

**Aberdeen City Council
Budget 2026/27**

MEDIUM TERM FINANCIAL STRATEGY 2025, ASSUMPTIONS

Financial Model

Key assumptions, updated where necessary, are as follows:

Income

Source	Description	Upside Scenario	Central Scenario	Downside Scenario
Scottish Government Revenue Grant	Combined grant income from General Revenue Grant and Non-Domestic Rates.	Year 1- 5 1.5%	Year 1 – 5 1.0%	Year 1 – 5 -0.2%
Council Tax	Increasing the rate is a council decision made at budget setting time, the Band D rate has therefore not been increased in any scenario. The budget decision will provide a solution to address the scenarios. (For 2025/26 the approved increase was 9.85%). It is expected that Council Tax income will be increased in 2026/27 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.			
Council Tax	Tax base increase from additional chargeable properties.	Year 1-5 total 2,850 properties	Year 1-5 total 2,345 properties	Year 1-5 total 1,290 properties
Fees, Charges and Other Income	External income raised from customers. Approval for rate increases is a council decision, therefore rates charged in 2025/26 have continued to be applied to each scenario. The budget decision will provide a solution to address the scenarios. Similar to Council Tax, careful consideration of the full cost recovery, the impact that inflation is having on the cost of delivering chargeable services must be taken into account when setting annual charges across the MTFS period.			
Fees, Charges and Other Income	External income changes due to economic conditions.	Year 1 -5 Additional £2.5m	Year 1 Stable income	Year 1 £6m loss & return to current over 8 years
One-off funding streams	2025/26 Budget made use of Balance Sheet resources and one-off funding streams these must be replaced as they are non-recurring.			

Expenditure (percentages are shown in cash terms)

Source	Description	Upside Scenario	Central Scenario	Downside Scenario
Inflation	Pay (The 2026/27 Pay award is already agreed for some pay groups, otherwise the Upside scenario would be lower).	Year 1 3.5% ; Year 2-5 2% Pay award funded by SG grant if greater than assumptions	Year 1 3.5% ; Year 2-5 2% Pay award funded by SG grant if greater than assumptions	Year 1-3 4% ; Year 4-5 3.0% Pay award funded by SG grant if greater than assumptions
Government Policy	National Insurance	Year 1-5 0% No further increases beyond 2025/26	Year 1-5 0% No further increases beyond 2025/26	Year 1-5 0% No further increases beyond 2025/26
Inflation	Price – including contracts, grants and ALEOs	Year 1 – 5 1.0%	Between 2.7% and 2% p.a.	Year 1 – 5 3.0% .
Inflation	Utilities, including Gas, Electric, Heating Oil, Water	Gas 1.0% Electricity 1.0%	Gas 1% Electricity 1% rising to 5.7%	Gas 6.0% Electricity 6.0%
Population Demand	Children, schools impact	School roll slower	Total Year 1-5 Stable	School roll increases
Capital Investment Demand	Capital Financing	Year 1 3% Year 2 3% Year 3 3% Year 4 0.5% Year 5 0.5%	Year 1 3% Year 2 10% Year 3 7% Year 4 1% Year 5 0%	Year 1 7% Year 2 14% Year 3 10% Year 4 5% Year 5 5%
Capital Investment – Local Policy	Loans Fund Repayment		Asset Useful Life = Average 40 years; and Interest Rate = Average 5%	