being at a value of £0.934m and £0.324m respectively.

Once again, Deloitte reviewed the processes and accounts and provided an 'Unqualified Audit Opinion' for the year.

## The Future

The financial climate for the delivery of ZetTrans functions is challenging due to the nature of the service, revenue and capital costs associated with funding operations and replacement costs of the required infrastructure.

The approved gross revenue budget for ZetTrans in 2019/20 is £4.305m.

ZetTrans primary funding body is the SIC and like almost all local authorities, is facing reduced funding and an 'affordability gap' both now and in the future. Correspondingly, there is pressure from the SIC for ZetTrans to deliver its facility in a more cost effective manner. In response to this, and in conjunction with the Council, ZetTrans is currently in the process of a range of business cases for the 'Transport Network Redesign' in which all elements of the publicly provided transport function within Shetland are being reviewed with a view of optimizing services to be more cost effective. More detail on this can be found in the 'Operational Update' on pages 7-10.

Deloitte has also made recommendations as to how ZetTrans can deliver a more effective range of services. This has included the recommendation to develop a Medium Term Financial Plan(MTFP). In light of this, The Lead Officer for Finance is currently developing ZetTrans' first MTFP in parallel to the revised version of the Council's. This will help identify a medium term strategy for expenditure and funding, whilst aligning the two bodies priorities and targets.

## 6 Statutory Reporting

ZetTrans' legal and financial functions are administered, reported and internally audited by Shetland Islands Council. Details are made available via its regular public reporting. The following reports can be accessed via the ZetTrans website:

### Annual Accounts 2018-19

[https://www.zettrans.org.uk/site/assets/files/1108/zettrans\\_audited\\_accounts\\_2018-19.pdf](https://www.zettrans.org.uk/site/assets/files/1108/zettrans_audited_accounts_2018-19.pdf)

### Audit Report 2018-19

[https://www.zettrans.org.uk/site/assets/files/1108/zettrans\\_audit\\_report\\_2018-19.pdf](https://www.zettrans.org.uk/site/assets/files/1108/zettrans_audit_report_2018-19.pdf)

### Climate Change Report 2018-19

[https://www.zettrans.org.uk/site/assets/files/1108/climate\\_change\\_report\\_text\\_2019.pdf](https://www.zettrans.org.uk/site/assets/files/1108/climate_change_report_text_2019.pdf)

### Annual Accounts 2017-18

[https://www.zettrans.org.uk/site/assets/files/1108/zettrans\\_audited\\_accounts\\_201718.pdf](https://www.zettrans.org.uk/site/assets/files/1108/zettrans_audited_accounts_201718.pdf)

### Audit Report 2017-18

[https://www.zettrans.org.uk/site/assets/files/1108/zettrans\\_final\\_isa\\_260.pdf](https://www.zettrans.org.uk/site/assets/files/1108/zettrans_final_isa_260.pdf)

### Climate Change Report 2017-18

[https://www.zettrans.org.uk/site/assets/files/1108/zettrans\\_climate\\_change\\_duties\\_report\\_2017-18.pdf](https://www.zettrans.org.uk/site/assets/files/1108/zettrans_climate_change_duties_report_2017-18.pdf)

