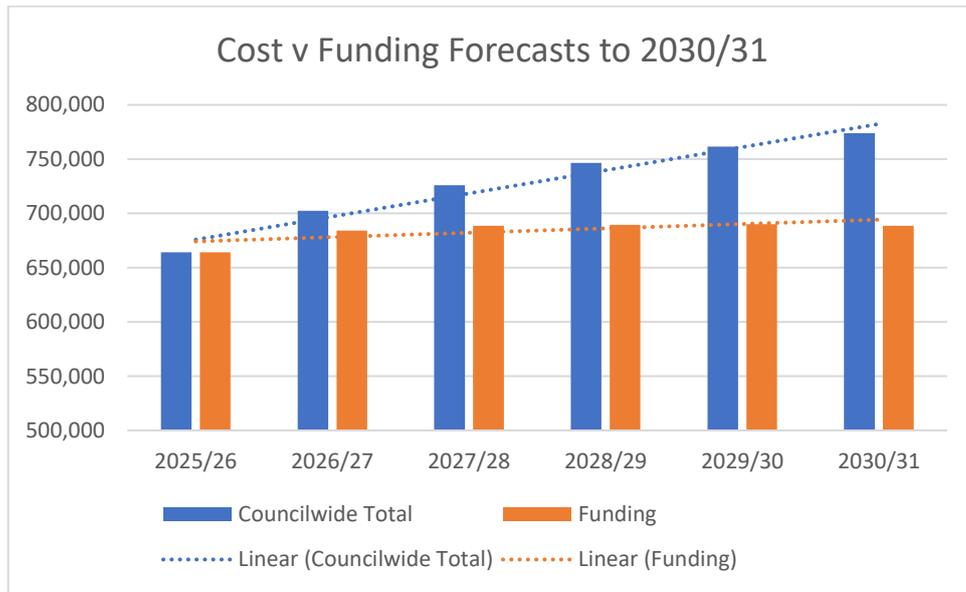


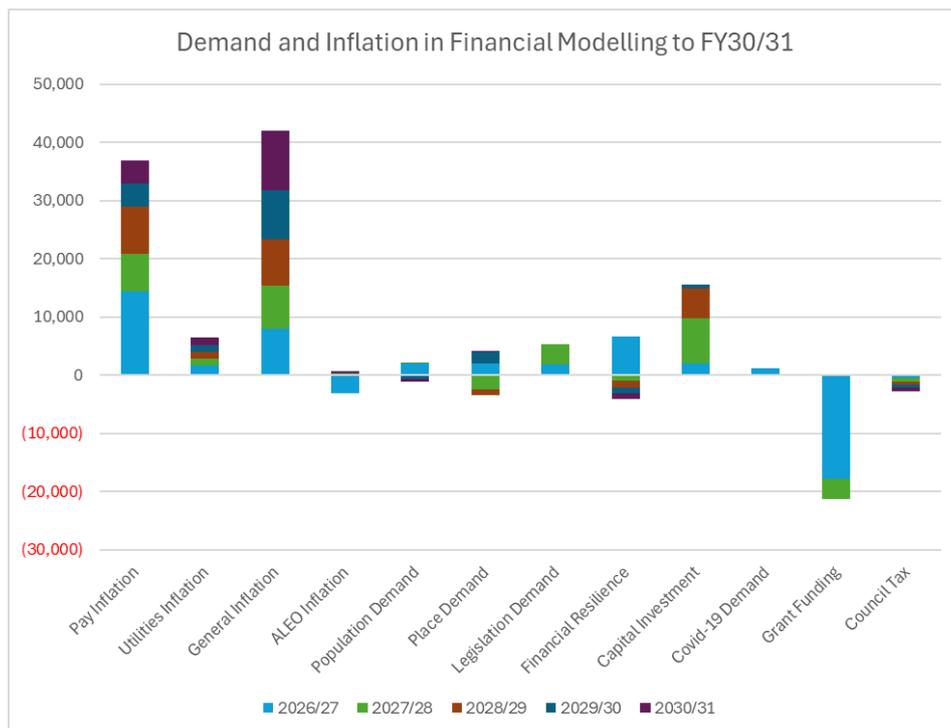
Building the Budgets

Building the Revenue Budgets and Implications for 2026/27

The financial model for 2026/27, as part of the Medium Term Financial Strategy anticipates a need to offset rising demand and costs where the income level is predominantly constant. The Potential Gap, reflects the overall (Gross) budget gap that is forecast to accumulate because of rising costs outstripping income.



The financial model for 2026/27 – 2030/31 including the focus on demand can be expressed as shown in the following graph.



The redesign of services must focus on core elements of the budget, namely Staff, Assets, Spend and Income, the total of which must be met by Scottish Government Grant (including Non-Domestic Rates) and Council Tax income.

Building the Budget:

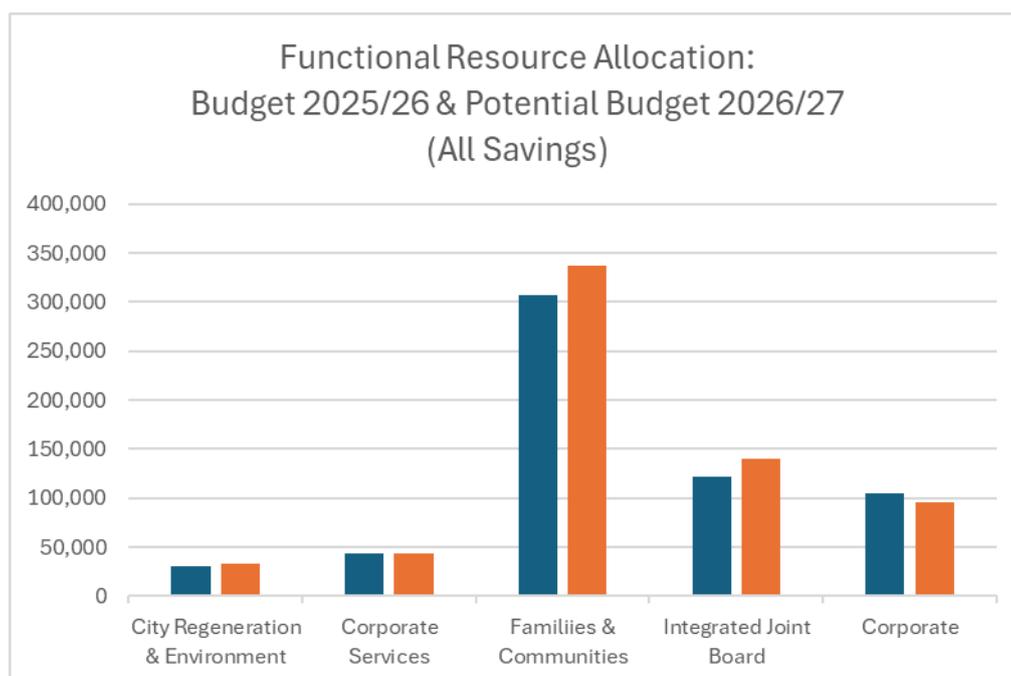
Chief Officers together have been asked to shape the budget based on the various factors that have been identified as part of the commissioning approach. This is expected to address identified demand and to be constrained by the overall financial resources available. Contingencies are included in the overall budget at a corporate level to help to address unknown demand and need.

Looking carefully at our statutory obligations and duties alongside the fixed cost nature of many of our services – whether that is buildings, staff or contracts – and in the context of the Local Government Settlement conditions in respect of teacher numbers, protection of funding for Health & Social Care Integration Joint Boards there is surprisingly little discretion and room for manoeuvre.

Inevitably there are some elements of the budget that need to reflect the uncertainty that exists, examples include where inflation will impact the Council utilities and pay awards; these are provided for at a corporate level. Although the 2026/27 pay awards are now agreed, the inclusion of a “re-opener clause in the SNCT agreement means there is still a degree of uncertainty on the amount due to be paid and as such significant provision / contingency is held in the Corporate ledgers at present.

The changing landscape of Health and Social Care financial pressures also increase uncertainty as we enter the budget setting process.

The purpose of all of this is to enable Chief Officers to construct a budget that meets the Council’s Commissioning Intentions, set out in the Council Delivery Plan, and their service redesign objectives, while fulfilling the overall requirement for balancing the budget. This helps to empower Chief Officers and supports accountability and responsibility, rather than having adjustments made from the ‘corporate centre’.



General Fund 2026/27

The Medium Term Financial Strategy report approved by Finance and Resources Committee in November 2025 included budget modelling for 2026/27 and future years:

General Fund	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
City Regeneration & Environment	35,062	40,847	46,693	48,968	51,309	53,718
Corporate Services	46,994	49,608	48,732	50,083	52,481	54,927
Families & Communities	346,333	379,166	387,455	395,318	400,962	404,654
Integrated Joint Board	140,461	136,261	136,261	136,261	136,261	136,261
Corporate	95,300	96,539	106,959	115,874	120,397	122,617
Net Expenditure	664,151	702,421	726,101	746,504	761,410	772,178
Funded By						
General Revenue Grant	(306,025)	(321,866)	(325,332)	(325,332)	(325,332)	(325,332)
NNDR	(200,361)	(202,365)	(202,365)	(202,365)	(202,365)	(202,365)
Council Tax	(154,640)	(155,183)	(155,727)	(156,270)	(156,813)	(157,357)
Use of Reserves	(3,124)	(4,821)	(5,252)	(5,423)	(5,419)	(3,651)
Core Funding	(664,151)	(684,235)	(688,676)	(689,391)	(689,930)	(688,705)
Gap (cumulative)	0	18,186	37,425	57,114	71,480	83,473

Further information has become available since that model was drafted, including UK Government budget announcements at the end of October, and the Scottish Government's draft budget for 2026/27, as outlined in the main report.

Incorporating these updates in to the Council's budget assumptions for future years produces the following:

APPENDIX 7

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 Reserves	(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

APPENDIX 7

The movement between budget models can be summarised as:

Budget Forecasts - General Fund 2026/27	Original	F&R 06/11/25 Tall Ships Sail Programme	Remove RCCT funding assumptions	Council 10/12/25 Approved Fees & Charges	Impact of Capital Programme	Estimate of EfW contract changes	Extended Producer Responsibility	Adjustments for SG Settlement	"Below the Line / Low" Options	2026/27 Modelling Adjustments	Updated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
City Regeneration & Environment	40,847	30		(349)		2,600	(3,100)		(658)	221	39,590
Corporate Services	49,608				200				(1,260)	682	49,230
Families & Communities	379,166		(6,933)					1,441	(2,759)	(0)	370,915
Integrated Joint Board	136,261							6,786			143,047
Corporate	96,539							(1,224)		(902)	94,412
	702,421	30	(6,933)	(349)	200	2,600	(3,100)	7,003	(4,677)	0	697,195
Funded By											
General Revenue Grant	(321,866)		6,933					21,170			(293,763)
NNDR	(202,365)							(30,041)			(232,406)
Council Tax	(155,183)										(155,183)
Use of Reserves	(4,821)										(4,821)
	(684,235)	0	6,933	0	0	0	0	(8,871)	0	0	(686,173)
Gap (Cumulative)	18,186	30	0	(349)	200	2,600	(3,100)	(1,868)	(4,677)	0	11,022

Revising our services continues to impact on the way in which our services will be delivered, taking account of the continued aim to reduce the total workforce, implementation of the digital programme and switching focus to prioritising our outcomes and legal obligations.

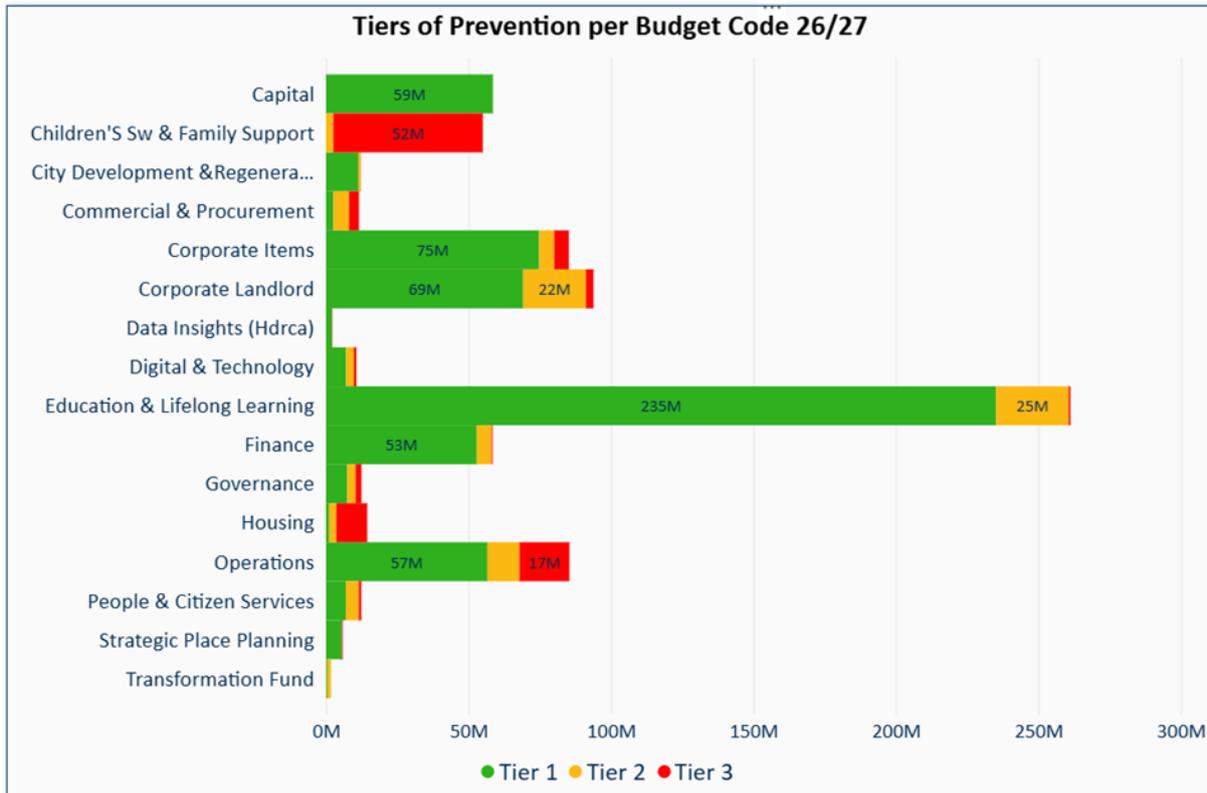
The wide-ranging implications of the redesigned services, which tackle demand and move the Council towards allocating resources for prevention and early intervention, must consider the financial sustainability of services and recognise areas where the Council should decommission.

Our corporate service design approach has included consideration of the following potential elements to ensure consistency and a comprehensive approach to building our services:

- **Staff:** recognising current and reducing staffing levels, identifying the opportunities within the Operating Model to consolidate, amalgamate or shift service areas to better meet the needs of our customers and enable the delivery of our outcomes.
- **Assets:** review the use of operational buildings, the need and suitability of the properties to deliver the services needed, consider the flexibility and alternative options for how we work, taking advantage of digital transformation, mobile and alternative locations.
- **Spend:** review the contract registers, consider duplication of commissioned services, review frameworks that could be used to replace existing contracts or to bring contract spend onto a framework agreement.
- **Fees and Charges:** understand the Service Income Policy and the relationship that the service has with charging, local discretion, national pricing, partial recovery and full cost recovery; consider the sustainability of services that can be charged for and think about the commercial opportunities to raise additional income that covers more than cost. The sustainability of charging to other Council accounts needs to be reviewed.
- **Ring-Fenced Grants:** this funding is not guaranteed, and costs must be contained within funding made available. A review of the recurring nature of this funding should be considered and the implications if it were to stop.
- **Net Zero Vision:** increasingly prominent in our work, the Council has set out its vision for contributing to the national targets and making that transition as a city. The design of our services has to factor in how they will contribute to the Council's net zero ambitions.

Prevention & Early Intervention

Using our 3 Tier framework for presenting the draft budget, having applied the savings that have been included in the budget report, the shape of the budget for 2026/27 can be shown in the following graphic, this work has been incorporated into the Council Delivery Plan 2026--2027, also on the agenda for the Council meeting.



The choice of savings to be applied to this baseline in order to balance the 2025/26 General Fund revenue budget will result in movement between Prevention (Tier 1), Early Intervention (Tier 2) and Response (Tier 3).

The table below summarises the efficiency and transformation changes that officers have planned for financial year 2026/27.

Cluster	Summary of Modelled Options	Saving 2026/27 (£000)	Saving 2027/28 (£000)	Saving 2028/29 (£000)	Saving 2029/30 (£000)	Saving 2030/31 (£000)
City Development and Regeneration	Review of existing funding arrangements	(422)	(245)	(255)	(265)	0
Commercial and Procurement	Review of Insurance Premiums	(100)	0	0	0	0
Corporate Landlord	Year 2 of approved Property and Assets Transformation programme	(763)	(117)	(13)	0	0
Data Insights	Year 2 of approved Cluster re-design	(23)	0	0	0	0
Digital and Technology	Review of Contract spend	(120)	0	0	0	0
Education and Lifelong Learning	Vacancy management and budget realignments	(582)	0	0	0	0
Finance	Year 2 of approved Cluster re-design	(40)	(120)	0	0	0
Governance	Year 2 of approved Cluster re-design	(456)	0	0	0	0
Housing	Budget realignments and recovery of costs	(1,414)	200	0	0	0
Operations	Review of staff recharge rates	(4)	(6)	0	0	0
People and Citizen	Budget realignments and updated income levels	(521)	(35)	(35)	0	0
Strategic Place Planning	Vacancy Management and budget realignment	(232)	0	0	0	0
Grand Total		(4,677)	(323)	(303)	(265)	0

Building the Capital Budget / Programme and Implications for 2026/27

Capital Investment in Scotland's Local Government Sector

Across Scotland, local government faces a pivotal moment in how it approaches capital investment. Decades of under-investment, rising demand for services, and the increasing impacts of climate change have placed significant pressure on councils' existing assets—schools, roads, housing, leisure facilities, digital infrastructure, and the wider public realm. As these essential assets age, the cost of maintaining them has grown sharply, while expectations from communities continue to evolve.

The immediate need for investment in existing infrastructure is driven by several intertwined challenges. Many school buildings require substantial refurbishment to meet modern education standards; roads and bridges are deteriorating faster than maintenance budgets have kept pace with; core public buildings suffer from outdated mechanical and electrical systems; and digital infrastructure often lacks the resilience and capacity needed to support modern service delivery. At the same time, statutory duties—especially around health and safety, accessibility, and carbon reduction—mean councils cannot defer investment indefinitely.

This situation is further compounded by Scotland's ambitious net-zero commitments. Local authorities hold a significant share of the public estate, and achieving national climate objectives requires major upgrades to existing buildings: improved energy efficiency, low-carbon heating, renewable generation, and adaptations to withstand extreme weather. Without sustained investment in the current asset base, the road to net-zero becomes significantly longer and more expensive.

Audit Scotland has repeatedly warned that Scotland's public estate faces significant and growing maintenance backlogs, made worse by reducing capital budgets, rising construction costs, and the complex requirements of meeting net-zero obligations. Audit Scotland¹ notes that it will be “extremely challenging” to retrofit public buildings to required standards and that failure to address backlog maintenance now risks future service disruption and higher costs. With councils already increasing their borrowing to keep buildings safe and operational — at a time when national capital funding is tightening — the public spending watchdog has made clear that prioritising renewal and maintenance of existing assets is essential to protecting frontline services and ensuring long-term financial sustainability.

Financial constraints present a major barrier. Years of fiscal pressure, rising construction costs, inflationary impacts on capital programmes, and the increasing complexity of regulatory requirements have eroded councils' ability to stretch capital budgets. As a result, difficult choices are now routine—prioritising statutory compliance over transformational projects, postponing renewal programmes, and managing assets closer to the point of failure.

Yet these challenges also create an opportunity. A renewed focus on capital investment can unlock long-term savings, reduce revenue pressures, and improve outcomes for communities. Investment in existing assets extends their life, reduces emergency repairs, lowers energy costs, and ensures that public facilities remain safe, accessible, and fit for purpose. Strategic, data-driven asset management—supported

¹ [230928 Scotlands infrastructure](#)

by digital tools and collaborative approaches—can help councils optimise limited resources and make informed decisions about what to invest in, repurpose, or rationalise.

In this environment, capital investment is not merely a technical requirement; it is an enabler of Scotland's wider ambitions. Whether revitalising town centres, improving connectivity, decarbonising public buildings, or supporting inclusive growth, the foundation is the same: resilient, well-maintained local infrastructure.

Ultimately, addressing the current needs of the Council's existing assets is the first and most essential step towards creating sustainable, future-ready communities. It ensures that every pound invested supports long-term resilience, better public services, and a fairer Scotland for generations to come.

In this context a more robust exercise has been conducted by officers to gather the needs and demands on the existing capital infrastructure:

School Estate; Operational Properties; Roads Infrastructure; Fleet Assets; and Digital and Technology.

This has resulted in identified needs for projects, not all of which can be done at the same time. The profile of suggested spending is prioritised on those that support transformation.

BUILDING THE CAPITAL BUDGET - NEED AND DEMAND ASSESSMENT								
Forecast								
Outturn	Updated General Fund Capital programme		Budget	Budget	Budget	Budget	Budget	5 Year
2025/26			2026/27	2027/28	2028/29	2029/30	2030/31	Total
£'000	NHCP No.		£'000	£'000	£'000	£'000	£'000	£'000
Proposed New Projects								
0	924	Grandhome Primary - was previously O1 - Grandhome additional primary schools	100	0	0	0	0	100
0	921	Loirston Loch Primary Feasibility - was previously L1 - Loirston Loch additional primary provision	0	0	100	0	0	100
0	New	Northfield Community Campus	0	0	0	0	3,105	3,105
0	New	Oldmachar / Bridge of Don Feasibility	0	100	0	0	0	100
0	New	Operations Depots	0	100	100	0	0	200
0	New	Sclattie Waste Transfer Station	0	3,300	0	0	0	3,300
0	New	Victorian Schools Programme: Aberdeen Grammar	500	8,000	12,000	12,000	1,000	33,500
0	New	Victorian Schools Programme: Ashley Road	0	0	0	0	0	0
0	New	Victorian Schools Programme: Broomhill	0	0	0	0	0	0
0	New	Victorian Schools Programme: Culter	0	0	0	0	0	0
0	New	Victorian Schools Programme: Gilcomstoun	0	200	4,500	1,500	0	6,200
0	New	Victorian Schools Programme: Kittybrewster	0	0	0	0	0	0
0	New	Victorian Schools Programme: Skene Square	0	0	0	525	9,450	9,975
0	New	Victorian Schools Programme: St Josephs	0	0	0	0	0	0
0	New	Victorian Schools Programme: Sunnybank	0	0	0	0	0	0
0	New	Victorian Schools Programme: Woodside	0	0	0	105	3,675	3,780
0	New	Alternative Delivery Model	0	0	0	0	0	0
0	New	Archives	0	0	220	330	5,500	6,050
0	New	ART Corridors	0	0	0	0	0	0
0	New	Beach Ballroom (CCMP Beach Phase 2)	0	0	0	0	0	0
0	New	Denburn Car Park	500	1,600	0	0	0	2,100
0	New	Finance System Refresh ICT	1,500	3,000	1,000	0	0	5,500
0	New	Investment in Digital Transformation 2	3,000	4,500	5,750	5,750	5,750	24,750
0	New	Investment in Education ICT 2	1,000	2,250	3,500	3,500	3,500	13,750
0	New	Net Zero Buildings Efficient Lighting	500	1,000	1,000	1,000	1,000	4,500
0	New	Net Zero Buildings Energy Efficiency	0	525	1,575	1,575	1,575	5,250
0	New	Net Zero Buildings Energy Generation	0	0	0	0	2,100	2,100
0	New	Operators Licence Fleet Compound	500	0	0	0	0	500
0	New	Town House Feasibility	0	0	100	0	0	100
0	New	West North Street Car Park	100	3,000	0	0	0	3,100
0	New	Westburn Tennis Centre	0	2,100	525	0	0	2,625
0		Total	7,700	29,675	30,370	26,285	36,655	130,685

Forecast								
Outturn	Updated General Fund Capital programme		Budget	Budget	Budget	Budget	Budget	5 Year
2025/26			2026/27	2027/28	2028/29	2029/30	2030/31	Total
£'000	NHCP No.		£'000	£'000	£'000	£'000	£'000	£'000
0	New	Sclattie Waste Transfer Station	0	(3,300)	0	0	0	(3,300)
0		1. Programme Funding Streams Sub-Total	0	(3,300)	0	0	0	(3,300)
0		2. Capital Grant	0	0	0	0	0	0
0		3. Borrowing	(7,700)	(26,375)	(30,370)	(26,285)	(36,655)	(127,385)
0		Sub-total	(7,700)	(29,675)	(30,370)	(26,285)	(36,655)	(130,685)
0		Net Position	0	0	0	0	0	0

Note: projects included above with “£0” against them are included based on reports and decisions previously taken, for example the School Estate Plan, Beach Masterplan and Aberdeen Rapid Transit and either the funding is not yet identified or the timescale goes beyond the next 5 years.

The impact on Borrowing and revenue effect of servicing that debt is estimated to be as follows:

	Budget	Budget	Budget	Budget	Budget	5 Year
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Implication for Capital Financing Costs	462	1,583	1,822	1,577	2,199	7,643

National and local funding opportunities, business cases that show a return on investment, through the generation of savings has not yet been factored into the Medium Term Financial Strategy nor the Capital Programme (above) but as work is undertaken the cost and benefits will be captured and incorporated into our financial planning.

The reprofiling of the 2025/26 to 2029/30 approved Capital Programme has been carried out and is shown in Appendix 4, it should be noted that expenditure forecast for 2026/27, including the projects above amounts to £230m.

Previously planned expenditure plus reprofiled expenditure from this year's plan that is now expected to be spent next year amounts to £222m, plus the new projects, above, £8m, makes up the total for 2026/27.

Of that total £222m of current projects reprofiled for 2026/27, 10 projects make up two thirds, with contracts in place for the majority of these

	2026/27
26/27 Key Expenditure Deliverables:	
Nigg Link Road	£14m
Union St Central	£10m
Ferryhill School	£9m
Market Redevelopment	£14m
Beachfront	£16m
Castlegate	£8m
St Peters School	£16m
Hazlehead Academy	£43m
Property Condition & Suitability	£9m
Roads Infrastructure	£10m
Total Top 10 Projects	£149m (67% of total)

The overall impact on the General Fund revenue budget model for 2026/27 in respect the cost of servicing debt is as follows:

Budget Model 2026/27 impact of Reprofiling on Capital Financing Costs	Saving of £1.4m
Budget Model 2026/27 impact of Reprofiling and New Projects on Capital Finance Costs	Saving of £0.9m (-£1.4m+£0.5m)