



**Understanding the Council's Budget  
Position – White Paper**  
April 2026

# Budgets, pressures, demography and trends: April 2026

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## Introduction

Aberdeenshire Council stands at a critical point, with its financial outlook increasingly shaped by profound demographic change - change which is reshaping local government nationally as well as at home. An ageing population, shrinking working-age cohorts, and rising complexity of care needs are driving up demand for essential services at the very time our resources are under greatest strain. These demographic pressures, combined with rising costs, evolving service expectations, and statutory obligations, are reshaping how the council must prioritise and allocate its budget. The council's financial position reflects these shifting realities and underscores the need for collective action from residents, partners, and policymakers as we adapt to a changing region.

## A significant driver of change

Aberdeenshire Council's financial pressures are focussed on demographic and social changes that are reshaping both the population and the demand for services. Overall,

growth has slowed, and the age profile has shifted significantly. The 45–64 age group is now the largest, and the number of residents aged 75+ has increased by more than 85% since 2001. This ageing trend increases demand for health and social care while reducing the proportion of working-age residents who contribute to the local economy and public finances.

Future projections suggest continued ageing: the number of children is expected to fall by 14% in the next decade, while the 75+ group is forecast to rise by nearly 40%.

An ageing population and increased long-term health conditions, alongside rising economic inactivity linked to ill health, underscore the importance of improving population health to sustain the future workforce. The council's policy levers - economic development, housing, childcare, transport, and skills - will be essential in shaping the working-age population and supporting families amid these demographic shifts.

## Budget position

At the heart of the council's financial story is the revenue budget, which sustains the services residents rely on every day. For the fiscal year 2026/27, Aberdeenshire Council set a balanced budget of £860 million. Achieving this balance required a significant intervention – a 10% increase in Council Tax, which came on top of the 10% agreed in 2025/26. This decision was not made lightly; it was the culmination of intense deliberation, shaped by the need to bridge a widening gap between income and expenditure. The council's funding sources are diverse but constrained: 59% of the budget comes from the Scottish Government, 24% from Council Tax, and 17% from Business Rates. Each of these streams is subject to its own uncertainties, and together they form a financial jigsaw that is increasingly difficult to piece together.

The imperative to make savings has become a defining feature of the council's financial strategy. In 2026/27, Aberdeenshire Council agreed total savings of £9 million, a figure that underscores the scale of the challenge. These savings were not achieved through a single measure but through a combination of service disinvestment and efficiencies. The use of reserves in 2025/26 provided temporary relief, helping to bridge gaps in the budget but this approach is not sustainable in the long term. Reserves, by their nature, are finite, and their strategic deployment must be balanced against the need to preserve financial resilience for future years. No reserves were used to balance the 2026/27 budget. The Council agreed

to its reserves strategy to ensure that the Council has adequate financial resilience to manage risks and uncertainty while supporting effective medium term financial planning.

In recognition of the demographic pressures within health and social care, in 2026/27, Aberdeenshire Council agreed to invest an additional £6.5 million into the Health and Social Care Partnership, together with additional funding of £8 million to support Real Living Wage and National Care Home contracts. In addition, £1.88 million was agreed as additional investment for roads repairs, recognising feedback from residents.

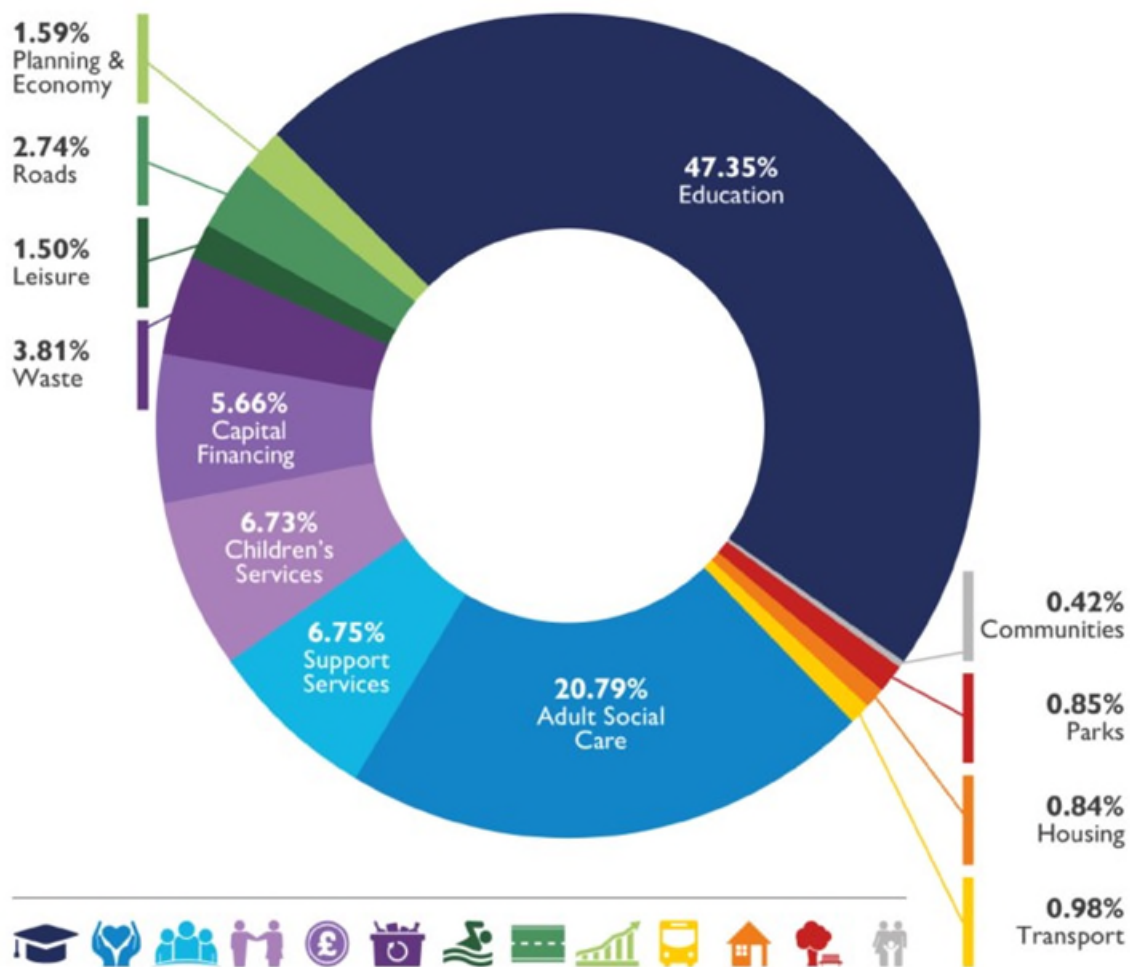
The capital programme, which funds large-scale infrastructure projects, continues to invest in key assets across the region. However, rising construction costs have emerged as a major concern, threatening the viability of planned investments and placing additional strain on the council's financial resources. The interplay between revenue and capital budgets is complex; while the revenue budget covers the day-to-day running costs of services, the capital budget is reserved for long-term projects that shape the region's future. The distinction is crucial, as it limits the council's flexibility to redirect funds in response to emerging pressures.

Looking ahead, the council faces a daunting forecast. A recent [Best Value Audit](#) by the Accounts Commission concluded that the council is well run, makes informed decisions and performs strongly in many areas. However, it also highlighted the need for the council to set out more clearly how future budget gaps will be addressed. When setting the 2026/27 budget, the estimated funding gap projections to 2030/31 was £128 million if no further action is taken. When taking account of the Council's potential share of the IJB's forecast deficit, this brings the overall indicative gap to £158 million. These figures illustrate the position of the Council if we were to stand still and take no further action beyond the current assumptions and demonstrates the scale of the financial challenge facing the Council. Through service prioritisation, transformation and continued reform of how services are designed and delivered, the Council will continue to respond actively to changing demand, demographic pressures and place-based needs. The forecast is predicated on the assumption of continued Council Tax increases. At the budget setting meeting in Feb 2026, 8% was agreed as the indicative rise for 2027/28 and 2.25% for years 2028/29 to 2030/31. Each round of annual budget setting can see changes to that figure, if the balance cannot be otherwise achieved.

The allocation of the revenue budget for 2026/27 reflects a delicate balance between statutory obligations and discretionary priorities. Most of the funding is directed towards

statutory services such as education and social care, which are legal requirements and account for the largest share of the budget. These services - schools, child protection, and adult social care are essential to safeguarding and supporting vulnerable residents. Non-statutory services, including leisure, community development, and economic initiatives, receive a smaller proportion of funding but remain vital for delivering the council’s vision of vibrant, sustainable communities. The allocation process is guided by the Medium-Term Financial Strategy and Transformation programme, which aims to manage the projected funding gap while maintaining essential services.

## How our revenue budget will be allocated for 2026/2027



Above is an example of funding allocation, in this case for the 2026/27 financial year mentioned in this paper. It illustrates how overall budgets are allocated to services.

A common misconception is that money spent on specific projects - such as playparks or cultural initiatives - could be redirected to core services like roads or social care. This is not the case. Many projects are funded through external grants or national programmes that come with strict conditions. These funds cannot legally be used for other purposes.

### Examples

#### **Macduff Marine Aquarium Upgrade**

The recent investment in upgrading Macduff Marine Aquarium was funded through a specific external grant, not from the council's general budget. This money was allocated for the aquarium project only and could not be diverted to other services such as road maintenance or staffing. Our approach is clear: use it or lose it. If we do not take advantage of these targeted funds, they will be allocated to other authorities and Aberdeenshire communities miss out. By securing and using these grants, we bring improvements and opportunities to towns across the region without impacting core council budgets.

#### **Playpark upgrades in Kincardine and Mearns**

The Kincardine and Mearns playpark renewal project received £145,000 from the Scottish Government Play Park Renewal Fund to upgrade three sites: Laurencekirk Memorial Park, Stonehaven Hamish Park, and Stonehaven Queen Elizabeth Park. Importantly, this funding was ring-fenced and could only be used for playpark improvements, ensuring it was not diverted to other council projects. This funding was not part of the council's total budget for the year.

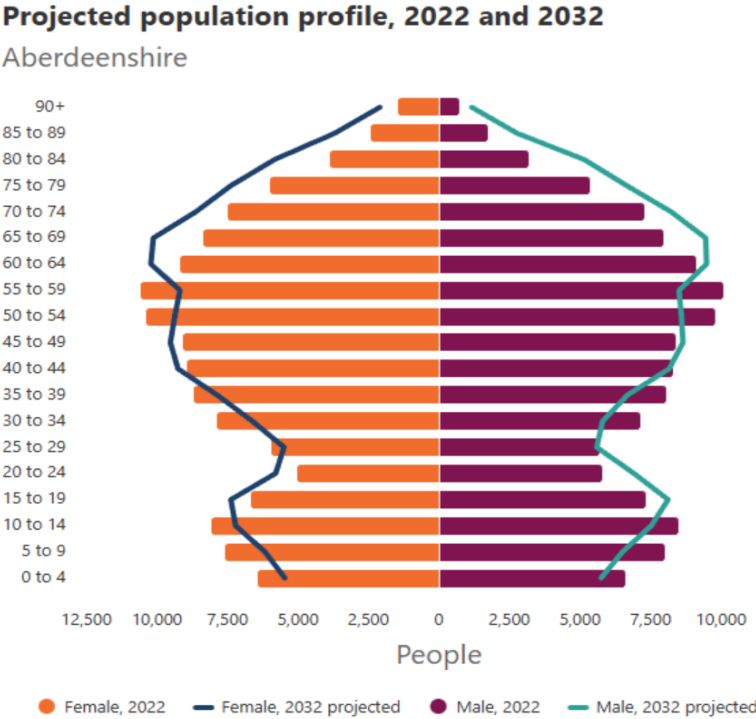
## Demographic change – the detail

The financial challenges facing Aberdeenshire Council are compounded by demographic and social drivers that are reshaping the region's population and service needs.

Aberdeenshire's population stood at 265,080 in 2024, a marginal increase of 0.2% on the

previous year. Over the longer period since 2001, the population has grown by around 16.8%, outpacing the Scottish average, but the pace of growth has eased in recent years. The age structure has become markedly older, with the largest age group now 45–64 and the population aged 75 and over having grown by more than 85% since 2001. This demographic shift has profound implications for the council’s financial position, as it drives increased demand for health and social care services while shrinking the pool of working-age residents.

Population projections indicate further gradual ageing, with the number of children expected to fall by about 14% over the next decade and the population aged 75 and over expected to rise by close to 40%. The working-age population is not expected to grow strongly, and the number of people at nonworking age is expected to increase faster than the working-age group, implying a higher ratio of dependants to working-age residents over time. This so-called “Dependency Ratio” is a critical metric, as it signals the increasing role of the council to provide services to a larger cohort of older residents with a relatively smaller workforce to support them.



Migration has become an increasingly important factor in maintaining population stability. With deaths now exceeding births, future population levels depend on the council’s ability to attract and retain working-age migrants. In 2023–24, Aberdeenshire received around 7,400 in-migrants and lost about 6,290 out-migrants, resulting in net migration of +1,110.

This rate is well below the Scottish average, and the age profile of migration is selective, with net losses of people aged 15–24 and net gains among those in their early 30s. The reliance on migration to counter natural decline means that future population stability cannot be assumed, and the area is likely to be competing with other parts of Scotland and the UK for a limited pool of younger working-age migrants.

The council's financial challenges are further highlighted by trends in births, fertility, and natural change. Aberdeenshire has seen a sustained shift towards lower fertility and later motherhood, with births to women under 20 having fallen by nearly 80% since 2004 and births to women aged 40 and over having increased by about 20%. However, the total fertility rate is estimated at about 1.38 children per woman, compared with 1.25 for Scotland. These patterns point towards changing service needs in areas like obstetric risk monitoring, screening, and specialist antenatal services, as well as continued emphasis on perinatal mental health support. The fall in teenage births means overall demand for services focused on very young mothers is lower, but the remaining small group of young parents is likely to have complex needs requiring targeted support.

Workforce dynamics are also shifting, with later parenthood increasing pressure on working-age adults who are simultaneously supporting children and older relatives. The pivotal role of grandparents in early education and care is highlighted, particularly in rural and semi-rural areas where mixed childcare arrangements are common. These trends reinforce the case for flexible, carer-friendly employment practices and for early-years and school settings to adopt intergenerational approaches that engage grandparents as partners. Adequate respite and community-based social care are essential to support both parents and the older generation on whom many families currently depend.

Demographic trends underpin the projected decline in the number of children and the continued growth of the older population. While the council cannot directly alter births or deaths, it can influence the size and composition of the working-age population by helping to attract and retain working-age households, supporting people who are currently out of work into employment, and making it easier for families to combine work and care. Decisions on economic development, housing, childcare, transport, public health, and skills are therefore part of the demographic response, alongside more traditional planning for social care, maternity, paediatric, and school services.

Life expectancy in Aberdeenshire is relatively high, with gains since the early 2000s being modest but positive. The combination of higher life expectancy and an ageing age structure

means that more people can expect to live longer with one or more long-term conditions. National evidence indicates that a growing share of working-age economic inactivity is due to long-term sickness, including mental health conditions, and that early retirement is also rising. In rural and semi-rural areas, inactivity due to poor health and retirement tends to be more pronounced. Improving population health, especially in relation to circulatory disease, dementia risk factors, and mental health, is therefore not only a health objective but a key determinant of future workforce capacity.

## What we do

### **Business Services**

Any major organisation needs a strong team supporting core functions like HR, IT, Finance, Legal and Property. As Aberdeenshire Council adapts to meet the changing needs of our residents, there is increasing pressure on corporate functions to support frontline services. Managing an annual budget of nearly a billion pounds, robust financial management is critical, yet with growing demand for services and changing demographics, the pressure on all services to work within budget is challenging. An organisation employing around 15,000 people needs strong people management. The pace of digital change is driving expectation and greater efficiency but that needs to be carefully managed to ensure our IT infrastructure is fit for purpose, our data is safe and our approach to deploying technology is ethical. We are a major land and property owner and that needs to be managed responsibly. And ultimately, we need to behave with integrity and trust as an organisation. Business Services is at the heart of all Council's services, driving change and delivering support to ensure we remain as a trusted and effective organisation.

### Where we need to focus our investment:

Support compliance and driving efficiencies across the council through digital transformation and change. Continued investment in new technology so we are as efficient as we can be and our networks and information is safe.

## **Environment and Infrastructure**

Aberdeenshire Council's Environment and Infrastructure Service (E&IS) delivers a wide range of essential functions that support local communities, protect the environment, and maintain vital infrastructure. The Directorate is made up of four core service areas: Environment & Sustainability leads work on climate change, biodiversity, waste management, and sustainability initiatives, ensuring the council reduces emissions and adapts to environmental pressures. Planning & Economy provides strategic planning, development management, economic development, and regulatory services. It ensures growth is sustainable, supports inward investment, manages the Local Development Plan, and helps shape safe, connected, and prosperous communities. Roads & Infrastructure maintains roads, bridges, lighting, car parks, winter maintenance, and essential transport infrastructure. Housing & Building Standards oversees building regulation, public safety, housing quality, and compliance, supporting safe places to live and contributing to long-term community well-being.

### Where we need to focus our investment:

Repairing and maintaining roads and bridges, delivering flood protection schemes, and funding carbon reduction initiatives. Improving waste collection services and supporting compliance with environmental targets. Upskilling local economic growth.

## **Education and Children's Services**

Education and Children's Services (ECS) at Aberdeenshire Council delivers high-quality education, social care, and wellbeing services that support children, young people, and families across the region. Its work spans school education, early learning, family support, safeguarding, and targeted services for vulnerable learners. ECS provides strategic leadership through Directorate and operational plans, ensuring continuous improvement, strong financial management, and delivery aligned with the Council Plan. A key part of the service is maintaining a diverse and rural learning estate of 17 school clusters, 17 academies, 145 primary schools, and four special schools, ensuring that children have access to safe, inclusive, and nurturing learning environments. ECS leads multi-agency work to support mental health, additional support needs, and care-experienced young

people, emphasising early intervention and the right support at the right time. Live Life Aberdeenshire (LLA) sits within the wider ECS structure, providing cultural, leisure, and sport services that promote health, wellbeing, legacy and heritage services, and community participation. Together, ECS and LLA contribute to safe, healthy, and thriving communities through integrated, people-centred services.

#### Where we need to focus our investment:

Maintaining and improving the school estate, supporting pupils with additional needs, and investing in digital learning. Enhancing energy efficiency in leisure centres, refurbishing high-demand facilities, and developing community-led models to sustain services.

#### **Health and Social Care**

The Aberdeenshire Health and Social Care Partnership (AHSCP) is a joint body formed by Aberdeenshire Council and NHS Grampian to integrate adult health and social care services across Aberdeenshire. Its purpose is to deliver high-quality, person-centred support that helps people maintain independence, improve wellbeing, and access coordinated care within their own communities. The Partnership operates under Scotland's health and social care integration legislation and is overseen by the Integration Joint Board (IJB), which sets strategic direction, governance, and budgets for delegated services. AHSCP is responsible for a wide range of services including adult social care, community health services, mental health, primary care, care homes, home care, allied health professions, public health, and criminal justice social work. Services are delivered through integrated multidisciplinary teams working across 20 localities, ensuring that support is responsive to local needs. Strategically, the AHSCP focuses on prevention and early intervention, reshaping care, tackling inequalities, effective use of resources, and supporting those with the greatest needs. Its long-term plans emphasise innovation, community engagement, addressing demographic change, and ensuring sustainable, resilient services for the future.

## Where we need to focus our investment:

Strengthening frontline provision, recruiting and retaining care staff, and expanding technology-enabled care to support independent living.

## Some example areas of pressure and challenge

### **Environment and Infrastructure pressures and challenges**

Previous engagement with communities has shown that maintaining and improving infrastructure, such as roads, is important for residents. However, this service faces significant challenges that influence where budgets must be focused.

- **Roads and bridges**

In 2024/25, 26% of Aberdeenshire's unclassified roads were flagged for maintenance, compared to the Scottish average of 36%. This places Aberdeenshire 2nd best in Scotland for the third consecutive year. However, despite strong technical performance, satisfaction is low. In a recent survey, only 22% of residents were satisfied with local roads. The 2025 Aberdeenshire Status and Options Report highlights ongoing and significant deterioration across Aberdeenshire's carriageway network, driven by repeated severe weather, increasing traffic loading, and several consecutive years of reduced planned maintenance investment. The report emphasises that the current budget is insufficient even to maintain existing condition, with the cost required to sustain current standards far exceeding available funding. This financial gap has resulted in a growing backlog of defects, meaning only short-term, reactive repairs—such as patching and pothole filling—can realistically be delivered. These interventions slow deterioration only temporarily, leaving long-term structural decline unaddressed. The ASOR outlines several investment scenarios, showing that unless significant and sustained capital is allocated, structural failures will worsen and long-term costs will continue to rise. Because current estimates do not include staff and fixed costs, the actual level of required investment is even higher than reported. Workforce shortages—particularly the number of vacant posts in Roads—further limit capacity to deliver planned scheme, intensifying reliance on short-term solutions.

- At a meeting of the Infrastructure Services committee in January 2026, The Head of Roads and Infrastructure warned councillors that over the next 20 years, 317 bridges would need to close on the grounds of safety if current levels of investment continued. There are 1,323 bridges in Aberdeenshire that carry the public road. Most of these pass unnoticed as they are driven or walked over and the majority of users are unaware of the scale of the bridges network. This equates to an average of a bridge every 2.7 miles of public road. The total length of all bridges end to end would be 4.9 miles. The gross replacement cost of our bridges has been calculated to be around £875 million. The majority of our bridges were built more than 200 years ago, designed for a different sort of load capacity, deterioration and not including any capacity for major weather events which dramatically negatively effects our bridge network. An example over the devastating effect of storm damage, over 350 bridges were damaged during Storm Frank in 2015.

### **Education and Children’s Services pressures and challenges**

Education is consistently ranked as the top priority by residents, with 80% of respondents in recent budget engagement exercises identifying it as one of the most important services to protect. However, this service faces significant challenges that shape where budgets must be focused:

- **Recruitment and Retention:** Teacher shortages, particularly in rural areas, remain a significant challenge. National agreements set minimum staffing standards and also directives around maintaining teacher numbers, and the council must comply with these while managing budget constraints.
- **Early Years Provision:** Falling birth rates and declining demand mean many early learning and childcare settings are operating well below capacity, creating inefficiencies while the council continues to balance rural needs, quality, and Best Value. To remain viable and responsive to changing demand, the council will need to reshape the early learning and childcare operation model and estate based on factors such as capacity, utilisation, quality and community needs, ensuring the future model remains high-quality, sustainable and fit for future.
- **Budget Pressures:** Whilst this applies across the board, Education accounts for nearly 50% of the council’s revenue budget, making it the largest single area of

spend. Inflation, pay awards, and energy costs mean that even small percentage increases in ECS budget lines have a major financial impact.

- **ASN provision:** In line with national trends, we are seeing a significant rise in the number of children and young people who require additional support to help them learn and thrive at school. Alongside this increase, schools are supporting pupils with a wider range of needs, many of which are more complex and require specialist knowledge, time and resources. Our schools remain strongly committed to inclusive education and to supporting children within their local communities wherever possible. However, growing demand, workforce pressures and increasing costs mean staff often having to do more with limited resources, sometimes with less support available from partner services than in the past. This places significant demands on staffing, specialist expertise, learning environments and budgets. While we continue to work hard to meet these needs and to support our pupils and families, this changing landscape presents ongoing challenges for our education service.
- **School estate:** Aberdeenshire Council faces a significant and growing challenge in maintaining and improving its school estate. While many school buildings appear to be in good condition at first glance, the headline ratings can be misleading. Beneath these overall grades lie serious issues with the essential components that keep buildings safe, warm and functional. Heating systems, electrical wiring, roofs, windows and toilets often show much poorer condition when examined in detail, and this hidden deterioration has major implications for long-term investment, and the reliability of facilities used every day by children and staff. A substantial maintenance backlog has built up over many years resulting in aged and inefficient building components. Costs have risen sharply due to inflation, and delays to planned projects have accelerated the decline of buildings already under strain. In some areas—such as Fraserburgh and Peterhead—postponed works have led to more significant deterioration, increasing both the urgency and the eventual cost of repairs. Adding to the complexity is the diverse nature of Aberdeenshire’s school estate. Many schools are small, rural and housed in older buildings that require disproportionately high maintenance. Several have very low projected pupil rolls—some below 25 in the coming years—yet still demand the same level of upkeep as larger schools. In several areas, multiple small schools sit within close proximity of one another, leading to inefficiencies in how resources are deployed and how

buildings are maintained. Together, these challenges mean that despite a superficially positive picture, Aberdeenshire's school estate faces significant hidden pressures. Addressing them will require sustained investment, careful planning and open conversations about the future shape of education provision across the region.

- **School Transport challenges:** School Transport represents a significant and ongoing financial pressure for Aberdeenshire Council. Annual expenditure currently exceeds £21 million, while funding received from the Scottish Government is approximately £5 million, resulting in a substantial funding gap that must be met from the Council's core Education budget. Around 27% of all pupils in Aberdeenshire are transported to school, reflecting both statutory entitlement and the area's large, predominantly rural geography. Of those pupils receiving transport, approximately 94% are supported through mainstream home-to-school arrangements, with the remaining 6% requiring Additional Support Needs (ASN) specific transport provision. Overall costs are driven by a combination of interrelated factors, including the number of entitled pupils, the extensive mileage required to serve rural communities, and variation in cost per mile. This variation is influenced by vehicle type, capacity requirements, availability of operators and local market conditions, contributing to a structurally high-cost base. The challenges of providing school transport in rural areas are particularly acute and illustrate why costs are significantly higher than in urban settings. Many routes rely on narrow or private roads with limited maintenance and access rights, which can restrict vehicle choice and raise safety and liability considerations. In addition, rural routes are frequently located far from operator depots, resulting in significant "dead mileage" before services begin, reducing efficiency and limiting the number of operators willing to tender. Collectively, these factors underline the disproportionate impact of geography on School Transport costs and the mismatch between current funding arrangements and the true cost of provision in rural local authorities.
- **Live Life Aberdeenshire challenges:** LLA's estate footprint is historically shaped rather than strategically designed. Many buildings are small, ageing, and inefficient to operate. Maintaining 150 venues dilutes resources, limits investment capacity, and hinders the ability to modernise services at pace. While physical attendance remains high - nearly 3 million visits annually across the region - the distribution of

these visits is uneven, leaving some facilities under-utilised but still expensive to run. The scale of the estate also restricts workforce efficiency. Staff are spread thinly across numerous small sites, limiting opportunities to deploy specialist expertise, deliver consistent programming, or achieve productivity improvements. For LLA to remain financially sustainable, it must reconfigure its estate through consolidation, co-location, repurposing, and a shift towards fewer, higher-quality spaces. Customer demand has evolved significantly. Users expect contemporary gyms, flexible fitness programming, warm and welcoming environments, digital integration, and high-quality group exercise spaces. LLA has demonstrated strong performance in these areas—membership grew by nearly 24% last year, and gym and studio investments in Fraserburgh, Banff and Stonehaven have produced substantial increases in income and participation. However, delivering these improvements across the entire estate is financially unrealistic as the service has very limited capital budget.

### **Care Key Pressures and Challenges**

Care services are a critical priority for Aberdeenshire residents, particularly as the region has one of Scotland’s fastest-growing older populations. This demographic shift, combined with rising costs and workforce shortages, creates significant challenges:

- **Growing Demand for Adult Social Care**

An ageing population means increasing demand for home care, residential care, and specialist support. The Health and Social Care Partnership is currently facing a £10.6 million deficit, reflecting the scale of financial pressure. People are also living longer with several long-term health conditions, which makes their care more complex and more expensive. A small increase in the number of people needing specialist dementia care can add a major cost. These placements can cost more than £2,000 a week per person.

- **Workforce Recruitment and Retention**

Recruiting and retaining care staff remains one of the biggest challenges. Rurality adds complexity, with longer travel times and fewer available workers. National pay agreements also impact costs. In some rural areas, just one staff vacancy means several households don’t get the level of care they’ve been assessed for. This

affects safety and slows down hospital discharges. Long travel times between communities also mean higher staffing costs. The Medium-Term Financial Strategy (MTFS) highlights the need to redesign roles and improve recruitment and retention to make services sustainable.

- **Complex Care Needs**

More residents require intensive support, including dementia care and specialist health interventions, which increases costs and staffing requirements.

- **Integration and Partnership Working**

Delivering care involves collaboration between council services, NHS partners, and third-sector organisations. Budget constraints can affect the ability to fund joint initiatives.

- **Innovation and Technology**

Technology-enabled care solutions, such as remote monitoring and telecare, are being piloted to reduce pressure on traditional services and support independent living.

- **Budget Pressures**

Rising energy costs, inflation, and pay awards make service delivery more expensive, even as demand grows. Even with major redesign work, increasing demand in complex care and prescribing continues to outweigh savings. However, transformation is helping. The HSCP has already delivered major changes to improve care and manage finances. Key areas include:

More care delivered in the community, helping people stay independent and leave hospital sooner

Better use of the workforce, reducing reliance on agency staff and strengthening core teams

Modernisation of social care, including changes in Learning Disability services and in Council-run care homes

Better use of digital tools, improving scheduling, planning and demand forecasting.

## Elected members

Aberdeenshire Council has 70 elected councillors, representing 19 multi-member wards across the region. This number is set by law under the Local Government (Scotland) Act and determined by the Local Government Boundary Commission for Scotland, based on population size and geography to ensure fair representation. Aberdeenshire Council cannot reduce councillors to save money, as their role is a legal requirement for democratic governance. Also, elected member salaries are set by national COSLA agreement and cannot be locally influenced.

## Local economic context

The economic context is equally significant. Aberdeen City and Shire has adopted a shared economic vision to 2035 that emphasises leading the transition to future energy solutions and new green energy, while diversifying into digital technology, food and drink, tourism, life sciences, and creative industries. The North-east has been designated one of Scotland's first Investment Zones, with up to £160 million of targeted investment, tax reliefs, and other incentives over ten years, focused on green energy and digital technology. These developments are expected to create new employment in higher-value sectors and to increase demand for technical, engineering, and digital skills.

However, the regional economy remains heavily specialised in oil and gas, with employment in these activities estimated to be about nine times the Scottish average share. Skills assessments suggest that employment in these activities may decline over the medium term as the energy transition gathers pace, even if total employment in energy-related sectors remains significant. This implies a need for reskilling and redeployment of workers into emerging net-zero roles. Social care and health roles may experience particularly sustained pressure, reflecting both projected growth in the older population and the region's existing concentration of such employment.

National analysis reinforces this assessment, suggesting that the number of new entrants to the workforce is unlikely to keep pace with the numbers reaching retirement age, and that increasing participation among those currently economically inactive may be at least as important as migration in sustaining employment levels. These findings are directly

relevant in an area where working-age cohorts are comparatively small and where health-related inactivity and caring responsibilities may limit participation.

The council's financial challenges are situated within a wider national and global context of economic, technological, environmental, and social change. Over the next 10 - 20 years, Scotland is expected to navigate a more volatile geopolitical environment, persistent economic headwinds, accelerating technological innovation, climate and nature pressures, and rising demands on health and care systems. These trends are highly interconnected and are shaped by foundational forces - demographic change, technological change, climate change, and changes in how people access and use information - which cut across traditional policy boundaries.

Climate change and environmental pressures emerge as another cross-cutting driver. Scotland's climate is projected to become warmer and wetter with more frequent extreme weather, alongside accelerating biodiversity loss, soil degradation, water stress in some catchments, and growing risks to marine ecosystems. The shift away from fossil fuels is expected to transform energy systems and land use, creating new opportunities in renewable generation, hydrogen, and nature-based solutions, but also potential disruption for communities tied to legacy industries or exposed to land-use change. For Aberdeenshire, this points to a dual challenge: managing the local impacts of climate and nature risks on agriculture, coastal areas, infrastructure, and vulnerable households, while positioning the area to capture value from the national transition to a net-zero and more circular economy.

## The impact of local and Scotland-wide trends

Social and institutional trends are likely to shape how demographic and economic changes are experienced locally. These include stable but unequal poverty rates, growing inter- and intra-generational wealth gaps, rising loneliness and single-person households, and shifts in how people engage with information, culture, and politics. Trust in institutions is under strain, mis- and disinformation are identified as major short-term risks, and political polarisation is increasing. Young people in Scotland express strong concern about climate change, inequality, mental health, and the future of public services, while being relatively optimistic about technology and more positive about the long-term future than older groups. Aberdeenshire's ability to manage demographic and social change will depend not only on the design of services and economic strategies, but also on

strengthening civic trust, digital and political literacy, and meaningful engagement with younger generations.

## In conclusion

The council's financial outlook underscores the urgent need for sustainable solutions. While the revenue and capital budgets remain pivotal in delivering essential services and shaping long-term infrastructure, escalating costs and projected shortfall rising from £42 million in 2027/28 to £158 million by 2030/31 demand decisive action. Reliance on one-off measures is no longer viable; permanent efficiencies and strategic savings must be prioritised to safeguard statutory services and maintain fiscal stability. By confronting these challenges now, the council can preserve its ability to invest in communities and ensure resilience for the future.

The council's five-year outlook anticipates continued financial pressure. Transformation programmes, partnership working, and community involvement will be critical to delivering services within available resources.

Aberdeenshire Council remains committed to protecting essential services and investing in areas that matter most to residents. However, financial pressures mean that alongside investment, we must also make savings and review how services are delivered.

## Where investment needs to be made

- **Education** – Maintaining and improving the school estate, supporting pupils with additional needs, and investing in digital learning.
- **Care Services** – Strengthening frontline provision, recruiting and retaining care staff, and expanding technology-enabled care to support independent living.
- **Environment and Infrastructure** – Repairing and maintaining roads and bridges, delivering flood protection schemes, and funding carbon reduction initiatives.
- **Waste and Recycling** – Improving waste collection services and supporting compliance with environmental targets.
- **IT and Digital** – continued investment in new technology so we are as efficient as we can be and our networks and information is safe.
- **Leisure** – Enhancing energy efficiency in leisure venues, refurbishing where there is high demand, and developing community-led models to sustain services.

## Where savings may be necessary

- **School Estate Viability** – While investment will continue in education, the council may need to review the viability of some rural schools where pupil numbers are very low. This could involve consolidation or alternative delivery models to ensure resources are used effectively.
- **Care Services** – Exploring efficiencies in service delivery, including greater use of technology-enabled care and reviewing non-statutory services to prioritise frontline provision.
- **Infrastructure** – Deferring non-essential improvement projects and focusing budgets on critical maintenance and safety works rather than enhancements.
- **Leisure Network** – Maintaining every leisure venue may not be sustainable. Some venues could move to community-led management or shared-use arrangements.
- **Service Redesign** – Across all areas, we will look for efficiencies through digital transformation, partnership working, and prioritising statutory services over discretionary spend.