Briefing Note

Elected Member Briefing – Council Expenditure and Scottish Government Funding

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About this Briefing Note
Briefing by: Paul Fraser, Interim Director of People and Resources
Date: 22/10/2026
Subject: Council Expenditure and Scottish Government Funding

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if exempt or confidential explain risks and consequences.

Purpose

This briefing note responds to a request to compare the Council's planned expenditure with the funding received from the Scottish Government and to show, as far as reasonably possible, how that funding relates to individual Council services.

Background

The Council's 2026/27 General Fund budget is £189.406 million. It is funded through £127.729 million of Scottish Government funding, including General Revenue Grant, specific grants and Non-Domestic Rates; £13.537 million of Council Tax; £2.446 million of DEFRA grant and planned use of reserves of £45.694 million.

Most Scottish Government funding supports the Council's budget as a whole and is not separately earmarked for individual services. It is therefore not possible to say precisely how much of the funding received relates to each directorate.

The Scottish Government does, however, publish information on Grant Aided Expenditure, or GAE. This is part of the national formula used to distribute funding between councils and provides a basis for comparing the Government's acknowledgement of spending need with the Council's planned expenditure.

Key points

The Council's 2026/27 General Fund budget is approximately 69% funded by the Scottish Government, 7% by Council Tax and 24% through planned use of reserves.

GAE is not a separate grant or an amount which the Council is required to spend on a particular service. It is part of the methodology used by the Scottish Government to determine the overall funding distributed between councils.

Finance officers have mapped the available GAE information and other elements of the funding formula to Council services. Where funding relates to more than one service, reasonable assumptions have been used to allocate it.

Central and corporate support costs have also been allocated across the four main service directorates to allow a more meaningful comparison.

The exercise provides a reasonable indication of how the Council's spending pattern compares with the Scottish Government's funding formula. It does not provide an exact reconciliation of grant received and money spent.

Overview

The analysis maps £136.258 million of GAE and related funding-formula elements across Council services. This is not the same as the Council's actual Scottish Government funding of £127.729 million. The figures are calculated on different bases and should not be compared as though they represent the same funding total.

After allocating central and corporate support costs across the main services, the analysis shows:

- **Children's Services:** planned expenditure of approximately £76.526 million compared with an indicative GAE and funding-formula allocation of £53.627 million, a difference of approximately £22.900 million.
- **Community Health and Social Care:** planned expenditure of approximately £42.753 million compared with an indicative allocation of £23.566 million, a difference of approximately £19.186 million.

- **Development Services:** planned expenditure of approximately £21.107 million compared with an indicative allocation of £8.739 million, a difference of approximately £12.368 million.
- **Infrastructure Services:** planned expenditure of approximately £49.021 million compared with an indicative allocation of £50.326 million. On this basis, the indicative allocation is approximately £1.305 million greater than planned expenditure.

The Infrastructure position is influenced particularly by the significant provision for inter-island connectivity within the funding formula.

The figures do not mean that individual services are formally overfunded or underfunded. They show where the Council's spending decisions differ from the assumptions within the national funding formula. The Council's actual budgets reflect local circumstances, service demands and decisions about local priorities.

Conclusion

It is not possible to exactly match Scottish Government funding to individual services because most of the funding received supports the Council's budget as a whole.

However, the analysis provides a useful comparison between the Council's planned expenditure and the service assumptions incorporated within the Scottish Government's funding formula.

It shows that the Council spends proportionately more on Children's Services, Community Health and Social Care and Development Services than is reflected in their indicative GAE and funding-formula allocations. Infrastructure Services receives a comparatively greater share of the formula allocation, largely reflecting the treatment of inter-island connectivity.

This does not, by itself, show that services are overfunded or underfunded. It illustrates the difference between a national formula for distributing funding and the Council's local spending needs and priorities.

Subject to further refinement, it is intended that this analysis will form part of future Medium-Term Financial Plan reporting. Where comparable information is available, historic analysis will also be developed. This will enable Members to monitor how expenditure, Scottish Government funding and local funding requirements change over time and to understand the reasons for significant movements.

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