

ABERDEEN CITY COUNCIL

COMMITTEE	Council
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REPORT TITLE	General Fund Revenue Budget 2026/27, Capital Programme 2026/27 to 2030/31, Common Good and Carbon Budgets 2026/27
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CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Jonathan Belford
TERMS OF REFERENCE	1 and 2

1. PURPOSE OF REPORT

- 1.1 This report sets out the Council's proposed General Fund revenue budget for 2026/27, the Council Tax rate for the year commencing 1 April 2026, and the five-year capital programme to 2030/31, including the Carbon Budget and Common Good Budget. It enables Council to fulfil its statutory responsibility to set a balanced budget, while determining how resources are allocated to deliver services, manage financial risk and support the Council's strategic priorities.
- 1.2 The 2026/27 budget is being prepared in a challenging and uncertain financial environment. The Council continues to face sustained pressures arising from inflation, pay awards, and rising demand for services, particularly in social care, homelessness and children's services. While the Scottish Government settlement provides additional funding, this does not fully meet the underlying growth in costs and demand, requiring Council to make careful and deliberate choices.
- 1.3 In this context, the report presents options for recurring income, savings and service redesign, alongside proposals for the protection of reserves. It also sets out a five-year capital programme that reflects the Council's Risk Appetite Statement and the requirement that capital investment remains affordable, prudent and sustainable, given rising borrowing costs and construction inflation.
- 1.4 In reaching its decisions, Council is required to have due regard to the Financial Resilience Framework, Medium-Term Financial Strategy, Risk Appetite Statement, and the Integrated Impact Assessments, including the feedback from public consultation.
- 1.5 Approving a balanced budget is essential. It is a legal requirement, but it is also fundamental to supporting the Council's financial sustainability, avoiding reliance on one-off or unsustainable funding solutions, and ensuring the organisation is able to manage financial risks that remain outside its direct control.

2. RECOMMENDATIONS

It is recommended that Council:

2.1 Balance Sheet Recommendations

- 2.1.1 Note the projected balance sheet position including the reserves as at 31 March 2026, shown at Appendix 1;
- 2.1.2 Agree that the Council needs to find recurring funding solutions to meet recurring costs while retaining prudent reserves that will be available should they be needed, particularly given the wide range of financial risks that remain outside the control of the Council;
- 2.1.3 Note that the Council's Risk Appetite Statement reflects a cautious appetite for longer term capital and financial investment, and remains averse to risks associated with impairing financial stewardship, internal controls, and financial sustainability;
- 2.1.4 Give due regard to the Council's Financial Resilience Framework measures, included at Appendix 2, and Prudential Indicators, at Appendix 3, when setting Council Tax and the Revenue and Capital budgets;
- 2.1.5 Approve the Prudential Indicators as attached at Appendix 3 and agree to limit the annual Cost of Financing Capital at 12% of projected Net Revenue;
- 2.1.6 Approve the General Fund Capital Programme as attached at Appendix 4;
- 2.1.7 Consider the capital projects described in Appendix 5, which were referred to the General Fund budget process;
- 2.1.8 Approve the Revenue and Capital Reserves Statement for 2026/27 as detailed in Appendix 6, which identifies that the minimum recommended uncommitted General Fund Reserve should be £13.7m; and
- 2.1.9 Continue to retain the Service Concession Reserve to support the commitment to no compulsory redundancies, as a funding source for continued use of the voluntary severance / early retirement scheme (VSER).

2.2 Medium-Term Financial Projections

- 2.2.1 Note the forecast medium-term financial projection for the period ending 31 March 2031 as shown in paragraph 5.18; and
- 2.2.2 Note the Chief Officer – Finance will refresh the Medium Term Financial Strategy (MTFS) and report to the Finance & Resources Committee no later than December 2026 in line with the requirements of the budget protocol.

2.3 Risks

- 2.3.1 Note the Aberdeen City IJB had used all of its available reserves by 31 March 2025;
- 2.3.2 Give due regard to the scenarios that Aberdeen City IJB ('Upside' £0m; 'Central' £5m; and 'Downside' £10m) faces and the potential for financial exposure in 2026/27 that will mean the Council is prepared in the event of a budget deficit crystallising;
- 2.3.3 Acknowledge that the Aberdeen City IJB Integration Scheme determines the methodology for financial contributions from partners in the event of an in-year deficit being recorded, and this split is approximately 61:39 (NHSG/ACC);
- 2.3.4 Agree that the Council exposure to the scenarios is 'Upside' £0m; 'Central' £2m; and 'Downside' £4m and that the Council should ensure that a minimum of £2m of financial risk is addressed on a recurring basis in setting the General Fund budget for 2026/27;
- 2.3.5 Note the ongoing exposure that the local government sector has to inflation, with CPI standing at 3.4% in December 2025, and remaining above the Bank of

England's 2% target going into early 2026, with the Bank projecting inflation to fall back towards target from April 2026;

2.3.6 Note the extent of contingent liabilities described in Appendix 13; and

2.3.7 Instruct the Chief Officer – Finance, to monitor the delivery of the approved budget and advise the Finance and Resources Committee of any in year changes required via the Financial Performance reports.

2.4 Annual Revenue Budget Recommendations

2.4.1 Note, that on a like for like basis, the 2026/27 Local Government settlement has resulted in the Council receiving an additional £1.868m of revenue funding being awarded from the current year;

2.4.2 Note that the conditions outlined by the Scottish Government within the Local Government Finance Settlement for 2026/27 are met by the proposals set out in the report;

2.4.3 Note that the General Fund budget has £4m of in-year contingencies included to provide for unknown risks that may arise during the year, this represents only 0.6% of the net budget, which leaves the smallest of margins when operating c.£1bn of gross expenditure per annum;

2.4.4 Approve the savings and redesign of Council services to address demand, and to set at least a balanced budget for financial year 2026/27, having due regard to the:

- a) Budget Model as contained in paragraph 5.18 that identifies a revised funding shortfall of £11.022m for 2026/27.,
- b) Revenue and Capital Reserves Statement, that sets out the Council should maintain uncommitted General Fund balances of between a minimum of £13.7m and £39m;
- c) Savings options and cost of implementation put forward in Appendix 8, noting the approved Fees and Charges for 2026/27 shown in Appendix 9;
- d) Convention of Scottish Local Authorities (COSLA) commitment to 1% of the budget being subject to participatory budgeting;
- e) Revenue items referred to the budget process, as shown in Appendix 10;
- f) Council's Risk Appetite Statement; and
- g) Public Sector Equality Duty and the Integrated impact assessments provided, including the feedback and responses to the Budget Consultation, a summary of which is shown in Appendix 17.

2.4.5 Approve funding awards for the Cultural Investment Framework for 2026/27, and indicative funding for the following year;

2.4.6 Note the Commissioning Intentions and approve the Service Standards as shown in Appendix 11; and

2.5 Annual Revenue Budget Recommendations – Aberdeen City Council Group

2.5.1 Approve the level of funding for the Aberdeen City Health & Social Care Partnership IJB 2026/27 to meet the conditions of the Scottish Government Financial Settlement, with reference to paragraph 6.8, and to note the financial scenarios for 2026/27 that apply to the Aberdeen City IJB, considering the implications for the Council and noting that the IJB will determine how it will balance its budget in March 2026;

2.5.2 Note the 2026/27 approved fees and charges for the Aberdeen City Health & Social Care Partnership IJB, as shown in Appendix 9;

2.5.3 Approve the level of funding for the Council's other group entities and Arm's Length External Organisations (ALEOs), in 2026/27 with reference to paragraph 6.8; and notes that it will be for the ALEOs themselves to determine how they will balance their budgets; and

2.5.4 Note there will be no surplus from NYOP Education (Aberdeen) Ltd from the financial year 2024/25 to disburse to charities.

2.6 Taxation Recommendations

- 2.6.1 Acknowledge that the Local Government Settlement for 2026/27 contains no conditions on the setting of Council Tax;
- 2.6.2 Increasing the rate is a council decision made at budget setting time, the Band D rate has therefore not been increased in any scenario within the MTFS. The budget decision will provide a solution to address the scenarios. The approved MTFS sets an expectation that Council Tax income will be increased annually to reflect a real terms increase, and while there is no imposed Council Tax cap now applied to the rate by Scottish Government, this support the funding of the rising cost of services and inflation in pay and prices that cannot be absorbed by the Council..
- 2.6.3 Approve a Band D equivalent Council Tax rate of up to £1,769.30 (8.13% increase), with effect from 1 April 2026;
- 2.6.4 Impose and levy Council Tax assessments for the period 1 April 2026 to 31 March 2027 on all chargeable dwellings in Aberdeen City to be paid by the persons liable therefor under the Local Government Finance Act 1992, as amended by the Local Government etc. (Scotland) Act 1994;
- 2.6.5 Approve the discretionary Council Tax Allowance (CTA) scheme for Aberdeen City Council, as detailed in Appendix 16.
- 2.6.6 Note that the Council implements revisions to the national Non-Domestic Rates (NDR) scheme as defined by the Scottish Government within the relevant legislation and Finance Circulars, with effect from 1 April 2026;
- 2.6.7 Approve an Empty Property Relief Scheme for Aberdeen City with effect from 1 April 2026, as set out from paragraphs 5.29; and
- 2.6.8 Impose and levy Non-Domestic Rates assessments for the period 1 April 2026 to 31 March 2027 on all occupiers in Aberdeen City to be paid by those liable.

2.7 Integrated Impact Assessments

- 2.7.1 Consider the IIAs prepared by officers which reflect the findings from the public engagement on the budget, including face to face and targeted sessions with individuals and those that represented people with protected characteristics, and the requirements under section 149 of the Equality Act, as set out in the Legal Implications section, which should be applied in respect of a balanced budget for the year 2026/27;
- 2.7.2 Thank all the members of the public that took the time and made the effort to participate and engage in our public consultation during 2025.

2.8 Common Good Budget 2026/27

- 2.8.1 Consider and approve the Common Good Budget 2026/27 as detailed in Appendix 15; and
- 2.8.2 Note the timeline for review of the Common Good assets, and that this will be reported back to Council as part of the 2027/28 Budget setting process.

2.9 Carbon Budget 2026/27

- 2.9.1 Consider and approve the Carbon Budget 2026/27 report recommendations, which are as follow:
 - 2.9.1.1 Approve the Council Carbon Budget 2026/27 including carbon target for 2026/27 of 20,714 tonnes of carbon dioxide equivalent (tCO₂e) and note the provisional 5 year carbon budget forecast to 2030/31 (as detailed in Figure 1 of the report).
 - 2.9.1.2 Instruct the Chief Officer - Strategic Place Planning to update the carbon budget forecast position, where required, following publication of UK Government Greenhouse Gas reporting conversion factors, around June 2026.

- 2.9.1.3 Note the indicative allocation of carbon emissions by Function/ Cluster, as shown at Figure 3 of the report.
- 2.9.1.4 Instruct the Chief Officer - Strategic Place Planning to liaise with relevant Chief Officers, to realign the allocation of carbon emissions where required by changes to services or as a result of final budget decisions made at the Council budget meeting.
- 2.9.1.5 Note that Scottish Government has introduced a carbon budget approach and in 2025, set the levels for five-yearly carbon budgets covering 2026-2045, which limit the amount of greenhouse gases that can be emitted in Scotland.
- 2.9.1.6 Instruct the Chief Officer – Strategic Place Planning to incorporate the requirements of forthcoming change (as indicated in paragraph 3.27 of the report), where applicable, in the refresh of the Council Climate Change Plan

3. FINANCIAL RESILIENCE OF COUNCIL

- 3.1 It has never been as important to be financially resilience as it is now.
- 3.2 This is because Council finances are under pressure from new and enduring financial risks. The Budget Protocol and Budget Update report to Council [CORS/25/070] and the quarter 3 financial performance report to Finance and Resources Committee [CORS/26/022] drew attention to the key ones.
- 3.3 It is even more important that the Council remain vigilant and pro-active in the management of these financial risks, ensuring that the Council is prepared to address what is continuing to be a very volatile and complex financial environment.
- 3.4 Therefore, in the context of setting the 2026/27 Budget it is particularly important to identify and incorporate plans to mitigating those risks. The following paragraphs draw out the main implications for the Council arising from risks that include the Aberdeen City IJB financial forecasts, the shortfall in funding, pay and inflationary environment and ongoing need and demand for Council services, particularly in children services and homelessness.

Aberdeen City Integration Joint Board (IJB)

- 3.5 The IJB had additional funding approved by its partners for financial year 2025/26, a total of £10.9m being secured to support the financial position of the IJB, following a challenging operational and financially draining year. The IJB ended the last financial year (2024/25) with no reserves, and drew down funding from partners to balance the budget. For 2025/26 the IJB is receiving support from the Council of £4.2m and NHS Grampian £6.7m, resulting in the savings target to balance the budget was substantially lower than would otherwise have been the case. This additional funding is only secure for the single year.
- 3.6 The full year forecast for the IJB this year (2025/26) is, at Quarter 3, positive with a small underspend of £1.1m, against a gross budget of £465m. This provides assurance that the IJB has taken control of the expenditure and taken action to reduce the underlying costs. This does not mean, however, that the IJB is financially sustainable, as it faces expenditure that remains higher than the baseline funding that each partner is able to commit to. The removal of the additional £10.9m in funding, also creates the scenario where recurring savings will have to be found to mitigate that loss of funding, on top of the annual difference between funding increases and cost pressures.

- 3.7 The drivers for expenditure include inflationary pressures and demand pressures. Examples of which are:
- Pay awards that are beyond previous estimates for both NHS Grampian and Council staff;
 - The full year impact of inflationary pressures applied during the year;
 - National Care Home Contract Rate (NCHCR) (Nursing Care), likely to be >5% in 2026/27;
 - Real living wage increase from April 2026 of 6.7% impacting commissioned services;
 - Sustained demand for social care services where need is 'high' or 'urgent';
 - Unplanned Out of Area Placement;
 - Care packages for children transitioning to adults that remains high;
 - Prescribing costs that are projected to rise both in cost and need.
- 3.8 The Scottish Budget for 2026/27 does result in both the Council and NHS Grampian being directed to increase funding to the IJB, such that some of these rising costs will be able to be met, but it does not provide for the underlying or needs that will have to be spent. In light of the need to set a balanced budget for 2026/27, a huge amount of work has done by the IJB officers in respect of financial planning and preparation for another year of significant savings, particularly to mitigate the removal of the additional 2025/26 funding. This has included public consultation on savings options that took place in November and December 2025. The IJB will meet on 17 March 2026 to consider its budget.
- 3.9 Despite the undoubted determination and action taken by the Chief Officer and Senior Leadership Team, the delivery of a balanced budget is not without risk. The greatest challenge for the IJB will be the nature and timing of the savings that are planned, with savings having to be delivered on an ongoing basis across the full year. This means that there may be a difference between what's planned and what is actually delivered by way of savings. This risk sits alongside the in-year pressure from need across the whole system.
- 3.10 In a similar approach to last year the Council, in conjunction with NHS Grampian and the IJB has considered a number of scenarios in respect of the potential financial exposure that Partners might have in the year ahead. These scenarios have been based on most recent, Quarter 3, data and analysis and on an Upside, Downside, Central scenario basis, the following should be considered carefully in setting the Council budget for 2026/27.

2026/27 Scenario	IJB Total Underlying Funding Requirement £'000	ACC approx. share (40%) £'000	2026/27 ACC Funding Options	NHS approx. share (60%) £'000
Upside	0	0	Passport recommended funding to IJB only.	0
Central	5,000	2,000	In-year Revenue Budget allocated – Council Tax increase or Savings Options agreed; and Earmarked Reserves set aside.	3,000
Downside	10,000	4,000	In-year Revenue Budget allocated – Council Tax increase or Savings Options agreed; and Earmarked Reserves set aside.	6,000

- 3.11 The Council provides approximately 40% of the underlying core funding that the IJB has at present, therefore any consideration of funding increases should take

this into account. The Integration Scheme determines that funding proportionality is the basis on which any financial deficit will be split between the two partners, NHS Grampian responsible for approximately 60%.

- 3.12 The Council needs to actively prepare and provide for the above scenarios, but it should recognise the continuing challenge that the IJB has to balance its budget. Ultimately the Council (and NHS Grampian) may have to fund a position that is different from what is planned. The greater the preparation to manage the risks the greater the resilience the finances of the Council will have.
- 3.13 The Council should give careful consideration to the scenarios above, and recognise the risks around the delivery of a balanced budget by the IJB in 2026/27. While the IJB plans to achieve a balanced position there is limited flexibility and no safety net from the IJB having any Reserves.
- 3.14 Ultimately the Council (and NHS Grampian) may have to fund a position that is different from what is planned. The greater the preparation the greater the resilience of Council finances.

Price Inflation / Supply Chain Volatility

- 3.15 A combination of global and domestic factors has continued to drive elevated inflationary pressures and sustained volatility across key supply chains. Although the extreme spikes seen during 2022 have eased, higher-than-expected costs persist across many commodities, continuing to negatively affect the delivery of capital projects and increasing revenue expenditure for services and procurement activity.
- 3.16 Recent inflation data shows that UK CPI stood at 3.4% in December 2025, rising from 3.2% in November, with significant contributions from increased alcohol, tobacco and transport costs. These pressures, along with ongoing supply-chain disruptions, mean pricing volatility remains embedded across multiple sectors.

Financial Resilience Framework

- 3.17 Financial resilience in the Council remains crucial for the successful continuation of the Council and delivery of the wide range of services it needs to carry out. To assist, the Council has adopted a financial resilience framework to understand its underlying financial position and highlight where action is required or considered. The framework uses data from three categories: availability, creation, and longevity of resources. The latest data is available from the audited Annual Accounts for 2024/25, see Appendix 2.
- 3.18 Availability of resources: The Council had a strong position in terms of usable reserves and working capital at the end of March 2025, despite the financial climate in which it is operating, and maintained an appropriate value of uncommitted reserves, in line with Council approvals. The council has approved the use of some of its reserves to balance the budget in 2025/26.
- 3.19 Creation of resources and gearing: The Council's capital investment was affordable, thanks to low interest rates and prudent accounting policies. However, the cost of future debt has risen due to the Bank of England increasing interest rates to manage inflation, and inflation having an impact on Bond repayments. The council's net worth was £1.4bn after accounting for the debt owed.

- 3.20 Longevity and trends in resources: The Council faces the challenge of balancing the budget, approving savings, and allocating resources to deliver on its strategic objectives, such as the Local Outcome Improvement Plan and Partnership Agreement. The Council's financial resilience is underpinned by its assets and reserves, however the future of income sources improving are limited given Local Government reliance on Scottish Government funding for the delivery of services.
- 3.21 Usable and unusable reserves: The Council's usable reserves were the accumulated funds that could be used for future purposes or emergencies. They were divided into earmarked, uncommitted, and statutory funds. The Council has a robust reserves statement to measure the risks and potential liabilities. The unusable reserves are not available for Council use.

4. FINANCIAL OUTLOOK FOR CURRENT FINANCIAL YEAR

- 4.1 Before considering the financial position for 20226/27, it is worth a brief re-cap on the financial outlook for the current financial year.

2025/26 Balance Sheet Position

- 4.2 The position as at 31 March 2025 per the audited 2024/25 accounts showed the Council was worth £1.2 billion. The projected balance sheet position at 31 March 2026 is shown in Appendix 1 and estimates the net worth of the Council will be maintained around £1.2 billion by the end of the year. The projected position excludes any revaluations of its land and property assets and movements in liabilities such as pensions which are only reviewed and updated at year end for inclusion within the annual accounts. The Balance Sheet provides information on the currently projected level of reserves and balances held by the Council at 31 March 2026.

2025/26 Revenue Position

- 4.3 At its meeting on 10 February 2026, the Finance and Resources Committee considered the Council's Quarter 3 Financial Performance report.
- 4.4 That report highlighted the continuing challenges and risks facing the Council that includes global, national, and local conditions.
- 4.5 Based on the known financial parameters and assumptions, including receiving additional funding from the Scottish Government in-year to implement the national pay award, the Council is expected to deliver in line with budgets set for 2025/26, but this will not be without continued effort and action, including the expectation that some savings will only be delivered later in year.
- 4.6 In the Quarter 2 Financial Performance Report in November 2025 it was highlighted that there are no Reserves now retained by the IJB, if the IJB does not achieve the savings by 31 March 2026, or if there are unplanned costs, such as from increased demand, then the Council (and NHS Grampian) will be required to fund a deficit position for the year to bring it back to a balanced position. At Quarter 3 that narrative remained constant that the IJB will achieve a balanced position if the savings are delivered as per the plans in place to achieve these.

5. ANNUAL GENERAL FUND REVENUE BUDGET FOR 2026/27

5.1 Short-term financial planning is, in essence, the setting of a balanced budget for the forthcoming financial year as well as determining the level of Council Tax. These are statutory requirements placed on the Council. The short-term planning requires the translation of the financial settlement into the annual financial plan for the council.

Scottish Government Financial Settlement 2026/27

5.2 The documents from the Scottish Government, have the following messages emphasised:

- Record-level funding for local government (£15.7bn).
- Further baselining of previously one-off or in-year transfers, increasing core funding flexibility.
- Increased focus on reform, efficiency, and the Verity House Agreement commitments.
- Major changes in social care funding, pay uplifts, and expectations on Integration Joint Board (IJB) budget contributions.

5.3 In respect of the overall Funding Settlement for Scotland

- **Total Settlement:** *Almost £15.7bn*, including revenue and capital support.
- **Revenue Funding:** £14.99bn distributable.
- **Capital Funding:** £681.4m (reduction due to expiration of time-limited streams).
- **Baselined Funding:** Additional **£773.8m** now in General Revenue Grant (GRG), contributing to £2.3bn baselined since 2024–25.

5.4 Specific Revenue Allocations within the Settlement

- **£253.9m** – additional GRG for local priorities.
- **£160m** – Adult Social Care (Real Living Wage uplift).
- **£11m** – Childcare workforce pay.
- **£11m** – Children’s social work workforce development.
- **£7m** – Free Personal/Nursing Care uplift.
- **£3m** – Free School Meals expansion.
- **£20m** – Climate Emergency support.
- **£40m** – Active travel investment.

5.5 There is no council tax freeze or cap being set by the Scottish Government for 2026/27; there is full local discretion on setting the Council Tax rate. As part of the Scottish Government’s budget it has also been confirmed that development work will be funded for creation of two new higher council tax bands, with an aim of introducing them from 1 April 2028. The impact of this work will be incorporated into future iterations of the Council’s Medium Term Financial Strategy in due course.

5.6 Specific Social Care Funding is being routed to Local Government with the expectation that this is transferred to the Integration Joint Board. Two of the funding streams shown above are pertinent:

- £160m – Real Living Wage uplift (to £13.45/hr).
- £7m – Free Personal/Nursing Care uplift.

5.7 Key requirement within the Settlement conditions being that ‘Local authority social care budgets allocated to IJBs must increase by at least £167m nationally compared to 2025–26 recurring budgets.’ It should be noted that on 12 February 2026 the Cabinet Secretary for Finance confirmed that Local Government will

receive a further £20m to support Health and Social Care with specific emphasis on the funding of the Real Living Wage across both adult and children’s social care services. The distribution of the initial £167m is known and is included in proposals set out in this report, however once the distribution of the £20m is known the Chief Officer – Finance will calculate the proportion that applies to the IJB and Children’s Social Work Services and update the funding allocations.

- 5.8 Similar to recent years, based on the calculation methodology, the level of Aberdeen City Council funding exceeds 85% of the Scottish per capita calculation and therefore there is no additional funding from the ‘85% floor’ mechanism.

Impact on the 2026/27 Annual Budget and Medium Term Financial Strategy

- 5.9 Following the analysis of the Local Government Settlement for 20226/27 and the other adjustments noted above the 2026/27 financial model for the Council has been updated.

- 5.10 The risk analysis arising from the Aberdeen City IJB, in my view are most successfully tackled in the budget by Council Tax, which is recurring in nature, deliverable and is a lower risk than taking multiple smaller value savings options. That said it does not come without implications for Council Tax payers.

Budget Forecasts - General Fund	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000
City Regeneration & Environment	35,062	39,590	45,227	47,284	49,393	51,830
Corporate Services	46,994	49,230	48,579	49,242	51,623	54,052
Families & Communities	346,333	370,915	375,653	383,265	388,880	392,545
Integrated Joint Board	140,461	143,047	143,047	143,047	143,047	143,047
Corporate	95,300	94,412	104,861	113,733	118,211	122,163
Net Expenditure	664,151	697,195	717,367	736,570	751,154	763,636
Funded By						
General Revenue Grant	(306,025)	(293,763)	(293,763)	(293,763)	(293,763)	(293,763)
NNDR	(200,361)	(232,406)	(232,406)	(232,406)	(232,406)	(232,406)
Council Tax	(154,640)	(155,183)	(155,727)	(156,270)	(156,813)	(157,357)
Use of Service Concession flexibility	(3,124)	(4,821)	(5,252)	(5,423)	(5,419)	(3,651)
Core Funding	(664,151)	(686,173)	(687,147)	(687,862)	(688,401)	(687,176)
Gap (cumulative)	0	11,022	30,219	48,708	62,753	76,460

- 5.11 The table above draws attention to the total budget gap in 2026/27 of £11.022m. It also shows the impact of balancing the budget in 2026/27 using Officer options and based on the assumption that Council Tax should be increase in real terms, per the MTFs. The assumed increases are shown for each year. The recommissioning of services represent the budget options and will reduce expenditure and increase income. Further detail of the assumptions used to model expenditure and income are shown in Appendix 12 and a graphical representation of the funding gap is contained in Appendix 7.

- 5.12 In order to achieve a balanced budget it requires the implementation of a range of changes that will affect both income and expenditure, changes have to be recurring if they are to address financial sustainability. The proposals, in Appendix 8, are recurring which means that once delivered they will impact positively on the gap between future income and expenditure, reducing the budget gap in years 2027/28 and beyond.

- 5.13 This is demonstrated above (in table at 5.10), and if all the savings were taken in full (plus the assumed levels of Council Tax increase in future years) the overall

impact would remain in balance until 2030/31 (subject to further updates to the MTFS). The options presented in Appendix 8 have already been consulted on, cover the next four years and the Extended Corporate Management Team will continue to review these and any other options that are available to the Council as part of the Commissioning cycle.

- 5.14 The Council, setting its budget for 2025/26 made decisions to make limited use of one-off funding, for example, the main one being to direct NYOP to distribute profits they had generated from 2023/24 to Sport Aberdeen enabling the Council to reduce 2025/26 funding from the General Fund. There is a no opportunity to direct surpluses from NYOP this year highlighting this is not guaranteed annually and should not be assumed, therefore using one-off funding is an unsustainable approach and therefore each annual budget must unwind the one-off funding solutions increasing the financial challenge in the following year to approve a balanced budget. In total for 2026/27 the Council has unwound £2.3m of one-off funding used in 2025/26.
- 5.15 A refresh of the Reserves Statement is attached at Appendix 6. In setting its budget, and as noted above, the Council must take account of the Reserves position and the resilience. This includes understanding the extent of contingent liabilities referred to above and described in Appendix 13. The Council considers its Corporate and operational Risk Registers during the year, the Corporate Risk Register and Risk Appetite Statement were most recently considered by the Audit, Risk and Scrutiny Committee in May 2025. The review of the Reserves Statement has taken account of known changes that are yet to be reported.

Taxation Powers : Non-Domestic Rates

- 5.16 The Distributable Amount of Non-Domestic Rates Income for 2026/27 has been provisionally set at £3,474 million. This figure uses the latest forecast of net income from non-domestic rates in 2026/27 and also draws on council estimates of the amounts they will contribute to the Non-Domestic Rating Account (the 'Pool') in 2025/26. The figure incorporates the Scottish Fiscal Commission's estimate of the contributable amount and includes a calculation of gross income; expected losses from appeals; estimated expenditure on mandatory and other reliefs; write-offs and provision of bad debt together; and estimated changes due to prior year adjustments. This means that the anticipated level of NDR distributable to Aberdeen City in 2026/27 will be £232.406m (2025/26 £200m).
- 5.17 The total level of NDR distributable to the Council differs from the collectable value in the city, and as such it represents the guaranteed sum the Council will receive from the national pool. The Council will bill and collect NDR during the year however the General Revenue Grant is varied during the year to take account of any differences that occur between the local sum collectable and the guaranteed distributable sum.
- 5.18 The 2026/27 Non-Domestic Basic Property Rate ('poundage') is provisionally set at 48.1 pence, reduced from 49.8 pence in 2025/26. The Intermediate Property Rate (levied on properties with a rateable value from £51,001 to £100,000) and Higher Property Rate (levied on properties with a rateable value over £100,000) have also decreased to 53.5 pence and 54.8 pence respectively.

- 5.19 The Scottish Budget 2026/27 introduces a new 15% relief for RHL¹ sectors up to RV² £100k (cap £110k) and 100% RHL relief for islands and remote areas.

Aberdeen City Council Empty Property Relief Scheme

- 5.20 With effect from 1 April 2023 Empty Property Relief was devolved to local authorities, covering all relief and rates exemptions for fully unoccupied properties including listed buildings, properties where the owner is in administration, etc. Partly unoccupied properties that the council requests be apportioned by the assessor will be liable for rates on the occupied portion only. Councils may offer their own local reliefs under the Community Empowerment (Scotland) Act 2015 including to empty properties.
- 5.21 The current scheme in Aberdeen City is set out in the following table:

Non Domestic Rates – Empty Property Relief Scheme	
Following the existing types of relief, remove relief for all categories except the 100% relief applied to properties where the owner or tenant company has entered insolvency.	
This scheme does not apply to periods prior to 1 April 2024.	
Type of Relief	Relief % and period
Industrial Properties e.g. factories, warehouses, workshops, garages where the whole or main use of the property falls within these categories	0%
Non-Industrial Properties e.g. shops, offices, retail warehouses where the whole or main use is non-industrial.	0%
Historic/Listed	0%
Rateable Value is less than £1,700	0%
Serious Fire Flood Incapable of Occupation	0%
Vacant Ground	0%
Executor	0%
Insolvency	100%, unlimited period

- 5.22 As at February 2026 there were 69 properties in receipt of relief under the scheme, with a combined value of relief of £1.072m. The Scheme has been changed in each of the last two years, there are no options to achieve a further cost reduction to the Council. Options to positively change the Empty Property Relief Scheme, or to introduce a specific local relief scheme under the Community Empowerment (Scotland) Act 2015, would require additional funding to be made available through the budget setting process and a scheme to be developed.

- 5.23 The Council is required to confirm the scheme that will apply from 1 April 2026.

Taxation Powers: Council Tax

- 5.24 Council Tax income is the largest single income stream that the Council determines the value of and retains the full benefit of. From 2022/23 – 2023/24, and again in 2025/26, the Council had the ability to set a rate of its choice. In

¹ RHL – Retail, Hospitality and Leisure

² RV – Rateable Value

financial year 2024/25 the Scottish Government offered grant funding to enable Councils to freeze Council Tax for 2024/25.

5.25 The Medium Term Financial Strategy (MTFS), 2025, recommended that the real terms increase in Council Tax should be approved annually to enable the Council to in part recover the increasing cost of services, through pay, price and contract inflation.

5.26 The 2026/27 Local Government Financial Settlement, announced in January 2026, confirmed that there would be no conditions applied to Council Tax for 2026/27.

5.27 In line with the MTFS and previous recommendations, the Chief Officer – Finance having considered all aspects of the financial environment notes that in order to achieve a balanced budget and contribute £1.547m to the General Fund Reserve, as recommended by the Reserves Policy, requires an increase in the rate of Council Tax equivalent to 8.13% in 2026/27. This would generate approximately £12.569m of additional income.

5.28 The Council in considering the options for balancing the 2026/27 budget is recommended to approve an increase in the rate of Council Tax, as per the principles agreed in the MTFS, as it will provide protection for cost and demand increases in the years ahead and as a recurring income stream will improve the Council's sustainability, by raising the baseline on which future Council Tax rate changes are made. For illustrative purposes the table below shows the impact of alternative increases, with other assumptions being:

- Collection rates will reflect the experience of 2025/26, which is on budget.;
- Bad debt levels remain constant at 2.4%; and
- The number of Band D equivalent properties is assumed to increase by 0.5%, such that projected income will increase by £0.543m.

5.29 The current Band D value for Aberdeen City is £1,636.27 per annum, excluding water and waste water charges. The impact of percentage increases in Council Tax by Band is shown in the table below:

Council Tax Band	2025/26	Indicative 2026/27 Charge if percentage increase applied										
	Council Tax	0.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%	13.00%
Band A	£ 1,090.85	£ 1,090.85	£ 1,134.48	£ 1,145.39	£ 1,156.30	£ 1,167.21	£ 1,178.11	£ 1,189.02	£ 1,199.93	£ 1,210.84	£ 1,221.75	£ 1,232.66
Band B	£ 1,272.65	£ 1,272.65	£ 1,323.56	£ 1,336.29	£ 1,349.01	£ 1,361.74	£ 1,374.47	£ 1,387.19	£ 1,399.92	£ 1,412.65	£ 1,425.37	£ 1,438.10
Band C	£ 1,454.46	£ 1,454.46	£ 1,512.64	£ 1,527.19	£ 1,541.73	£ 1,556.27	£ 1,570.82	£ 1,585.36	£ 1,599.91	£ 1,614.45	£ 1,629.00	£ 1,643.54
Band D	£ 1,636.27	£ 1,636.27	£ 1,701.72	£ 1,718.08	£ 1,734.45	£ 1,750.81	£ 1,767.17	£ 1,783.53	£ 1,799.90	£ 1,816.26	£ 1,832.62	£ 1,848.99
Band E	£ 2,149.88	£ 2,149.88	£ 2,235.87	£ 2,257.37	£ 2,278.87	£ 2,300.37	£ 2,321.87	£ 2,343.37	£ 2,364.86	£ 2,386.36	£ 2,407.86	£ 2,429.36
Band F	£ 2,658.94	£ 2,658.94	£ 2,765.30	£ 2,791.89	£ 2,818.48	£ 2,845.06	£ 2,871.65	£ 2,898.24	£ 2,924.83	£ 2,951.42	£ 2,978.01	£ 3,004.60
Band G	£ 3,204.36	£ 3,204.36	£ 3,332.54	£ 3,364.58	£ 3,396.62	£ 3,428.67	£ 3,460.71	£ 3,492.75	£ 3,524.80	£ 3,556.84	£ 3,588.89	£ 3,620.93
Band H	£ 4,008.86	£ 4,008.86	£ 4,169.22	£ 4,209.30	£ 4,249.39	£ 4,289.48	£ 4,329.57	£ 4,369.66	£ 4,409.75	£ 4,449.84	£ 4,489.92	£ 4,530.01

Note: Figures exclude water supply and waste water collection charges collected on behalf of Scottish Water

Council Tax	2025/26	Estimated Additional Income Collected										
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Collectable	154,640	-	6,186	7,732	9,278	10,825	12,371	13,918	15,464	17,010	18,557	20,103

5.30 The decision to set Council Tax for the forthcoming year is part of the budget setting process and is required as part of considering this report.

5.31 As detailed at 2.6.5 approval is sought for a discretionary Council Tax Allowance (CTA) scheme for Aberdeen City Council, the full scheme criteria and management is detailed in Appendix 16 and this is modelled on the successful approach adopted by Fife Council since May 2021. The CTA Scheme will operate as a pilot, with

learning used to inform the Council's longer-term approach to managing Council Tax arrears through a prevention-focused, trauma-informed, and anti-poverty lens.

- 5.32 The scheme is designed to operate as a last-resort intervention, used only after all reasonable debt options have been fully explored through recognised Money Advice services. This achieves no. 39 of the 52 improvement actions presented to Anti-Poverty and Inequality Committee on 26 November 2025 "Consider proposals to introduce a Council Tax allowance scheme, designed to reduce or remove historic, uncollectable Council Tax arrears for households experiencing financial hardship." [Improvement Actions API 261125](#).

Service Income

- 5.33 Fees and Charges: Fees and charges raised locally enable the Council to fund some of the services it provides. While some income streams remain depressed post-Covid, the impact on cost of service delivery of pay and price inflation makes even greater impact on the sustainability of services if fees and charges do not rise.
- 5.34 The Fees and Charges for 2026/27 were approved at Council on 10 December 2025 (CORS/25/284), generating £349k of additional income in 2026/27. This income has been incorporated into the updated budget gap of £11.022 million forecast for 2026/27 The approved changes to prices are included for reference in the schedule of fees and charges at Appendix 9.

Summary

- 5.35 The Council must decide how it balances the budget, having taken into account the information contained in this report and in the scrutiny that they have done prior to the Council meeting. If the entirety of options were accepted as presented in this report, plus an increase in the rate of Council Tax as recommended, then a balanced budget would be achieved, with a surplus assisting in the delivery of future year saving requirements. The Council must set a rate of Council Tax for financial year 2026/27; and must also set out a Non-Domestic Rate Empty Property Relief scheme, both with effect from 1 April 2026. Additionally the Council must approve funding award through the Cultural Investment Framework.

Referrals from Committee – items not included in the financial model

- 5.36 Appendix 10 provides details of items that have not been included in the financial model for 2026/27 revenue figures.
- 5.37 Following the approval of the Cultural Investment Framework in August 2024 [CR&E/24/214] Appendix 14 provides the outcomes and recommendations of the applications and funding awards that are suggested for 2026/27. This includes an indicative value for a further year.
- 5.38 It should be noted that Aberdeen Performing Arts has applied through the Cultural Investment Framework so has been removed from the ALEO funding model and recommendations.

6. ANNUAL REVENUE FUNDING OF SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND ARM'S LENGTH EXTERNAL ORGANISATIONS

- 6.1 The Council has several subsidiaries, joint ventures, associates and arm's length external organisations that it works with. Whilst these organisations are responsible for service delivery, the Council provides significant funding to them

and therefore remains responsible for ensuring that public funds are used properly and demonstrate best value. In addition to funding provided by the council, these arm's length bodies also have discretionary and statutory fees and charges as a further source of income.

6.2 The organisations are:

<p><u>Sport Aberdeen</u> Sport Aberdeen is a subsidiary and currently receives funding for the provision of a range of leisure facilities across the city. The proposals set out in this report reduce the value of funding that would be awarded to the organisation. The ultimate decision on how that funding reduction was implemented would be taken by the Sport Aberdeen Board.</p>
<p><u>Aberdeen Sports Village</u> The Sports Village is a joint venture with the University of Aberdeen, and this means that proposals by the Council will be matched by the University, and vice versa. The ASV Board is responsible for making changes to address agreed funding levels.</p> <p>The partnership agreement refers to funding being approved on the basis of the Contract Year – which is different from the Council's financial year. The impact on the Council of any change is part-year for the forthcoming financial year, and this is factored into budget proposals.</p>
<p><u>Aberdeen City Health and Social Care Partnership Integration Joint Board (IJB)</u> The IJB is a joint venture and is funded by both the Council and NHS Grampian (NHSG).</p> <p>The IJB then directs the Council and NHSG to provide adult social care and health services for which it pays the Council and NHSG as appropriate. The costs the Council incurs in providing those services are included within the relevant services budget.</p>
<p><u>Bon Accord Care (BAC)</u> Bon Accord Care and Bon Accord Support Services are subsidiaries and are commissioned through the IJB for the delivery of adult social care services across Aberdeen. The IJB is required to indicate the value of the services to be provided through the contract and is included in this list for completeness.</p> <p>In December 2025 the Council agreed to transfer BAC's staff and resources back in house to the Council (CORS/25/280), the transfer is ongoing.</p>
<p><u>Grampian Valuation Joint Board (GVJB)</u> The Grampian Assessor & Electoral Registration Officer (ERO) is responsible for valuing non-domestic properties for rating, allocating dwellings to council tax bands and maintaining the Electoral Register. The Joint Board is statutory, and categorised as an associate in our group accounts. The Board has the power to requisition funding from the Council and the value is based on the agreed share per constituent council, which for Aberdeen City is 39%.</p>
<p><u>Aberdeen Performing Arts (APA)</u> Aberdeen Performing Arts is classified as an ALEO from a Council perspective, as it fails the accounting tests in terms of being a Group entity. APA currently</p>

receives funding for the provision cultural events and activities, operating His Majesty's Theatre, the Music Hall and the Lemon Tree. APA has applied to, and is included in the Cultural Investment Framework recommendations for 2026/27.

Funding Approach

- 6.3 As a consequence of the continuing challenges set out in the MTFs, and the anticipated levels of grant funding that the Council will receive in 2026/27, Council Officers, in preparation for the public engagement exercises earlier this year, considered the possible options that could be applied in the years ahead. Discussion with the ALEOs (Sport Aberdeen, Aberdeen Sports Village and Aberdeen Performing Arts) has centred on a funding reduction scenario of 10%. Budget consultation exercises during 2025/26 have sought an understanding of the impact on funding reductions to these ALEOs.
- 6.4 The Health and Social Care Partnership IJB and the Grampian Valuation Joint Board (GVJB) have different legal constructs and therefore have a different financial relationship with the Council. The conditions of the Local Government Financial Settlement require the Council to 'maintain the recurring funding baseline and passport new monies' to the IJB, while the GVJB has the power to requisition the Council giving it the power to commit the Council to a funding level. This means proposals for these organisations are determined by external factors – the Local Government Settlement and the Budget decision of the GVJB, which took place on 30 January 2026.
- 6.5 The IJB meets on 17 March 2026 to consider its 2026/27 financial position and Medium-Term Financial Forecast. The Council will note the financial scenarios included earlier in the report.
- 6.6 During 2025/26 the baseline for the IJB has been revised to take account of additional funding that the Council has received from the Scottish Government to support the pay award for this year - £0.634m. Additional funding for 2026/27, so far, in the Council's General Revenue Grant that must be paid over to the IJB amounts to £5.873m, for an uplift in the cost of the Real Living Wage in commissioned services and the value of free personal and nursing care allowances. And due to the pay award for Council staff being in excess of 3%, 3.5%, with effect from 1 April 2026, a further sum of £0.279m is proposed to be passported to the IJB, being funding for the differential of 0.5% recognised in the overall 2026/27 Settlement from Scottish Government.
- 6.7 The value of funding provided to the IJB will rise during the year and the Council will comply with the terms of the Financial Settlement by passporting the appropriate level of funding to the IJB. As stated earlier the Cabinet Secretary for Finance announced on 12 February 2026 that £20m would be made available across Scotland for Health and Social Care. The distribution of this has not yet been confirmed.

Summary

- 6.8 The table below provides details of the funding levels currently included in the 2026/27 draft budget for these organisations, along with the values as presented by officers as part of the redesign plans for 2026/27:

Organisation	Funding 2025/26 £m	Budget Proposal 2026/27 £m	Funding Change from 2025/26 £m	Funding Change from 2025/26 %
Sport Aberdeen (S)	4.145	3.730	(0.415)	(10.0%)
Aberdeen Sport Village (JV) – (contract year 1 Aug to 31 Jul)	0.593	0.563	(0.030)	(5.0%)
Health & Social Care Partnership Integration Joint Board (JV)	<u>141.095</u> Core 136.895 Addn'l 4.200	<u>143.047</u> 143.047 0.000	<u>1.952</u> 6.152 (4.200)	4.5%
Bon Accord Care (S)	Aberdeen City IJB will decide 2026/27 funding			
Grampian Valuation Joint Board (A)	2.093	2.214	0.121	5.8%
(S) = Subsidiary; (JV) = Joint Venture; (A) = Associate				

7. CAPITAL INVESTMENT – GENERAL FUND

Capital Income – Scottish Government Grant

- 7.1 The level of General Capital Grant provided by the Scottish Government is advised through the Local Government Finance Settlement 2026/27 (Finance Circular No. 01/2026) dated 13 January 2026. The General Capital Grant for 2026/27 is £17.730m. Further Capital Grant distributions may be forthcoming for specific projects e.g. the second year of Climate Emergency funding, but amounts are still unconfirmed.
- 7.2 The core capital grant for 2026/27 is a reduction of £3.27m (19%) on a like for like basis with 2025/26 the reduction is primarily due to expiration of time-limited funding streams.
- 7.3 In relative terms, the continuing low level of capital grant underlines previous advice provided to Elected Members to consider very carefully the value of the capital programme and the sustainability of the revenue implications of borrowing more in future years. Approval of the Capital programme must be done in line with the CIPFA Prudential Code for Capital Finance, and its principles of capital spending being affordable, sustainable and prudent.

Capital Income – Borrowing

- 7.4 The Capital expenditure programme presented by Officers in this report amounts, over the next five years, to £766.804m (including forecast reprofiling of unspent budgets from 2025/26), with associated funding, excluding borrowing, of £132.039m. The balance of £634.765m will require to be funded by borrowing. The approximate revenue cost of servicing this additional level of borrowing, compared to the current year, would be c.£38m per annum by 2030/31, subject to the full deployment of the capital expenditure as profiled.

- 7.5 Borrowing commits the Council to ongoing revenue costs over many years, the future cost of which is expected to rise from a low inflation low interest rate environment. This directly reflects the increase to the Bank of England interest rates, while inflation impacts the cost of the Bond that the Council issued in 2016. Both of these elements mean the Council has to actively manage the timing of long-term borrowing and cashflow requirements and the Council must have due regard to the revenue capital repayment costs that arise from the capital programme.
- 7.6 Construction inflation and supply chain challenges have added cost to the delivery of capital projects since the beginning of the covid-19 pandemic in early 2020, and the various geopolitical events since then. The inflation now factored in will not disappear, and costs are now substantially higher than they have been in the past. This makes individual projects more expensive and the programme overall more expensive, with the higher cost likely to be funded through borrowing.

Capital Income – Developer Obligations

- 7.7 The construction industry, along with many other parts of the economy, have seen a severe impact on their cash flow and sales figures in recent years. Many of these developments obtain planning permission on the basis of making specific developer contributions to new or improved infrastructure (among other things). These are defined by legal agreements often referred to as a Section 75 Agreement³.
- 7.8 These developer contributions in some instances lead to a capital project being included within the Council's capital programme on the basis of receiving income (i.e., the developer contribution) with the net cost being met by the Council.
- 7.9 As noted in the last three years, these obligations have proved difficult for some developers to continue paying in light of market conditions, and officers continue to meet with developers to discuss these challenges as necessary. The matter of developer obligations continues to be identified as a contingent liability due to the potential additional cost that could arise from non-payment.

Capital Programme

- 7.10 The Council, through the approval of the Net Zero Vision and associated Infrastructure Plan in May 2020, has vital documents to assist the development of its capital programme, building on the examples of Energy from Waste project and the expansion of Electric Vehicle (EV) charging infrastructure projects.
- 7.11 Other focal points for the programme include the School Estate, noting that the Hazlehead/Countesswells Secondary school provision is included in the latest phase of the Scottish Government's Learning Estate Investment Programme (LEIP) – this provides future revenue funding, rather than any capital contribution, the value of which will not be absolutely certain until the school is open and means the Council has to fund the entire cost (less any developer contributions that can be applied) in the first instance.
- 7.12 Furthermore there remains substantial funding in respect of Aberdeen, the place, projects that cover transport infrastructure, the city centre and the beach.

³ Section 75 of the Town and Country Planning (Scotland) Act 1997 (as amended)

- 7.13 The General Fund Capital Programme for 2026/27 to 2030/31 (Appendix 4) is broken down into different sections for ease of understanding. It should be noted in general that expenditure is committed for a substantial number of projects, however flexibility in continuing with projects in the following sections provides Elected Members with an indication of where changes could be made:
- Partially Legally Committed Projects. These are projects where part of the budget has been legally committed but there would be scope to potentially reduce expenditure.
 - Projects with an indicative Budget. These are projects where a legal commitment has not yet been entered into, nor has the procurement exercise been completed. Hence, the figures provided are indicative until such time as market pricing has been received.
- 7.14 Projects in both of these sections still have business case gateways to complete. The Chief Officer – Capital has engaged project managers on the latest position with each project and reprofiled the capital programme to reflect the latest information, including forecasting the impact of underspending in 2025/26 on 2026/27 to 2030/31.
- 7.15 Officers have identified a range of new projects that are necessary based on the needs and demands of existing capital infrastructure. These points are expanded on in Appendix 7, and various supporting business cases and briefing notes have been circulated to Elected Members as part of the budget preparation process. They have been profiled and incorporated into the proposed Capital Programme, shown in Appendix 4.

Referrals to the Budget Process

- 7.16 A limited number of capital projects have been brought forward by referrals from committee for consideration as part of the budget setting process, with instructions given to Officers during the year. The detail on all of these has been provided to Elected Members in relation to the business cases and justification for considering them as part of the future capital investment in the city. Additional information on capital investment and a summary of the projects is included at Appendix 5.

IMPACT ON BALANCE SHEET OF BUDGET DECISIONS

- 8.1 The result of the decisions Council takes in setting its budget will be reflected in the Council's Balance and Reserves, and the proposals in this report reflect the following impact on the Council.

Use of Reserves & Funds	Projected Balance at 31 March 2026 £m	Assumed (Use) / Contribution to Reserves 2026/27 £m	Projected Balance at 31 March 2027 £m
<i>General Fund:</i>			
Earmarked	57.205	(12.756)	48.449
Uncommitted	12.153	0.000	12.153
<i>Housing Revenue Account:</i>			
Earmarked	3.601	2.500	3.801
Uncommitted	6.620	0.000	6.620
<i>Statutory Funds:</i>			
Capital Fund	33.443	(10.000)	24.443

Insurance Fund	3.442	0.000	3.442
City Improvement Fund	0.352	0.000	0.352
<i>Restricted Funds:</i>			
Capital Grants & Receipts Unapplied	0.000	0.000	0.000
Total	117.816	(25.256)	99.060

- 8.2 It should be noted that the projected balances in Reserves at 31 March 2026 are estimated based on the Quarter 3 financial reporting and are subject to change once all actual transactions have been recorded in the draft Annual Accounts. These projections emphasise the need for care when making budget decisions as the usable reserves (General Fund) are expected to reduce in future years.
- 8.3 Use of the General Fund reserves in 2026/27 is because of the progress of specific projects and statutory requirements, such as the use of the Affordable Homes earmarked reserve that is being used to assist in the funding of our new homes in the Housing Revenue Account. Similarly the ongoing progress of transformation will be funded by the Transformation Fund.
- 8.4 One specific Reserves that should be noted is the Capital Fund, a statutory fund that can only be used for particular purposes. At the Urgent Business Committee on 20 November 2025 F&C/25/28 a report was presented on RAAC this approved that the Capital Fund be used to fund up to £20.4m, to acquire and demolish the 138 RAAC properties, the expenditure expected to be spread across 2025/26 and 2026/27. A review was previously undertaken of the costs involved, the nature of the transaction and the future use of the properties the Chief Officer – Finance has determined having considered proper accounting practice that the costs will have to be transacted as Revenue Expenditure for accounting purposes and that they will be the sole responsibility of the General Fund.
- 8.5 The Capital Fund has other commitments in respect of capital assets, such as preparing for decommissioning costs that will arise for assets that have finite lives, for example, the Energy from Waste plant.
- 8.6 Lowering reserves reduce the Council's financial resilience and provide fewer opportunities to redirect or repurpose funding to support the unknown and unexpected financial implications of events out with Council control. Lower financial resilience and the degree of comfort that this provides may also result in the Council reconsidering its appetite for risk and become more cautious and averse to financial risks. Note the Financial Resilience content in Section 3 and Management of Risk, Section 12 for further information and analysis.

9. FINANCIAL IMPLICATIONS

- 9.1 The forecast level of useable reserves that the Council has at 31 March 2026 means that reserves will, in the context of contingent liabilities and the approved Reserves Policy, remain modest, however the Council should give special attention to the recommendations in the MTFs and Reserves Policy that the General Fund uncommitted balance should be 2-3% of General Fund Net Revenue, a sum of £13.7m as at the end of 2025/26. The balance at 31 March 2025 was £12.2m, and now only represents c1.8%, to increase this to the minimum of 2% the Council should add £1.5m.

- 9.2 Savings options totalling at least £15.639m, plus the opportunity to increase Council Tax, are presented for consideration by Council.
- 9.3 Council must approve savings or income generation options of £11.022m, as detailed in the report above, such that a balanced budget is at least achieved, while taking account of the revised Reserves Statement that recommends no less than £13.7m as an uncommitted General Fund Reserve at the end of the financial year.
- 9.4 Approval of options that exceed the 'balanced budget' position (where a surplus is planned) will have a positive impact on the Council by, (a) providing a buffer to mitigate the risk of further cost/demand pressures materialising; (b) providing a buffer to mitigate the risk of savings options not progressing as expected; and (c) assuming (a) and (b) do not materialise, by enabling the level of resources held to be increased which will improve overall financial sustainability.

10. LEGAL IMPLICATIONS

- 10.1 The Local Government Finance Act 1992 requires the Council to set its Council Tax for the next financial year before 11 March each year.
- 10.2 The Act provides that the Council Tax amount set shall be sufficient to meet total estimated expenditure. This means that having taking account of expenditure, agreed savings and income from other sources, the level of Council Tax must ensure that a balanced budget is set by the Council.
- 10.3 Section 149 of the Equality Act 2010 requires public authorities, in the exercise of their public functions, to have due regard to 1) eliminating unlawful discrimination (both direct and indirect), harassment and victimisation 2) advancing equality of opportunity between different groups and 3) fostering good relations between different groups. The Council also has a legal obligation to balance its budget. The budget options, and potential mitigations, prepared by officers are considered to be a reasonably necessary and proportionate means of achieving that aim. Members should consider the three parts of the duty, including the relationship between, and combination of, when considering the budget options being approved.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 The Council budget captures all of the revenue and capital expenditure and income that is generated for the General Fund and as a result it is certain that there will be aspects of the resource allocation that promotes an improvement in our environment, while other resources continue to impact on our environment. It is not possible to simply switch all of the budget decisions to be environment positive, the transition will take years.
- 11.2 Included on the agenda is a separate report on Carbon Budgeting presenting the latest information and making recommendations to advance the work on our carbon reduction action plan and reporting. The Council is asked to consider this report alongside the General Fund Revenue and Capital budgets.

12. MANAGEMENT OF RISK

- 12.1 The Audit Risk and Scrutiny Committee approved the revised Risk Appetite Statement (RAS) on 8 May 2025 (COM/25/087). The RAS sets out how the

Council will balance its risks and opportunities in pursuit of delivering the outcomes set out within the Local Outcome Improvement Plan and associated strategies.

12.2 The purpose of this report is to set a revenue and capital budget. In doing so, the Council should have regard to the approved RAS. In particular, it is worth noting that:

- The Council is averse to risks associated with impairing financial stewardship, internal controls, and financial sustainability.
- The Council has an open appetite for short-term risks that support financial performance and mitigate negative external factors; and
- It has a cautious appetite for longer term capital and financial investments provided that the risks are well managed and demonstrate realisable future benefits for delivering the Council's outcomes and commissioning intentions.

12.3 The recommendations and risk assessment carried out below are considered to be consistent with the Council's RAS. Should Council be minded to depart from the recommendations, it is important in doing so that the Council considers the potential impacts across the organisation and on the Council's pursuit of strategic outcomes.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic	Use of the General Fund fails to achieve intended strategic objectives.	Commissioning approach and service design built around stretch outcomes in the LOIP.	L	Yes
Compliance	Not setting a balanced budget and setting council tax.	Scrutiny and checking of budget proposals by S.95 Officer, reports and budget pack prepared with appropriate detail to enable and support decision making.	L	Yes
	Not approving recommendations results in non-compliance with law or policy.	Commissioning approach provides information on the implications of savings, linked to the service standards and commissioning	L	Yes

	<p>Approving recommendations without due regard to the Equality Act or Fairer Scotland Duty results in non-compliance with law or policy.</p>	<p>intentions enables officers to highlight any changes that may be affected. Any changes to recommendations are considered in light of responses to questions and scrutiny by Elected Members and agreed by Officers as competent.</p> <p>Integrated Impact Assessments for all budget options provided by officers to ensure that due regard is given to the requirements.</p>	L	Yes
Operational	<p>Demand pressures undermine budget assumptions on service delivery.</p>	<p>Budget modelling includes assumptions about demand and is based on current cost experience. Scottish Government funding announced to date for 2026/27 to take account of certain demand pressures, such as school rolls and additional support needs. Contingencies exist within the budget to manage variations in demand and cost.</p>	M	Yes
Financial	<p>Assumptions and judgements used for budget model and options are very different from what the Council faces in 2026/27 leading to additional action having</p>	<p>Highlighting the known financial risks, scenario planning them and providing advice on options to address them will lead to a resilient budget.</p>	M	Yes

	to be taken during the year.	<p>Use of the latest and most up to date information to calculate and shape the budget model and will continue to be refined.</p> <p>Recommendation for the Chief Officer - Finance to monitor the situation and report.</p>		
	Poor financial sustainability	<p>Report recommends approval of recurring savings, avoiding the use of one-off funding to balance the budget; Process in place for regular updates of medium-term financial position including recognition of potential future liabilities.</p>	M	Yes
	Poor management of large and complex budgets.	<p>Regular review of financial information by services and corporately by Elected Members.</p>	M	Yes
	Non-delivery of savings options leading to overspends against budget.	<p>Savings options are assessed in terms of deliverability; increased scrutiny through ECMT.</p>	M	Yes
	Variation in tender prices for capital projects, following procurement against the costs assumed at the time of project approval.	<p>Use of suitably qualified staff or external body to quantify and review indicative project costs.</p>	M	Yes

	<p>Insufficient funding streams to pay for voluntary severance costs that are assumed.</p> <p>Anticipated income from planning agreements (e.g. section 75 agreements) are not received due to market conditions/economy meaning less resource available for infrastructure interventions.</p>	<p>Creating the Service Concession earmarked reserve has provided a source for funds to be drawn down.</p> <p>Regular monitoring of financial data.</p>	<p>L</p> <p>M</p>	<p>Yes</p> <p>Yes</p>
Reputational	<p>Failure to properly manage finances including the potential impact on the Council's credit rating.</p> <p>Focus on cuts may have a negative impact on citizens' view of service delivery</p>	<p>Regular review of financial information by services, CMT and Elected Members throughout the financial year.</p> <p>Highlight positive changes achieved despite financial constraints.</p>	<p>L</p> <p>M</p>	<p>Yes</p> <p>Yes</p>
Environment / Climate	<p>Failure to recognise the local vision and national targets and to make choices that support the delivery of target.</p>	<p>Service redesign work will consider, where appropriate, the environmental impact of changes.</p>	<p>M</p>	<p>Yes</p>

13. OUTCOMES

<p>Local Outcome Improvement Plan Themes – In addition to our contribution to the multi agency improvement projects outlined in the refreshed LOIP, Aberdeen City council, as a single agency, makes a contribution through its activities to the LOIP outcomes.</p>	
	<p>Impact of Report</p>
<p>Prosperous Economy</p>	<p>The Council's commissioning cycle specifically joins the allocation of resources, through the approval of the budget, with the intention to deliver on the LOIP. This is demonstrated in Appendix 11, Commissioning</p>

	Intentions, where it is described how the stretch outcomes intend to be achieved.
Prosperous People	The Council's commissioning cycle specifically joins the allocation of resources, through the approval of the budget, with the intention to deliver on the LOIP. This is demonstrated in Appendix 11, Commissioning Intentions, where it is described how the stretch outcomes intend to be achieved.
Prosperous Place	The Council's commissioning cycle specifically joins the allocation of resources, through the approval of the budget, with the intention to deliver on the LOIP. This is demonstrated in Appendix 11, Commissioning Intentions, where it is described how the stretch outcomes intend to be achieved.

14. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights	The Council must have due regard to the Public Sector Equality Duty under the Equality Act 2010. The budget proposals presented by officers in this report have been subject to an impact assessment by the relevant Chief Officers, including mitigations where protected characteristics groups are negatively impacted.
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	The Fairer Scotland Duty places a legal responsibility on the Council to actively consider how inequalities of outcome, caused by socio-economic disadvantage, can be reduced. Budget proposals presented in this report have been subject to consideration of the Fairer Scotland Duty as part of the preparation of the integrated impact assessments.

15. BACKGROUND PAPERS

[Medium Term Financial Strategy for the Council's General Fund \(CORS/25/239\)](#)
[Medium Term Financial Strategy 2025](#)
[Local government finance circulars - gov.scot](#)
[Local government finance circular 1/2026: settlement for 2026 to 2027 - gov.scot](#)
[Local government finance circular 1/2025: settlement for 2025 to 2026 - gov.scot](#)
[Search Integrated Impact Assessments | Aberdeen City Council](#)

16. APPENDICES

Appendix 1 – Projected Balance Sheet as at 31 March 2026
 Appendix 2 – Financial Resilience Framework 2025

Appendix 3 – Prudential Indicators
Appendix 4 – General Fund Capital Programme 2026/27 to 2030/31
Appendix 5 – Capital items referred to the budget process
Appendix 6 – Reserves Statement 2026
Appendix 7 – Building the Budget
Appendix 8 – Revenue savings options
Appendix 9 – Fees and Charges Approved December 2025
Appendix 10 – Revenue items referred to the budget process
Appendix 11 – Commissioning Intentions & Service Standards
Appendix 12 – Medium-Term Financial Strategy assumptions
Appendix 13 – Contingent Liabilities
Appendix 14 – Cultural Investment Framework Funding Recommendations
Appendix 15 – Common Good Budget 2026/27
Appendix 16 – Council Tax Allowance Fund
Appendix 17 – Budget 2026/27 Consultation Feedback

17. REPORT AUTHOR CONTACT DETAILS

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