

Briefing Note Template

Elected Member Briefing – Ferry Grant and Use of Reserves

Elected Member Briefing Note Ref. No. 2026-45

Briefing by: Paul Fraser, Interim Director of People and Resources

Date: 14/10/2026

Subject: Ferry Grant and Use of Reserves

Public / ~~Exempt~~ / Confidential

if exempt or confidential explain risks and consequences.

Purpose

This briefing note is to provide a summary of the historic impact of the ferry grant in particular on use of reserves.

Background

A question has been raised as to why the Council's financial position has not improved significantly despite the increase in ferry grant funding. This note explains how the additional funding has been offset by growth in other Council service costs.

Key points

The increase in ferry grant did not result in a corresponding improvement in the Council's overall financial position. While the Council no longer needed to contribute around £6m annually towards ferry operations, growth in other service budgets averaged £8.3m per year between 2021/22 and 2025/26, more than absorbing the funding released.

This note provides a simplified overview of a complex budget position and is intended to illustrate the key financial movements. This is hopefully helpful as an overview but this can be picked up at a future finance seminar to work through.

Overview

The attached summary describes the movements from 21/22 to 25/26. The first point to note is that we did not go from £0 to £23m overnight. Our historic budget always contained an element of contribution to ferry costs. In 2021/22

we received £10.784m plus we topped up with £5.983m of our own funds. Overall we drew £29.428m from reserves.

In 2022/23 we received £17.289m of ferry grant so were able to save the £5.983m we had spent in the previous year. Meanwhile other elements of the budget grew by £9.075m, our use of reserves grew by a further £4.123m.

In 2023/24 ferry costs grew to £23.082m matched by the grant, costs increased by a further £9.071m, our grant increased by £4.315m so our use of reserves grew by a further £4.756m.

Across the period 21/22 to 25/26 care costs have risen by 46% (£22.773m to £33.128m), Childrens Services by 29% (£49.352m to £63.742m) and ferry costs have risen by 47% (£16.767m to £24.679m)

The key point is that increased ferry grant has not accumulated within reserves or provided a direct financial windfall. The funding released from ferry operations has been absorbed by increasing demand and cost pressures across Council services. Between 2021/22 and 2025/26 overall General Fund expenditure increased by £33.217m (27%), equivalent to average annual growth of £8.304m per year.

Last modified on: 14/10/2026

Contact Details:

Paul Fraser, Interim Director of People and Resources

07385 965198

Paul.fraser@shetland.gov.uk

Please return this form to memberssupport@shetland.gov.uk to be logged and circulated to all Councillors.

END

Shetland Islands Council
Budget Growth Analysis – 2021/22 to 2025/26

All ferry grant expenditure which was fully grant funded, is not included in Table 1. This is shown in Table 2 for information. This enables analysis of the rest of the Council budgets over the period to demonstrate that although the additional ferry grant was received, the General Grant Funding freed up was fully used for additional growth across the rest of the Council.

The two grey columns show the budgets at the beginning and the end of the period under analysis, with the growth only shown in the columns between.

Table 1 - General Fund	21/22 Budget	22/23 Growth	23/24 Growth	24/25 Growth	25/26 Growth	25/26 Budget	4 Year Total Growth	4 Year Total Growth	Average Annual Growth	Average Annual Growth
	£000	£000	£000	£000	£000	£000	£000	%	£000	%
Chief Executive	1,899	196	-56	-25	174	2,188	289	15	72	4
Children's Services	49,352	4,387	2,930	2,723	4,350	63,742	14,390	29	3,598	7
Community Health & Social Care	22,733	2,920	1,073	4,653	1,749	33,128	10,395	46	2,599	11
Corporate Services	11,748	334	467	276	1,602	14,427	2,679	23	670	6
Development Services	15,779	101	1,228	876	647	18,631	2,852	18	713	5
Infrastructure Services	18,930	1,206	1,242	1,881	642	23,901	4,971	26	1,243	7
Ferry Operations expenditure part funded in 21/22 leaving a balance of ferry expenditure to be funded by General Revenue Grant. Saving in 22/23 on receipt of full ferry grant	5,983	-5,983				0	-5,983			
Other Income & Exp	-3,726	-69	2,187	2,857	-1,351	-102	3,624	-97	906	-24
Total General Fund Net Expenditure	122,698	3,092	9,071	13,241	7,813	155,915	33,217	27	8,304	7
General Grant Funding/Ctax	-93,270	1,031	-4,315	-5,651	-9,793	-111,998	-18,728	20	-4,682	5
Draw on Reserves	-29,428	-4,123	-4,756	-7,590	1,980	-43,917	-14,489	49	-3,622	12
Total General Fund Income	-122,698	-3,092	-9,071	-13,241	-7,813	-155,915	-33,217	27	-8,304	7

Table 2 - Ferry Spend & Funding Removed from above table from rows:	21/22	22/23	23/24	24/25	25/26	25/26 Budget
	£000	£000	£000	£000	£000	£000
Development Services	325	325	404	524	570	570
Infrastructure Services	8,975	15,385	19,780	18,266	19,777	19,777
Other Income & Exp (Ferry Ops Support Costs)	1,484	1,579	1,668	1,881	2,138	2,138
Sub-Total Revenue Expenditure	10,784	17,289	21,852	20,671	22,485	22,485
Funded by Ferry Grant	-10,784	-17,289	-23,082	-23,112	-24,679	-24,679
Balance of funding	0	0	-1,230	-2,441	-2,194	-2,194
Allocated to Ferry Operations capital maintenance			1,230	2,441	2,194	2,194
Remaining Balance	0	0	0	0	0	0

Explanatory Notes:

2021/22 Budget

This column shows the full Council General Fund budget for the year. In this year the Ferry Grant was only part funding of the Ferry Operations budget therefore £5.983m was still funded by the General Revenue Grant/Reserves. The Ferry Grant which was received was £10.784m which was effectively used to reduce the draw on reserves from £40.212m to £29.428m in the year.

2022/23 Growth

This column shows the growth from the 21/22 budget to the 22/23 budget. As the Ferry Grant fully covered the Ferry Operations costs in the year, the amount which was not funded in the previous year of £5.983m could be used to offset other service budgets in the year. As there was growth of £9.075m (all other services added together) it was used to offset that growth.

In the following 3 years the services budgets (excluding Ferry Operations) have grown by:

2023/24 - £9.071m

2024/25 - £13.241m

2025/26 - £7.813m

2025/26 Budget

This column shows the full Council General Fund budget for the year which can be used to show the difference between the 2021/22 budget and the 25/26 budget. This shows that net expenditure increased by £33.217m over the 4-year period from 2021/22 which is a 27% increase. That is an average annual growth rate of £8.304m per year or 7%. This budget required a draw on reserves of £43.917m.