

# Audited Annual Accounts **2024/25**



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# Management Commentary

## Introduction

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

## Members of Zetland Transport Partnership

The current membership is:

### Members:

Councillor Moraig Lyall (Chairperson)  
Councillor Robbie McGregor (Vice-Chairperson)  
Councillor Duncan Anderson  
Councillor Liz Peterson

### Other Members:

Colin Marsland  
Andrew Gear (re-appointed 25 June 2025)

### Substitute Members:

Councillor Alex Armitage  
Councillor Arwed Wenger

### Observer/Advisers:

Steve Mathieson  
John Smith

### Representing

Shetland Islands Council  
Shetland Islands Council  
Shetland Islands Council  
Shetland Islands Council

NHS Shetland  
Highlands and Islands Enterprise (HIE)

Shetland Islands Council  
Shetland Islands Council

Visit Shetland  
Director of Infrastructure (Shetland Islands Council)

## Executive Officers:

**Lead Officer:** Michael Craigie

**Proper Officer for Finance:** Paul Fraser CPFA

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

The purpose of the Management Commentary is to present an overview of ZetTrans' financial performance during the year 2024/25 and to help readers understand its financial position as at 31 March 2025. In addition, it outlines the main risks and uncertainties that ZetTrans is likely to face in the future.

## Background

Zetland Transport Partnership is one of seven Regional Transport Partnerships (RTPs) in Scotland, established under the Regional Transport Partnership (Establishment and Constitution) (Scotland) Order 2005. Under the Transfer of Functions to the Shetland Transport Partnership Order 2006, certain duties and powers relating to public transport were transferred from Shetland Islands Council to ZetTrans.

The Partnership is responsible for developing a transport strategy for Shetland—along with any supporting sub-strategies—that promotes economic well-being, safety, social inclusion, equal opportunities, sustainable transport planning, and integration with other regional partnerships.

ZetTrans works collaboratively with a wide range of stakeholders and partner organisations, including Shetland Islands Council, NHS Shetland, Highlands and Islands Enterprise (HIE), Transport Scotland, bus and ferry operators, airlines, and key industry bodies representing sectors such as tourism, haulage, fishing, and aquaculture. The role of ZetTrans continues to evolve, in line with the development of other RTPs, to ensure that both regional and national (Scottish and UK) transport objectives are delivered in a sustainable and efficient manner.

The Annual Governance Statement provides a summary of the governance arrangements ZetTrans has established to ensure the effective management of its affairs. It includes an annual review of the effectiveness of these arrangements, highlighting areas of good practice as well as any significant governance issues identified during the year. This process supports transparency, accountability, and continuous improvement in the delivery of ZetTrans' functions.

ZetTrans has a statutory duty, under the Community Empowerment (Scotland) Act 2015, to participate as a Community Planning Partner in the Shetland Partnership. The Shetland Partnership comprises a wide range of public sector partners, third sector organisations, and community bodies who work collaboratively to deliver shared ambitions for the future of Shetland. It serves as the Community Planning Partnership for the area and is united by a common vision:

**Vision:** "Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges." *Source:* [Shetland's Partnership Plan 2018-2028](#)

ZetTrans contributes to this vision by supporting inclusive, accessible, and sustainable transport solutions that enable participation in community life, access to services, and economic opportunity across Shetland.

Shetland Islands Council, as the primary funder for ZetTrans, continues to face a significant challenge in achieving long-term financial sustainability. The latest iteration of the Council's [Medium Term Financial Plan](#) (MTFP) outlines an anticipated cumulative funding gap of £83.1m by 2028/29. ZetTrans will need to work with the Council to manage increasing demand for transport services within constrained financial resources over the next five years. To support this, ZetTrans will annually receive a presentation of the Council's MTFP, with specific elements that impact on ZetTrans' functions clearly identified. This will provide a transparent view of the scale of the financial challenge and its implications for ZetTrans' activities.

## Board meetings

ZetTrans Board meetings are held at the Council Chambers in St Ringan's Church. ZetTrans meetings are broadcast live, allowing the public to watch the debate on any desktop or mobile device. The webcasting site also contains reports available to the public and holds archived recordings for 12 months from the meeting date.

The webcasting site is located here:

<https://shetland.public-i.tv/core/portal/home>

The Partnership met on 6 occasions during 2024/25.

## Strategy and Performance Management

### National Transport Strategy 2 (NTS2)

ZetTrans continued to embed the NTS2 priorities, detailed below, in the policy development of the Partnership:

- improve our health and wellbeing;
- take climate action;
- reduce inequalities; and
- help deliver inclusive economic growth.

The detail of the NTS2 can be found here:-

<https://www.transport.gov.scot/media/47052/national-transport-strategy.pdf>

## Active Travel Strategy

The Shetland Active Travel Strategy was approved by the ZetTrans Board in March 2021 and can be found here: - <https://www.zettrans.org.uk/about/shetland-active-travel-strategy-2021-2026>

The ZetTrans Board approved a Strategic Outline Programme (SOP) for investment in March 2023. The SOP is the strategic framework for delivery of Active Travel infrastructure across Shetland, which will help inform identification of issues and options and will provide evidence-based planning and decision-making.

The SOP can be found here:

<http://coins.shetland.gov.uk/submissiondocuments.asp?submissionid=28833>

## Shetland Regional Transport Strategy (RTS)

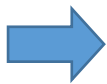
The “ZetTrans 2040 Regional Transport Strategy” (2040 RTS) covering the period up until 2040 was approved by the ZetTrans Board on 19 February 2024 and received Scottish Ministers approval on 15 March 2025.

ZetTrans is operating to the vision and objectives as set out in the 2040 RTS. These are:

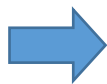
**Vision:** “Our transport networks in Shetland and our connections to the rest of Scotland support our social and inclusive economic prosperity, provide equitable access to opportunities, enable people to live healthy and active lives, facilitate the development of sustainable and inclusive communities,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



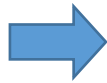
**Strategic Objective 1:** To address the barriers which constrain access to and/or impose unreasonable costs on travel and freight transport for all groups to/from the rest of Scotland.



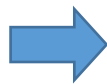
**Strategic Objective 2:** To address the barriers which constrain access to and/or impose unreasonable costs on travel and freight transport for all within Shetland.



**Strategic Objective 3:** To facilitate and encourage safe walking, cycling and wheeling for everyone, including for leisure and tourism.



**Strategic Objective 4:** 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.



**Strategic Objective 5:** To transition towards an environmentally and financially sustainable, post-carbon transport network.



**Strategic Objective 6:** To support safe, resilient, and efficient movement of all people and freight across Shetland.

Further details on the 2040 RTS can be found here:

<https://coins.shetland.gov.uk/submissiondocuments.asp?submissionid=29797>

## ZetTrans Annual Report

Limitations on staff resources and other work stream priorities continue to have an impact on the team’s ability to deliver an Annual Report. To address this, officers are currently progressing work on a combined Annual Report covering both the 2023/24 and 2024/25 for presentation to the Board by November 2025.

The most recent Annual Report produced by ZetTrans relates to the 2022/23 financial year, which was approved by the Board on 14 November 2023. A copy of this report can be found here:

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

## Key Performance Indicators (KPIs)

ZetTrans adopted a range of 40 KPIs in September 2016. These KPIs relate to transport functions in place in Shetland, both within the scope of ZetTrans operations and those managed by others.

Further details can be found here:

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=24967>

The 2022/23 Annual Report includes KPI information, based on the performance framework adopted by the Partnership in 2016, where such data was available. Work is currently underway to develop a new set of performance indicators aligned with the Shetland Regional Transport Strategy (RTS) 2040. These updated indicators are scheduled to be presented for Board approval in November 2025.

It is acknowledged that previous non-production of an Annual Report and an absence of KPI reporting were identified as Prior Year Significant Governance Issues within the Annual Governance Statement. While the actions outlined above are intended to address these issues, they will remain areas of focus until fully embedded within ZetTrans' performance and governance framework.

## Activities in year

### Inter-island Transport Connectivity (IITC) – Business Cases

In March 2023, the Council approved to fund the development of IITC network strategic and outline business cases.

During 2024/25, the Council has made substantial progress in the development of a Strategic Business Case (SBC) for the future of the inter-island transport network. This work is being undertaken in close alignment with the ZetTrans Regional Transport Strategy, which commits to addressing capacity, affordability, and connectivity barriers across the isles and supports the transition to a more sustainable and resilient network. The SBC will provide a robust evidence base to inform long-term investment decisions across ferry, air, and fixed link options, ensuring the inter-island transport system remains fit for purpose in meeting the social, economic, and environmental needs of Shetland's Island communities.

The work is overseen by the IITC Programme Board, and the Lead Officer sits on the Board in the role of Senior User to represent ZetTrans interests in the programme planning and delivery. The Chair of ZetTrans sits on the IITC Sounding Board and Stakeholder Group.

### *Fair Isle Ferry Replacement*

Significant progress has been made during the year on the replacement of the Good Shepherd IV, which provides a vital lifeline ferry service to Fair Isle. In December 2024, Shetland Islands Council approved the Full Business Case (FBC) for the project, with construction and vessel contracts subsequently awarded in March 2025 and June 2025 respectively. This major investment directly aligns with the ZetTrans Regional Transport Strategy, which identifies the replacement of the Fair Isle vessel as a strategic priority in ensuring equitable, reliable, and sustainable transport connections for Shetland's most remote communities. The new vessel will help secure the long-term resilience of Fair Isle's sea link, supporting population retention, access to essential services, and the island's economic development.

## Active and Sustainable Travel

### *Behaviour Change*

During the 2024/25 financial year, the Scottish Government continued its commitment to Active Travel by increasing funding allocations through the People and Place funding stream to RTP's. Although funding is welcome, it continues to place pressures on capacity and capability of already stretched resources.

In response, ZetTrans, through the leadership of its Lead Officer and in collaboration with other RTP Leads, successfully achieved an adjustment to the programme funding distribution model. This secured additional funding to specifically support development of capacity and capability to plan and deliver ZetTrans' People and Place programme. In 2024/25 this was achieved through consultancy support and for the medium-term work is ongoing to develop and embed a programme prioritisation and delivery framework. This framework will be embedded within Shetland Islands Council's Transport Planning Service to ensure resilient capacity and capability on an ongoing basis.

Over the course of 2024/25, ZetTrans worked with five delivery partners to deliver projects covering walking, cycling and wheeling initiatives that contribute to achieving sustained behaviour change in Active and Sustainable Travel. The delivery partners and projects were: -

| Projects                                        | Partners                                    | Initiatives                 |
|-------------------------------------------------|---------------------------------------------|-----------------------------|
| Rock up and Ride – Children                     | Shetland Islands Council / Scottish Cycling | Schools and Young People    |
| People and Place Workplace Workplaces Programme | Shetland Islands Council / Paths for All    | Workplaces                  |
| Cycle Access Fund                               | Shetland Islands Council / Cycling UK       | Accessibility and Inclusion |
| Cycling Place Based Projects                    | Shetland Islands Council / Cycling UK       | Accessibility and Inclusion |
| Cycle Maintenance and Repair Outreach           | Shetland Community Bike Project             | Accessibility and Inclusion |

Monitoring and evaluation reports on the 2024/25 projects will be presented to the ZetTrans Board in September 2025.

### *Active Travel infrastructure*

In 2024/25, the Council's Transport Planning Service in collaboration with the Roads Service developed and delivered a programme of minor works and design projects covering 14 separate interventions through the Tier 1 Active Travel Infrastructure Fund (ATIF) funded by Transport Scotland. Eight of the design projects were submitted as the basis for Tier 2 ATIF funding bids. Decisions on the outcome of the bids is expected in July 2025. A monitoring and evaluation report on the ATIF projects will be prepared and presented to the ZetTrans Board in September 2025.

This programme is closely aligned with the objectives and policies set out in the ZetTrans Regional Transport Strategy, which places strong emphasis on enabling and encouraging walking, wheeling, and cycling across Shetland. By delivering improvements to local infrastructure and advancing high-quality design proposals, the Council is actively contributing to Strategy Objective 3, which seeks to promote safe and inclusive active travel for all. The development and submission of Tier 2 funding bids reflects a sustained commitment to rebalancing transport investment in favour of sustainable travel, in line with the RTS policy framework and national priorities set out in the Sustainable Travel Hierarchy.

## Public Bus Services

In October 2024, the ZetTrans Board approved the Strategic Business Case for the Public and School Bus Transport network.

The Outline Business Case (OBC) was carried out over the remainder of 2024/25 and appraised 13 options defined within three themes – *Do Less*, *Do Minimum* and *Do More*. The OBC concluded by recommending the preferred option as *Option 3 – Do Minimum: Minor Enhancements* on the basis that it reflects a balance between improved public bus

service delivery in response to stakeholder engagement, policy alignment and financial constraints. The Full Business Case is currently in development and is scheduled for completion by February 2026, after which it will be presented to the ZetTrans Board and Shetland Islands Council for final approval.

This work directly supports the delivery of the ZetTrans Regional Transport Strategy, particularly in improving the quality, affordability and accessibility of public transport and extending bus connectivity. The development of the Strategic, Outline, and forthcoming Full Business Case reflects a structured and evidence-based approach to aligning service delivery with the RTS objectives of enhancing access, reducing inequalities, and supporting more sustainable travel behaviours. The selection of *Option 3 – Do Minimum: Minor Enhancements* – recognises the need to respond to community and stakeholder feedback while maintaining affordability within available resources. This measured approach ensures continued progress towards a more coherent, integrated, and equitable bus network, in line with national transport priorities and the RTS policy direction.

Passenger levels on public bus services remained broadly stable in 2024/25, following two consecutive years of growth. While the pace of increase has levelled off compared to previous years, overall ridership continues to exceed pre-pandemic levels. The sustained demand is supported in part by continued participation in the national Under 22s Free Bus Travel Scheme, which remains a key driver of youth patronage. The OBC for Public and School Bus Transport highlights the structural challenges facing rural bus networks but confirms that recent service enhancements and targeted policies are helping to stabilise demand and mitigate long-term decline trends observed nationally.

The financial climate remains a key challenge. There are still occurrences of operators choosing to terminate some contracts that then have to be retendered. On each occasion the re-tendering of services has resulted in increased contract costs. Despite this, all services have been maintained with a number of services now being operated by different operators. To mitigate the trend of increasing service costs, the FBC is undertaking a detailed review of contracts and services alongside developing specifications for the preferred option network with a specific focus on ensuring value for money.

## Northern Isles Ferry Services

Throughout 2024/25, Transport Scotland and Caledonian Maritime Assets Ltd (CMAL) continued to develop the business case for replacement freighter vessels for the Northern Isles Ferry Services (NIFS) routes. ZetTrans has been closely involved in this work contributing strategic insights to Shetland's connectivity needs through the Shetland External Transport Forum and direct input to a working group established to engage in the Islands Connectivity Plan (ICP) Community Needs Assessment (CNA).

At the time of writing, Transport Scotland and CMAL's Outline Business Case had settled on a preferred option (called 'Freighter Flex') for the replacement freight vessels that includes additional passenger capacity as well as freight capacity. This outcome is aligned with ZetTrans' position on this matter.

In addition to this work, over the course of 2024/25, ZetTrans has engaged Transport Scotland on the matter of the delivery of the objectives of the ICP, particularly on the CNA that will feed into the Freighter Replacement Business Case as well as the specification for the next NIFS contract. This has been significantly supported by the ongoing use of the Shetland Ferries Data Model that ZetTrans developed in partnership with Robert Gordon University in 2023/24.

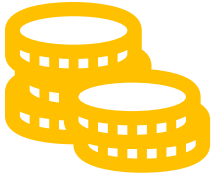
The Northern Isles Ferry Services play a critical role in delivering Shetland's external connectivity, and their continued improvement is a central theme of the ZetTrans Regional Transport Strategy. The RTS identifies the need for reliable, affordable, and accessible ferry services to support economic vitality, social cohesion, and the resilience of island life. Ongoing engagement with Transport Scotland and operators to improve fares, reliability, and accessibility aligns directly with Strategy objectives focused on reducing inequalities and strengthening Shetland's transport links with the Scottish mainland. The Strategy also supports efforts to modernise vessels and port infrastructure to deliver a just transition to net zero, recognising the environmental dimension of lifeline ferry operations.

## Workforce Management

ZetTrans does not directly employ staff but operates under a Minute of Agreement with Shetland Islands Council, which provides a range of services—including staffing resources—on a net settlement basis. This arrangement reflects the level of resources required to support the delivery of ZetTrans’ statutory functions. Attention continues to be given to ensure that sufficient capacity and capability are in place to meet operational and strategic demands. Additional specific external funding has been secured that will be utilised to support resource needs, thereby reducing sole reliance on Shetland Islands Council provision and enhancing organisational resilience.

### Key Risks

ZetTrans key risks and uncertainties, and associated mitigating actions can be summarised as follows:

| Risk / Uncertainty                                                                                                                                  | Mitigating actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p data-bbox="395 947 515 1010"><b>Staff resources</b></p>       | <p data-bbox="647 629 1461 1099">ZetTrans receives administrative, clerical and professional services from Shetland Islands Council. However, the Council is still experiencing a shortage of key staff and skills, with a significant number of vacancies remaining unfilled due to recruitment challenges. In response, the Council is progressing the implementation of its Workforce Strategy, which provides a framework to prioritise key workstreams, identify and develop talent, and broaden entry routes for young people. The accompanying Workforce Plan outlines the actions required to deliver on these objectives, with a focus on attracting and retaining staff, developing career pathways, and establishing a sustainable talent pipeline to support staff development and progression. These measures aim to strengthen organisational capacity and resilience, ensuring the continued delivery of high-quality services across the Council and its supported bodies, including ZetTrans.</p> <p data-bbox="647 1144 1461 1305">In addition, ZetTrans continues to use consultancy support to ensure capacity and capability, which is supported through external grant provided by Transport Scotland. Work is underway to transition from use of consultants to the use of embedded staff using the capacity and capability funding that has been secured.</p>                                                     |
|  <p data-bbox="395 1686 515 1749"><b>Financial Pressures</b></p> | <p data-bbox="647 1350 1485 1697">ZetTrans receives its primary funding from Shetland Islands Council. It remains the case that the Council is not in a financially sustainable position over the medium term, facing an anticipated cumulative budget deficit of £83.1m by 2028/29. This financial pressure is compounded by an expected real-terms reduction in core funding from the Scottish Government, alongside increasing demand for services. Having said that, the move by Transport Scotland to provide additional funding to support capacity and capability will significantly mitigate this pressure by acquisition of staff and consultancy resources without placing an additional financial burden on the Council.</p> <p data-bbox="647 1742 1461 2089">As a further means of mitigation, ZetTrans continues to explore opportunities to diversify its funding sources and reduce reliance on core Council funding. This includes developing robust funding bids to funding streams such as Transport Scotland’s Bus Infrastructure Fund and the growing Active Travel Infrastructure Fund to support strategic priorities, investing in capacity-building initiatives, and identifying efficiencies within service delivery. In doing so, ZetTrans aims to enhance its financial resilience and ensure the continued delivery of essential transport services across Shetland in a challenging fiscal environment.</p> |

| Risk / Uncertainty                                                                                                       | Mitigating actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Bus Fare Income Security</b></p> | <p>The two main components of income for ZetTrans are Council funding and bus fare income. Due to the high volume of daily transactions, completeness and accuracy of income received from passengers remains a key and ongoing risk. To mitigate this, ZetTrans uses SMART ticketing infrastructure across its public bus services. The ticketing machines have enhanced reporting capabilities, and when combined with regular reconciliation and compliance checks, helps minimise the risk associated with income security. Monitoring and Finance Officers carry out routine reconciliations to ensure that all reported income aligns accurately with transactional data, thereby supporting robust financial oversight.</p> <p>In parallel, the public transport fares policy is currently under development. The outcome of this work will be aligned with the Public and School Bus Transport FBC and may influence the level of income generated from passenger fares, and consequently, the level of subsidy required from the Council.</p> |
|  <p><b>Climate Change</b></p>           | <p>ZetTrans' performance objectives in relation to climate change are aligned with that of Shetland Islands Council and specific objectives are set within the 2040 RTS. The Council's Annual Accounts has a more extensive commentary on environmental issues, including those that would influence ZetTrans activities.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## Primary Financial Statements

The Financial Statements for 2024/25 summarise ZetTrans transactions and cash flows for the year and its year-end position as at 31 March 2025. The Financial Statements are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on International Financial Reporting Standards (IFRS), with interpretation appropriate to the public sector and the overriding requirement of the Code is that the Financial Statements provide a true and fair view of the financial position and the financial transactions of the Partnership.

A description of the purpose of the primary statements has been included immediately prior to each of the financial statements: the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MIRS), Balance Sheet and Cash Flow Statement. These statements are accompanied by notes to the financial statements, which set out the accounting policies adopted and provide a more detailed analysis of the figures disclosed within them. These statements and notes form the relevant Financial Statements for the purpose of the auditor's certificate and opinion.

In 2024/25, ZetTrans adopted the requirements of IFRS 16 *Leases*, which mandates that lessees recognise most leases on the balance sheet. This replaces the previous accounting treatment where operating leases were not recorded on the balance sheet. Under IFRS 16, ZetTrans has recognised right-of-use assets within long-term assets and a corresponding adjustment to unusable reserves. As a result of adopting the standard at 1 April 2024, both long-term assets and unusable reserves increased by £0.110m. This change enhances transparency by reflecting the full extent of lease commitments in the financial statements.

No Remuneration Report is included, as ZetTrans has no employees, and pays no remuneration. The remuneration of the Chair and Vice-Chair of the Partnership is disclosed in the annual accounts of Shetland Islands Council, which can be found [here](#).

## Financial Performance in 2024/25

The CIES presents the full economic cost of providing ZetTrans services in 2024/25. This differs from the outturn position as the CIES includes accounting adjustments required to comply with proper accounting practice. Note 1: Expenditure and Funding Analysis (page 24), reconciles the Deficit on Provision of Services of £0.063m, disclosed in the CIES, to the outturn, used for management decision-making.

The majority of this expenditure was met through grant income from the Scottish Government and Shetland Islands Council. The final revenue outturn position compared to the revised budget for 2024/25 is summarised as follows:

| 2023/24<br>Actual<br>£ |                                       | 2024/25<br>Budget<br>£ | 2024/25<br>Actual<br>£ | 2024/25<br>Variance<br>£ |
|------------------------|---------------------------------------|------------------------|------------------------|--------------------------|
| 700,508                | Policy, Strategy & Projects           | 821,276                | 806,849                | 14,427                   |
| 3,610,040              | Transport Services - Bus              | 3,907,240              | 3,863,723              | 43,517                   |
| 1,122,954              | Transport Services - Air              | 1,110,152              | 1,109,902              | 250                      |
| 362,250                | Transport Services - Ferry            | 0                      | 0                      | 0                        |
| <b>5,795,752</b>       | <b>Total Expenditure</b>              | <b>5,838,668</b>       | <b>5,780,474</b>       | <b>58,194</b>            |
| (313,267)              | Other Grants                          | (360,528)              | (312,119)              | (48,409)                 |
| (625,147)              | Public Transport Service Income       | (680,441)              | (681,247)              | 806                      |
| <b>4,857,338</b>       | <b>Net Expenditure</b>                | <b>4,797,699</b>       | <b>4,787,108</b>       | <b>10,591</b>            |
| (131,750)              | Scottish Government Grant             | (125,162)              | (125,162)              | 0                        |
| (252,442)              | SIC Match Funding                     | (333,598)              | (364,047)              | 30,449                   |
| (3,049)                | Bank Interest                         | (1,988)                | (5,521)                | 3,533                    |
| (4,470,097)            | SIC Public Service Contribution       | (4,336,951)            | (4,292,378)            | (44,573)                 |
| <b>(4,857,338)</b>     | <b>Other Income</b>                   | <b>(4,797,699)</b>     | <b>(4,787,108)</b>     | <b>(10,591)</b>          |
|                        |                                       |                        |                        |                          |
| <b>0</b>               | <b>Net (Surplus)/Deficit for Year</b> | <b>0</b>               | <b>0</b>               | <b>0</b>                 |

The 2024/25 outturn position was an £0.058m expenditure underspend when compared to the revised budget. This comprised a £0.014m underspend within Policy, Strategy & Projects and a £0.044m underspend within Transport Services. The favourable variance in Policy, Strategy & Projects was primarily due to lower-than-anticipated expenditure on active travel interventions. This resulted from a combination of factors, including more grant funding awarded than projects identified, delays in project commencement, and the alignment of certain projects with the academic year, deferring expenditure into 2025/26. This underspend was partially offset by higher-than-budgeted external consultancy costs associated with the Bus Service and Fare policy review. Within Transport Services – Bus, the favourable variance was largely attributable to reduced contract costs, driven by lower fuel prices. On the income side, there was an unfavourable variance of £0.048m due to an underachievement in grant income, reflecting lower expenditure and therefore reduced drawdown from the Regional Transport Partnership's People and Place grant. The net result was an overall underspend of £0.011m against the revised budget, resulting in a reduced contribution from Shetland Islands Council required.

## Looking Ahead

ZetTrans faces a number of significant challenges and uncertainties, many of which have been outlined earlier in this commentary. The primary funder, Shetland Islands Council, anticipates a continued real-terms reduction in core revenue funding, as indicated in the Scottish Government's Resource Spending Review published in May 2022. At the same time, the cost of delivering transport services continues to rise, driven by persistent inflation, volatility in energy prices, and wider supply chain pressures—including the availability of raw materials, goods, and contracted labour.

Additional pressures stem from the increasing complexity of local transport interventions and the growing need for more sophisticated monitoring and evaluation frameworks to demonstrate the achievement of objectives and outcomes. If ZetTrans' reliance on Shetland Islands Council funding remains unchanged, there is a significant risk that

service delivery cannot be maintained at current levels within the constraints of the 2025/26 budget. The financial position is subject to regular monitoring, enabling timely remedial action where necessary. Officers are actively exploring alternative funding sources, including Scottish Government support for bus services and other income generation opportunities, to help rebalance the funding model. These considerations will be further developed through the Public and School Bus Transport FBC.

The Shetland Regional Transport Strategy (RTS) 2040, approved by Scottish Ministers in March 2025, provides a long-term framework for addressing Shetland's transport challenges. The strategy will inform the Partnership's strategic planning over the next two decades, requiring ZetTrans to balance a wide range of stakeholder expectations, including statutory commitments to the Shetland Partnership outcomes, emerging Scottish Government policies and priorities, and the strategic direction of Shetland Islands Council.

Key developments during 2024/25 demonstrate meaningful alignment with the RTS:

- The Strategic Business Case for Shetland's inter-island transport network—covering ferry, air, and fixed link options—is progressing well and will form the basis for long-term investment decisions that address affordability, capacity, and carbon reduction.
- The approval of the Fair Isle ferry FBC and award of construction contracts marks a critical milestone in securing the future of one of Shetland's most remote transport lifelines.
- The OBC for public and school bus services has set out a balanced and evidence-led approach to improving service provision within available resources.
- Tier 1 Active Travel Infrastructure Fund (ATIF) projects have been delivered, and Tier 2 funding bids submitted, supporting infrastructure development and modal shift.
- Behavioural change initiatives, delivered through external partnerships, have further strengthened the alignment with RTS objectives on accessibility, decarbonisation and active travel.
- Continued engagement with Transport Scotland and Caledonian Maritime Assets Ltd (CMAL) on the future of Northern Isles Ferry Services ensures that Shetland's connectivity needs are reflected in vessel design and contract specification work. The selection of a preferred option with additional passenger capacity for replacement freighters aligns with long-term Strategy goals of reliability, resilience, and low-carbon maritime transport.

Collectively, these developments represent a strong trajectory of delivery aligned to the RTS vision: transport networks that support inclusive prosperity, equitable access, healthy lifestyles, and environmental sustainability. The year ahead will require a continued focus on implementation, partnership working, and innovation to sustain this momentum under challenging financial conditions.

## 2025/26 Budget Outlook

The provision of suitable transport arrangements 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. The financial environment in which these services are delivered is challenging, reflecting the inherent complexity of transport operations, the significant revenue and capital costs involved, and the ongoing need to fund both day-to-day operations and long-term infrastructure replacement. Nevertheless, developments in funding opportunities from the Scottish Government and UK Government should have positive impacts on ZetTrans' financial position, to help to reduce its reliance on Shetland Islands Council funding.

The Partnership approved the 2025/26 budget on 27 February 2025, setting a gross revenue budget of £6.313m. Of this, £1.009m is for core activities, including the implementation of the RTS and Active Travel interventions, while £5.304m is for public transport services in Shetland. Core running costs and RTS implementation work—including efforts to improve service information and performance management processes—are funded by a £0.125m grant, a £0.357m contribution from Shetland Islands Council, and £0.003m in bank interest. In addition, ZetTrans will continue to work with delivery partners to implement behaviour change Active Travel interventions targeted at schools, young people, workplaces, and the wider community, with a focus on access and inclusion. This programme, which includes building internal capability and capacity, is budgeted at £0.524m and funded through external grant support from the Scottish Government. Transport operations are budgeted at £5.304 million, funded by anticipated bus fare income of £0.681 million and a £4.623 million contribution from Shetland Islands Council.

The 2025/26 budget was developed with due regard to Shetland Islands Council's MTFP. As the primary funder of ZetTrans, it is essential to assess the Council's financial framework to determine the feasibility of delivering on strategic objectives and to fully understand the financial constraints within which ZetTrans must operate. This alignment ensures that budget planning remains realistic, sustainable, and responsive to the broader fiscal environment.

Further detail on the 2025/26 budget can be found here:

<https://coins.shetland.gov.uk/submissiondocuments.asp?submissionid=31033>

*Paul Fraser*

.....  
Paul Fraser CPFA  
Proper Officer for Finance  
Zetland Transport Partnership  
26 September 2025

*Michael Craigie*

.....  
Michael Craigie  
Lead Officer  
Zetland Transport Partnership  
26 September 2025

*Jan Robert Riise*

.....  
Jan Robert Riise LLB (Hons) LEG-Dip  
Secretary and Proper Officer for Legal  
Proceedings  
Zetland Transport Partnership  
25 September 2025

# Statement of Responsibilities

## Zetland Transport Partnership's Responsibilities

ZetTrans is required to:

- make arrangements for the proper administration of its financial affairs, and to secure that one of its officers has 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, Shetland Islands Council;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- ensure that the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as it is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the annual accounts for signature.

I confirm that these annual accounts were approved for signature by the Partnership at its meeting on 25 September 2025.

Signed on behalf of Zetland Transport Partnership.



Moraig Lyall  
Chairperson  
Zetland Transport Partnership

25 September 2025

## 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 Accounting Code (as far as it is compatible with legislation).

The Proper Officer for Finance has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Zetland Transport Partnership at the reporting date and the transactions for the year ended 31 March 2025.



Paul Fraser CPFA  
Proper Officer for Finance  
Zetland Transport Partnership

26 September 2025

# Annual Governance Statement

## Introduction

This Annual Governance Statement explains how the Zetland Transport Partnership, has complied with the principles of the CIPFA/SOLACE Framework ‘*Delivering Good Governance in Local Government*’ for the year ended 31 March 2025. The Partnership relies largely upon the same internal controls, procedures, policies and systems as the Shetland Islands Council in order to deliver its stated functions. The arrangements put in place by the Council apply equally to the activities of the Partnership. This Annual Governance Statement therefore reflects the fact that the Partnership’s governance arrangements and systems of internal control mirror the arrangements put in place by the Shetland Islands Council, and concludes on their effectiveness.

## Scope of Responsibility

The Partnership is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Partnership has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003.

In discharging these overall responsibilities, the Partnership is responsible for establishing proper arrangements for the governance of its affairs, including the stewardship of resources at its disposal and arrangements for the management of risk.

In practice, as the Council is the sole constituent authority participating in the Partnership, the arrangements put in place by the Partnership mirror the Council’s governance arrangements.

The Council reviewed and updated its Code of Corporate Governance in December 2024 which sets out fundamental elements that govern how the Council conducts its business. The Code of Corporate Governance is consistent with the CIPFA/SOLACE Framework ‘*Delivering Good Governance in Local Government*’, which was published in 2016.

The Council has a system of internal controls in place designed to manage risk to a reasonable level. Internal controls cannot completely eliminate the risk of failure to achieve strategic priorities and outcomes, but they can provide a reasonable level of assurance.

The system of internal controls is regularly reviewed to identify and prioritise the risks to the achievement of the Council’s strategic priorities and outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## The Purpose of the Governance Framework

The governance framework consists of the systems, processes, culture and values by which the Council, and therefore the Partnership, is directed and controlled, and the activities used to engage with and lead the community.

## The Governance Framework

The governance framework adopted by the Council is consistent with the seven core principles of the CIPFA/SOLACE framework illustrated below:

|          |                                                                                                                     |
|----------|---------------------------------------------------------------------------------------------------------------------|
| <b>A</b> | <i>Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law.</i> |
| <b>B</b> | <i>Ensuring openness and comprehensive stakeholder engagement.</i>                                                  |
| <b>C</b> | <i>Defining outcomes in terms of sustainable economic, social and environmental benefits.</i>                       |
| <b>D</b> | <i>Determining the interventions necessary to optimise achievement of intended outcomes.</i>                        |
| <b>E</b> | <i>Developing the entity’s capacity, including the capability of its leadership and the individuals within it.</i>  |
| <b>F</b> | <i>Managing risks and performance through robust internal control and strong public financial management.</i>       |
| <b>G</b> | <i>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</i>        |

The governance framework has been in place for the year ended 31 March 2025 and up to the date of approval of the annual accounts.

The key elements of the governance framework include:

- the legal powers, duties and functions of the Partnership, and roles and responsibilities of the people who take decisions on behalf of the community;
- **Scheme of Administration and Delegations** and the **Minute of Agreement** between the Council and the Partnership, which detail the functions that the Partnership has asked officers to carry out on its behalf, and the conditions they must comply with in doing so;
- **Standing Orders**, which set out the rules around how Partnership meetings are run and decisions are made;
- **Financial Regulations**, setting out how the Partnership manages its financial affairs in accordance with good practice and statute;
- **Contract Standing Orders**, which set out the principles and rules about contracting with other parties;
- the Council's **Performance Management Framework**, which sets out how the Partnership sets its objectives, monitors and reports on its performance against those objectives and identifies areas for improvement;
- **Compliance** with CIPFA codes of practice and the CIPFA Statement on *the Role of Head of Internal Audit* and *the role of Chief Financial Officer*; and
- A **comprehensive programme of internal audit reviews** across different Council service areas, which provides assurance about the effectiveness of the system of internal controls and identifies areas of improvement.

The Council's suite of governance documents, including the Scheme of Administration and Delegation, Financial Regulations, Contract Standing Orders and Code of Corporate Governance can be found on the Council's [website](#).

The governance review for the Zetland Transport Partnership, originally scheduled for completion by February 2021, remains outstanding. The delay has been due to limited available resources and competing priorities among staff. The review will be undertaken following the conclusion of the wider review of the Council's governance arrangements, which is currently underway. This sequencing ensures that the Partnership's governance framework will be aligned with the updated and overarching governance structure of the Council.

## Review of Effectiveness

The Partnership is responsible for reviewing the effectiveness of the governance framework on an annual basis, and for ensuring the continued effectiveness and adequacy of the systems of internal control. The review of effectiveness is informed by:

- Each executive officer has reviewed the arrangements in place and certified their effectiveness. Internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern. For 2024/25, no areas of weakness or concern were identified.
- progress towards key strategic and service objectives;
- financial and budget monitoring;
- Internal Audit reviews on specific functions and on activities which occur across the Council; and
- External Audit observations, comments and recommendations for improvement.

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

As noted in the Management Commentary, staff providing services to ZetTrans are covered by all relevant Shetland Islands Council internal controls, policies and procedures. While no specific internal audit opinion has been expressed by internal audit for ZetTrans, the Partnership is satisfied that the internal audit opinion provided to the Council applies equally to the activities of ZetTrans and therefore takes assurance from that audit opinion.

The Chief Internal Auditor's opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment. This opinion is based on the body of audit work undertaken, which includes follow up on prior year audit recommendations, evidence of improvements in the internal control environment which have been accepted by management and that management continue to find it challenging to implement agreed audit recommendations within specified timescales.

## Significant Governance Issue

No significant governance issues have been noted for ZetTrans during 2024/25.

## Update on Significant Governance issues previously reported

The following table details actions taken to address the significant governance issues reported in previous Annual Governance Statements.

| Prior Year Significant Governance Issue                                                                                                               | Responsible Officer | Action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Current Status and further action required                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The lack of KPI information significantly limits the ability of the Partnership to demonstrate accountability through open and transparent reporting. | Lead Officer        | The Regional Transport Strategy 2022-2042 includes a set of KPIs' linked to Strategic objectives. ZetTrans approved the draft RTS on 19 February 2024, with the intention that, once fully approved, a monitoring framework would be developed to track behavioural trends against these KPIs and reported to ZetTrans. In the interim, and pending formal approval, it was agreed that existing KPIs would be included in the 2023/24 Annual Report to maintain continuity in performance monitoring. The RTS received formal approval from the Scottish Ministers on 13 March 2025. As a result, no progress was made on the development of the new monitoring reports during the 2024/25 period. Additionally, limited staff capacity and resource constraints have delayed the production of the 2023/24 Annual Report. | <p><b>Ongoing</b></p> <p>The Lead Officer is working with the Transport Policy and Projects Officer to develop the RTS Delivery Plan for presentation to the ZetTrans Board in November 2025. The Delivery Plan will include a defined set of KPIs that are deliverable and complement the strategic objective KPIs outlined in Chapter 14 of the RTS.</p> <p>Reflecting that the 2023/24 Annual Report has not been reported and the Delivery Plan is still in development, a combined Annual Report covering both 2023/24 and 2024/25 will be presented to the Board by November 2025. This report will adopt the same indicators used in previous annual reports to ensure continuity and comparability. From 2025/26 onwards the Annual report will adopt the new Delivery Plan KPIs, establishing the ongoing framework for tracking progress against RTS objectives.</p> |

## Conclusion

Overall, we consider that the governance and internal control environment operating for ZetTrans in 2024/25 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.



Moraig Lyall  
Chairperson  
Zetland Transport Partnership  
25 September 2025



Michael Craigie  
Lead Officer  
Zetland Transport Partnership  
26 September 2025



Jan Robert Riise LLB (Hons) LEG-Dip  
Secretary and Proper Officer  
for Legal Proceedings  
Zetland Transport Partnership  
25 September 2025

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

## Reporting on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Zetland Transport Partnership for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 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.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 30 May 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard was not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## Responsibilities of the Proper Officer for Finance and Zetland Transport Partnership for the financial statements

As explained more fully in the Statement of Responsibilities, the Proper Officer for Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Proper Officer for Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Proper Officer for Finance is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

The Zetland Transport Partnership is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Proper Officer for Finance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Proper Officer for Finance concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The

capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Other information

The Proper Officer for Finance is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, and Statement of Responsibilities.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### Matters on which I am required to report by exception

I am required by the Accounts Commission 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.

I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

## Use of my report

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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Stephen O'Hagan*

Stephen O'Hagan CPFA,  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

26 September 2025

## Primary Financial Statements

### Comprehensive Income and Expenditure Statement for year ended 31 March 2025

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by grants or other income. The Partnership receives funding to cover expenditure in accordance with regulations; this may be different from the accounting cost.

| 2023/24<br>Net<br>Expenditure<br>£ |                                                      | Notes | 2024/25<br>Gross<br>Expenditure<br>£ | 2024/25<br>Gross<br>Income<br>£ | 2024/25<br>Net<br>Expenditure<br>£ |
|------------------------------------|------------------------------------------------------|-------|--------------------------------------|---------------------------------|------------------------------------|
| 395,669                            | Policy, Strategy & Projects                          |       | 842,742                              | (312,119)                       | 530,623                            |
| 2,984,893                          | Transport Services - Bus                             |       | 3,863,723                            | (681,247)                       | 3,182,476                          |
| 1,122,954                          | Transport Services - Air                             |       | 1,137,405                            | 0                               | 1,137,405                          |
| 362,250                            | Transport Services - Ferry                           |       | 0                                    | 0                               | 0                                  |
| <b>4,865,766</b>                   | <b>Cost of Services</b>                              |       | <b>5,843,870</b>                     | <b>(993,366)</b>                | <b>4,850,504</b>                   |
| (3,049)                            | Financing & Investment Income & Expenditure          | 6     | 1                                    | (5,522)                         | (5,521)                            |
| (4,854,289)                        | Taxation & Non-specific Grant Income                 | 7     | 0                                    | (4,781,587)                     | (4,781,587)                        |
| <b>8,428</b>                       | <b>(Surplus) or Deficit on Provision of Services</b> |       | <b>5,843,871</b>                     | <b>(5,780,475)</b>              | <b>63,396</b>                      |
|                                    |                                                      |       |                                      |                                 |                                    |
| <b>0</b>                           | <b>Other Comprehensive (Income) and Expenditure</b>  |       |                                      |                                 | <b>0</b>                           |
|                                    |                                                      |       |                                      |                                 |                                    |
| <b>8,428</b>                       | <b>Total Comprehensive (Income) and Expenditure</b>  |       |                                      |                                 | <b>63,396</b>                      |

## Movement in Reserves Statement

This statement shows the movement in the year on different reserves held by the Partnership, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other 'unusable reserves'. The statement shows how the movements in year of the Partnership's reserves are broken down between gains and losses incurred in accordance with generally accepted practices and the statutory adjustments required to return to the amounts chargeable to the General Fund. The net decrease line shows the statutory General Fund balance in the year following those adjustments.

| 2024/25                                                                         | Usable<br>Reserves<br>£ | Unusable<br>Reserves<br>£ | Total<br>Reserves<br>£ |
|---------------------------------------------------------------------------------|-------------------------|---------------------------|------------------------|
| <b>Balance at 1 April 2024</b>                                                  | 0                       | (63,442)                  | (63,442)               |
| Adjustments on transition to new accounting arrangements for leases             | (110,012)               | 0                         | (110,012)              |
| Transitional adjustments between accounting basis and funding basis             | 110,012                 | (110,012)                 | 0                      |
| <b>Adjusted balance at 1 April 2024</b>                                         | 0                       | (173,454)                 | (173,454)              |
| <b>Movement in reserves during the year:</b>                                    |                         |                           |                        |
| Total comprehensive income and expenditure                                      | 63,396                  | 0                         | 63,396                 |
| Adjustments between accounting basis and funding basis per regulations (Note 5) | (63,396)                | 63,396                    | 0                      |
| <b>Decrease in year</b>                                                         | 0                       | 63,396                    | 63,396                 |
|                                                                                 |                         |                           |                        |
| <b>Balance at 31 March 2025</b>                                                 | 0                       | (110,058)                 | (110,058)              |

| 2023/24                                                                         | Usable<br>Reserves<br>£ | Unusable<br>Reserves<br>£ | Total<br>Reserves<br>£ |
|---------------------------------------------------------------------------------|-------------------------|---------------------------|------------------------|
| <b>Balance at 1 April 2023</b>                                                  | 0                       | (71,870)                  | (71,870)               |
| <b>Movement in reserves during the year:</b>                                    |                         |                           |                        |
| Total comprehensive income and expenditure                                      | 8,428                   | 0                         | 8,428                  |
| Adjustments between accounting basis and funding basis per regulations (Note 5) | (8,428)                 | 8,428                     | 0                      |
| <b>Decrease in year</b>                                                         | 0                       | 8,428                     | 8,428                  |
|                                                                                 |                         |                           |                        |
| <b>Balance at 31 March 2024</b>                                                 | 0                       | (63,442)                  | (63,442)               |

## Balance Sheet as at 31 March 2025

This statement shows the value as at 31 March 2025 of the assets and liabilities recognised by the Partnership. The net assets of the partnership (assets less liabilities) are matched by reserves held by the Partnership.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Partnership may use to provide services, subject to any statutory limitation on their use. The second category of reserves is those that the partnership is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provided services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

| As at 31 March<br>2024<br>£ |                                              | Notes | As at 31 March<br>2025<br>£ |
|-----------------------------|----------------------------------------------|-------|-----------------------------|
| 63,442                      | Property, Plant and Equipment                | 8     | 27,549                      |
| 0                           | Property, Plant and Equipment - Right Of Use | 14    | 82,509                      |
| <b>63,442</b>               | <b>Long-Term Assets</b>                      |       | <b>110,058</b>              |
| 375,190                     | Short-term debtors                           | 9     | 262,817                     |
| 0                           | Cash & cash equivalents                      | 10    | 0                           |
| <b>375,190</b>              | <b>Current Assets</b>                        |       | <b>262,817</b>              |
| (375,190)                   | Short-term creditors                         | 11    | (262,817)                   |
| <b>(375,190)</b>            | <b>Current Liabilities</b>                   |       | <b>(262,817)</b>            |
| <b>63,442</b>               | <b>Net Assets</b>                            |       | <b>110,058</b>              |
| 63,442                      | Unusable Reserves                            | 12    | 110,058                     |
| <b>63,442</b>               | <b>Total Reserves</b>                        |       | <b>110,058</b>              |

The unaudited financial statements were issued on 26 June 2025, and the audited financial statements were authorised for issue on 26 September 2025 .

Whilst ZetTrans is responsible for delivering its functions, and all costs are accounted for by the Partnership, the day-to-day operations are managed and administered by Shetland Islands Council's staff, using its systems and infrastructure.

*Paul Fraser*

Paul Fraser CPFA  
Proper Officer for Finance  
Zetland Transport Partnership  
26 September 2025

## Cash Flow Statement for the year ended 31 March 2025

This statement shows the changes in cash and cash equivalents during the financial year. Included in the Cash Flow Statement is interest and grants that are directly paid into the ZetTrans' bank account. All expenditure and other income is processed through the Shetland Islands Council bank account, and therefore is not included here.

| 2023/24<br>£     | Notes                                                            | 2024/25<br>£     |
|------------------|------------------------------------------------------------------|------------------|
|                  | <b>Operating Activities</b>                                      |                  |
| (3,050)          | Interest received 6                                              | (5,522)          |
| (196,002)        | Grants                                                           | (438,429)        |
| <b>(199,052)</b> | <b>Cash inflows generated from operating activities</b>          | <b>(443,951)</b> |
| 199,051          | Cash paid to suppliers of goods and services                     | 443,950          |
| 1                | Interest paid 6                                                  | 1                |
| <b>199,052</b>   | <b>Cash outflows generated from operating activities</b>         | <b>443,951</b>   |
| <b>0</b>         | <b>Net cash flows from Operating Activities</b>                  | <b>0</b>         |
| <b>0</b>         | <b>Investing Activities</b>                                      | <b>0</b>         |
| <b>0</b>         | <b>Financing Activities</b>                                      | <b>0</b>         |
| <b>0</b>         | <b>Net increase or (decrease) in cash &amp; cash equivalents</b> | <b>0</b>         |
| 0                | Cash & cash equivalents at 1 April                               | 0                |
| 0                | Net movement in cash & cash equivalents during the year          | 0                |
| <b>0</b>         | <b>Closing cash &amp; cash equivalents</b>                       | <b>0</b>         |

## Notes to the Financial Statements

### Note 1: Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the Partnership for the year has been used in providing services in comparison with those resources consumed or earned in accordance with accounting practices.

| 2024/25                      | Net<br>Expenditure<br>Chargeable to<br>ZetTrans<br>£ | Adjustments<br>for capital<br>purposes<br>£ | Net<br>Expenditure in<br>the CIES<br>£ |
|------------------------------|------------------------------------------------------|---------------------------------------------|----------------------------------------|
| Policy, Strategy & Projects  | 494,730                                              | 35,893                                      | 530,623                                |
| Transport Services - Bus     | 3,182,476                                            | 0                                           | 3,182,476                              |
| Transport Services - Air     | 1,109,902                                            | 27,503                                      | 1,137,405                              |
| Transport Services - Ferry   | 0                                                    | 0                                           | 0                                      |
| <b>Net Cost of Services</b>  | <b>4,787,108</b>                                     | <b>63,396</b>                               | <b>4,850,504</b>                       |
| Other income and expenditure | (4,787,108)                                          | 0                                           | (4,787,108)                            |
| <b>(Surplus) or Deficit</b>  | <b>0</b>                                             | <b>63,396</b>                               | <b>63,396</b>                          |

| 2023/24                      | Net<br>Expenditure<br>Chargeable to<br>ZetTrans<br>£ | Adjustments<br>for capital<br>purposes<br>£ | Net<br>Expenditure in<br>the CIES<br>£ |
|------------------------------|------------------------------------------------------|---------------------------------------------|----------------------------------------|
| Policy, Strategy & Projects  | 387,241                                              | 8,428                                       | 395,669                                |
| Transport Services - Bus     | 2,984,893                                            | 0                                           | 2,984,893                              |
| Transport Services - Air     | 1,122,954                                            | 0                                           | 1,122,954                              |
| Transport Services - Ferry   | 362,250                                              | 0                                           | 362,250                                |
| <b>Net Cost of Services</b>  | <b>4,857,338</b>                                     | <b>8,428</b>                                | <b>4,865,766</b>                       |
| Other income and expenditure | (4,857,338)                                          | 0                                           | (4,857,338)                            |
| <b>(Surplus) or Deficit</b>  | <b>0</b>                                             | <b>8,428</b>                                | <b>8,428</b>                           |

### Note 2: Accounting Standards Issued but not yet Adopted

Standards, amendments and interpretations issued but not adopted this year.

At the date of authorisation of these financial statements, the Partnership has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS21 (The Effects of Changes in Foreign Exchange Rate – Lack of Exchangeability). Applicable for periods beginning on or after 1 April 2025. The amendments:

- clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking; and
- require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- Amendments to IFRS 17 (Insurance Contracts). Applicable for periods beginning on or after 1 April 2025. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

- Changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

ZetTrans does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods.

### Note 3: Critical Judgements in applying accounting policies

In applying the accounting policies set out in note 17, the Partnership has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- there is a high degree of uncertainty about future levels of funding for local government. However, the Partnership has determined that this uncertainty is not yet sufficient to provide an indication that the level of service provision within

the Partnership will require to be materially changed; and

- the Partnership uses the Shetland Islands Council's financial management systems and processes, meaning most of its transactions, that is, payment of invoices and receipt of income are processed through the Council's bank account. This has a significant impact on the amounts recognised in the Cash Flow Statement, as it is limited to the transactions, interest and specific grant income, which are processed through the Partnership's bank account.

### Note 4: Events after the Balance Sheet Date

The audited annual accounts were authorised for issue on **26 September 2025**. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

There were no events which took place after 31 March 2025 which would materially affect the 2024/25 annual accounts.

## Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the CIES, recognised by the Partnership in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Partnership to meet future capital and revenue expenditure.

| 2024/25                                                                | Usable reserves<br>£ | Unusable reserves<br>£ |
|------------------------------------------------------------------------|----------------------|------------------------|
| <b>Adjustments primarily involving the Capital Adjustment Account:</b> |                      |                        |
| <b>Reversal of items charged to the CIES:</b>                          |                      |                        |
| Charges for depreciation of non-current assets                         | (35,931)             | 35,931                 |
| Charges for impairment of non-current assets                           | (27,465)             | 27,465                 |
| <b>Total Adjustments</b>                                               | <b>(63,396)</b>      | <b>63,396</b>          |

| 2023/24                                                                | Usable reserves<br>£ | Unusable reserves<br>£ |
|------------------------------------------------------------------------|----------------------|------------------------|
| <b>Adjustments primarily involving the Capital Adjustment Account:</b> |                      |                        |
| <b>Reversal of items charged to the CIES:</b>                          |                      |                        |
| Charges for depreciation of non-current assets                         | (8,428)              | 8,428                  |
| <b>Total Adjustments</b>                                               | <b>(8,428)</b>       | <b>8,428</b>           |

## Note 6: Financing and Investment Income and Expenditure

| 2023/24<br>£   |                                        | 2024/25<br>£   |
|----------------|----------------------------------------|----------------|
| 1              | Interest payable and similar charges   | 1              |
| (3,050)        | Interest receivable and similar income | (5,522)        |
| <b>(3,049)</b> | <b>Total</b>                           | <b>(5,521)</b> |

## Note 7: Taxation and Non-Specific Grant Income

| 2023/24<br>£       |                                                           | 2024/25<br>£       |
|--------------------|-----------------------------------------------------------|--------------------|
|                    | <b>Credited to Taxation and Non-specific Grant Income</b> |                    |
| (4,722,539)        | Shetland Islands Council Grant                            | (4,656,425)        |
| (131,750)          | Scottish Government Revenue Expenditure Grant             | (125,162)          |
| <b>(4,854,289)</b> | <b>Total</b>                                              | <b>(4,781,587)</b> |
|                    | <b>Credited to Services</b>                               |                    |
| (313,267)          | Scottish Government                                       | (312,119)          |
| <b>(313,267)</b>   | <b>Total</b>                                              | <b>(312,119)</b>   |

## Note 8: Property, Plant and Equipment

| Movements in 2024/25                                                                         | Property, Plant & Equipment<br>£ |
|----------------------------------------------------------------------------------------------|----------------------------------|
| <b>Cost or Valuation</b>                                                                     |                                  |
| <b>Opening Balance at 1 April 2024</b>                                                       | <b>84,282</b>                    |
| Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services | (44,926)                         |
| <b>Closing Balance at 31 March 2025</b>                                                      | <b>5,570</b>                     |
| <b>Depreciation and Impairment</b>                                                           |                                  |
| <b>Opening Balance at 1 April 2024</b>                                                       | <b>(20,840)</b>                  |
| Depreciation charge                                                                          | (8,428)                          |
| Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services | 17,461                           |
| <b>Closing Balance at 31 March 2025</b>                                                      | <b>(11,807)</b>                  |
|                                                                                              |                                  |
| <b>Net Book Value as at 31 March 2025</b>                                                    | <b>17,377</b>                    |
| <b>Net Book Value as at 31 March 2024</b>                                                    | <b>63,442</b>                    |

| Movements in 2023/24                      | Property, Plant & Equipment<br>£ |
|-------------------------------------------|----------------------------------|
| <b>Cost or Valuation</b>                  |                                  |
| <b>Opening Balance at 1 April 2023</b>    | <b>84,282</b>                    |
| <b>Closing Balance at 31 March 2024</b>   | <b>84,282</b>                    |
| <b>Depreciation and Impairment</b>        |                                  |
| <b>Opening Balance at 1 April 2023</b>    | <b>(12,412)</b>                  |
| Depreciation charge                       | (8,428)                          |
| <b>Closing Balance at 31 March 2024</b>   | <b>(20,840)</b>                  |
|                                           |                                  |
| <b>Net Book Value as at 31 March 2024</b> | <b>63,442</b>                    |
| <b>Net Book Value as at 31 March 2023</b> | <b>71,870</b>                    |

## Note 9: Short-term Debtors

| As at 31 March 2024<br>£ |                              | As at 31 March 2025<br>£ |
|--------------------------|------------------------------|--------------------------|
| 367,872                  | Central Government Bodies    | 202,057                  |
| 0                        | Shetland Islands Council     | 54,810                   |
| 7,318                    | Other Entities & Individuals | 5,950                    |
| <b>375,190</b>           | <b>Total</b>                 | <b>262,817</b>           |

## Note 10: Cash and Cash Equivalents

All cash held is due to the Shetland Islands Council for the provision of service. As at 31 March 2025, the Cash and Cash Equivalents balance is nil, as settled before the end of the year (2023/24: Nil).

## Note 11: Short-term Creditors

| As at 31 March 2024<br>£ |                              | As at 31 March 2025<br>£ |
|--------------------------|------------------------------|--------------------------|
| (11,574)                 | Central Government Bodies    | (8,533)                  |
| (209,198)                | Shetland Islands Council     | (2,443)                  |
| (154,418)                | Other Entities & Individuals | (251,841)                |
| <b>(375,190)</b>         | <b>Total</b>                 | <b>(262,817)</b>         |

## Note 12: Unusable Reserves

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis) and credited with the amounts set aside by the Partnership as finance for the costs of acquisition, construction and enhancement.

| 2023/24<br>£ |                                                                                           | 2024/25<br>£     |
|--------------|-------------------------------------------------------------------------------------------|------------------|
| (71,870)     | <b>Balance at 1 April</b>                                                                 | <b>(63,442)</b>  |
| 0            | Transitional adjustments between accounting basis and funding basis                       | (110,012)        |
| (71,870)     | <b>Adjusted balance at 1 April</b>                                                        | <b>(173,454)</b> |
|              | <b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b> |                  |
| 8,428        | Charges for depreciation of non-current assets                                            | 35,931           |
| 0            | Charges for impairment of non-current assets                                              | 27,465           |
| (63,442)     | <b>Balance at 31 March</b>                                                                | <b>(110,058)</b> |

### Note 13: Members' Expenses

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

| 2023/24<br>£ |                   | 2024/25<br>£ |
|--------------|-------------------|--------------|
| 1,237        | Members' expenses | 986          |
| <b>1,237</b> | <b>Total</b>      | <b>986</b>   |

### Note 14: Leases

In 2024/25, the Partnership applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements for the Partnership is recognition of right-of-use assets and that they are brought on to the Balance Sheet as at 1 April 2024.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures.

#### Partnership as lessee

The Partnership's lease contract comprises of two Britten-Norman BN2 Islander Aircraft which are used in the provision of the inter-Island air service.

### Right-of-use assets

The table shows the change in the value of right-of-use assets held under leases by the Partnership:

|                                         | Property, Plant & Equipment<br>£ |
|-----------------------------------------|----------------------------------|
| <b>Balance at 1 April 2024</b>          | <b>0</b>                         |
| Recognition of right-of-use assets      | 110,012                          |
| <b>Adjusted balance at 1 April 2024</b> | <b>110,012</b>                   |
| Depreciation charge                     | (27,503)                         |
| <b>Balance at 31 March 2025</b>         | <b>82,509</b>                    |

### Note 15: External Audit Costs

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

| 2023/24<br>£  |                                                                                                      | 2024/25<br>£  |
|---------------|------------------------------------------------------------------------------------------------------|---------------|
| 12,560        | Fees payable in respect of external audit services carried out by the appointed auditor for the year | 12,800        |
| <b>12,560</b> | <b>Total</b>                                                                                         | <b>12,800</b> |

### Note 16: 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 may have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to contract freely with them.

The Scottish Government is responsible for providing the statutory framework within which the Partnership operates. It provides some funding in the form of grants and prescribes the terms of many of the transactions that the Transport Partnership has with other parties. In 2024/25, The Scottish Government provided £0.125m to fund running costs of the Partnership (£0.132m in 2023/24).

Shetland Islands Council is responsible for funding the net expenditure of the Partnership under the Transport (Scotland) Act 2005. In 2024/25 the Council

provided £4.292m (£4.470m in 2023/24) to fund the delivery of the public transport service, £0.364m (£0.252m in 2023/24) of match funding for core running costs and £0.312m (£0.313m in 2023/24) specific grant funding. In addition, ZetTrans charged the Council £0.111m (£0.108m in 2023/24) for its use of the public bus service to transport pupils to school. ZetTrans does not employ its own staff and during 2024/25, Shetland Islands Council charged ZetTrans £0.277m (£0.347m in 2023/24) in respect of staff, supplies and other support services.

## Note 17: Accounting Policies

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

### A General Principles

The annual accounts summarise the Partnership's transactions for the 2024/25 financial year and its position at the year-end, 31 March 2025. ZetTrans' is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the accounts is principally historical cost. The accounts have been prepared on a going concern basis.

The Partnership will disclose material accounting policy information to aid the reader's understanding and interpretation of the information presented in the financial statements. Information is considered to be material if it might influence the decisions users make based on financial information about the Council. If immaterial items are included, they can interfere with decision making, because excessive detail may obscure the relevant information. Some items may qualify as material by nature or context regardless of their size.

### B Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular, income and expenditure in [www.zettrans.org.uk](http://www.zettrans.org.uk)

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

### C Cash and Cash Equivalents

Cash is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours. The Cash Flow Statement details cash inflows and outflows, that is, cash received in to and paid out of the Partnership's bank account and consists of interest and grants. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. All other cash flows are processed through the Shetland Islands Council bank account, and therefore are not included in the Partnership's Cash Flow Statement.

### D Changes in accounting policies

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

For IFRS 16, the Code specifies for lessees that restatement to reflect the new arrangements is required retrospectively but with the cumulative effect of initially applying IFRS 16 recognised at the date of initial application. The balance at the date of initial application is adjusted to include the restated balances. The Code removes any need to restate comparative figures for the year prior to initial application.

### E Charges to Revenue for Non-Current Assets

Depreciation and impairment losses attributable to the assets used by the Partnership, is charged to the CIES to record the cost of holding non-current assets during the year. The partnership is not required to fund depreciation or impairment losses so is balanced by

way of an adjusting transaction with the capital adjustment account.

## F Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the annual accounts are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the financial year, whereby the annual accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the financial year, whereby the annual accounts are not adjusted to reflect such events; where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the annual accounts.

## G Government Grants and Contributions

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

Amounts recognised as due to the Partnership are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the CIES.

## H Leases

### The partnership as lessee

The Partnership classifies contracts as leases based on their substance. Contracts and parts of contract, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 *Leases* to include arrangements with nil consideration, peppercorn or nominal payments.

The only lease arrangement which the Partnership has is for nil consideration.

### Initial measurement

The Code requires the right-of use asset acquired under a lease that does not have commercial payment terms to be accounted for as a donated asset. This circumstance will arise where rents are for a nil consideration.

The right-of-use asset is uplifted to fair value and credited as a gain in the surplus or deficit on the provision of services. As a capital transaction the impact of the gain is neutralised by statutory reversals.

### Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model and is carried at a revalued amount. In these financial statements assets held under nil consideration lease are valued at existing use value.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

### Lease expenditure

Expenditure in the CIES includes straight-line depreciation. Rentals for leases of low value or shorter than 12 months are expensed.

## I Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

## Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Partnership and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any cost attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority).

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the CIES.

Assets are then carried in the Balance Sheet at current value, determined as the amount that would be paid for the asset in its existing use value.

## Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- the carrying amount of the asset is written down against the relevant service lines in the CIES; and

- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## Depreciation

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life and assets that are under construction.

Depreciation is calculated annually, using the straight-line method. There is no depreciation charged in the year of acquisition of an asset but a full year is charged in the year of disposal. The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Vehicles, plant, furniture and equipment: 1 - 10 years.

## J Reserves

Reserves held on the Balance Sheet are classified as either usable (available to support services) or unusable (required to facilitate accounting requirements). The Partnership operates an unusable reserve - the Capital Adjustment Account.

## K Value Added Tax

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