
News release on behalf of the Accounts Commission

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Shetland facing £134m budget gap

Urgent action is needed by Shetland Islands Council to address a £134.3 million projected budget gap by 2029/30.

The council has strong services and a clear vision. But it continues to rely on its large reserves to balance its budget. This is unsustainable and councillors and officers need to take a more strategic, long-term approach to achieving financial balance.

The council has improved its performance management arrangements over the last three years, as well as its engagement with the local community on budget priorities. But auditors remain concerned about the pace at which the council is delivering its change programme.

Shetland has also been slower than other councils in adopting digital technology to support staff and help deliver services.

Andrew Burns, Deputy Chair of the Accounts Commission said:

‘People living on Shetland are getting a good service right now and we’ve seen some improvements in how the council is run since we last reported.

‘But the council continues to draw on its reserves to balance its budget. That’s unsustainable and will impact future generations if not addressed.

‘We’re calling on the council to urgently increase the pace of its change programme and prioritise the actions that will help it achieve financial sustainability in the medium to long term.’

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Notes to Editor:

1. The Accounts Commission last report on Shetland Islands Council in [2022](#).
2. Shetland Islands Council’s usable reserves were over £403 million in 2023/24 and over £373 million in 2024/25. However, excluding unrealised investment gains of £120.7 million, the General Fund balance fell to £113.9 million by 31 March 2025. And only £48.5 million of the £113.9 million was unearmarked.
3. The council’s 2025/26 budget included a £43.9 million deficit to be funded from reserves. This is £20.9 million above the sustainable level of General Fund draw according to the council’s own assessment.
4. This report reflects the Accounts Commission’s approach to Best Value. It is fully integrated into annual audit work, reported in Annual Audit

Reports, and includes detailed work each year on a national theme. For 2024/25 the national theme was transformation.

5. The Controller of Audit will report to the Accounts Commission on each council's performance on their duty of Best Value at least once over the five-year audit appointment. The Commission will then choose how it wishes to respond.

6. All reports by the Accounts Commission and Auditor General published since 2000 are available at www.audit.scot

- The Accounts Commission is the public spending watchdog for local government. It holds councils and various joint boards and committees in Scotland to account and help them improve. It operates impartially and independently of councils and of the Scottish Government, and meets and reports in public.
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.

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