



# 2026-2027 BUDGET

Public Meeting  
10th February 2026





# Agenda

- Purpose
- Principles
- Budget Process
- Current 5 -Year Forecast
- Required Operating Surplus
- Basis of Budget Preparation
- FIG Capital Investment – Next 5 Years
- Cash and Funds
- Income & Expenditure – future risks
- Summary Position



# Purpose of public meeting

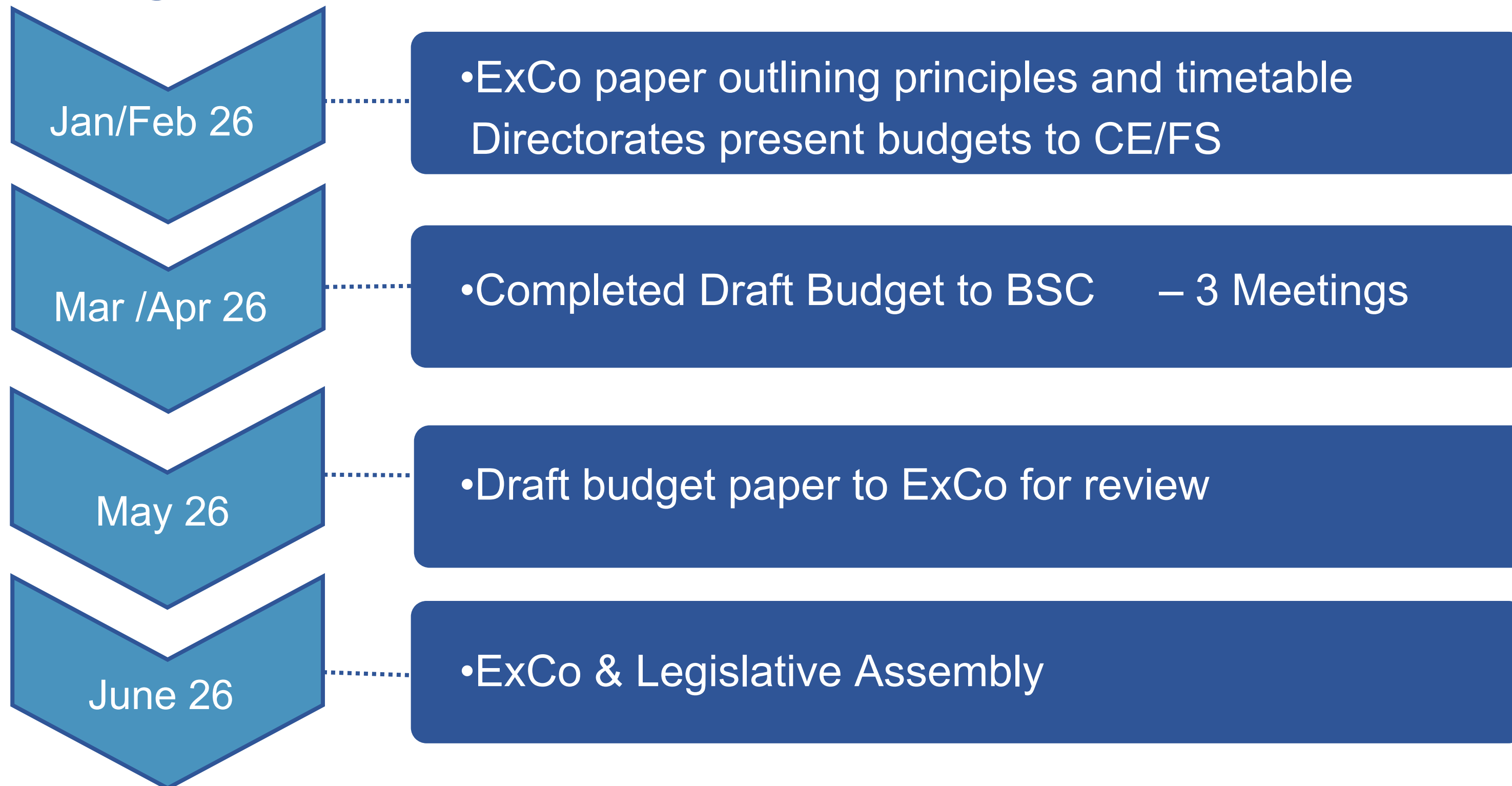
- To engage with the public and share information to be transparent
- For the public to understand rationale for Government decisions in the budget
- The budget is a fundamental tool in achieving this aim.

## 26/27 - Budget Principles

- Live within our means.
- Provide an appropriate level of funding to maintain cost efficient and effective public services.
- Prioritise investment in critical national infrastructure.
- Encourage sustainable and affordable economic development.
- Within our financial means, strive for improved social equity and fairness.



# Budget Process





## 5-Year Forecast

	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
<b>Budget Net Operating Surplus/(Deficit)</b>	<b>5.1</b>	<b>13.1</b>	<b>12.0</b>	<b>16.0</b>	<b>15.4</b>
<b>ExCo In Year Operating Approvals</b>	<b>(5.8)</b>	<b>(2.4)</b>	<b>(1.2)</b>	<b>0.0</b>	<b>0.0</b>
<b>Forecast Net Operating Surplus/(Deficit)</b>	<b>(0.7)</b>	<b>10.7</b>	<b>10.7</b>	<b>16.0</b>	<b>15.4</b>
<b>Budget Headroom 1.5x</b>	<b>125.3</b>	<b>43.6</b>	<b>13.7</b>	<b>14.2</b>	<b>12.2</b>
ExCo Operating Approvals	(5.8)	(8.2)	(9.5)	(9.5)	(9.5)
ExCo Capital Approvals	(0.3)	(0.4)	(0.6)	(0.8)	(1.0)
<b>Forecast Headroom</b>	<b>119.3</b>	<b>34.9</b>	<b>3.6</b>	<b>3.9</b>	<b>1.7</b>
<b>Forecast Additional Capital Costs</b>	<b>(9.0)</b>	<b>(27.0)</b>	<b>(5.0)</b>	<b>0.0</b>	<b>0.0</b>
<b>Adjusted Forecast Headroom</b>	<b>110.3</b>	<b>(1.1)</b>	<b>(37.4)</b>	<b>(37.1)</b>	<b>(39.3)</b>
<b>Growth Fund Gain Used</b>	<b>19.0</b>				
<b>Operating Forecast Headroom</b>	<b>129.3</b>	<b>17.9</b>	<b>(18.4)</b>	<b>(18.1)</b>	<b>(20.3)</b>
Net Liquid Assets Adjust Act v Budget	19.0	(7.0)	(36.0)	(35.0)	(35.0)
<b>NLA Reserves Ratio Excess/(Shortfall)</b>	<b>148.3</b>	<b>10.9</b>	<b>(54.4)</b>	<b>(53.1)</b>	<b>(55.3)</b>



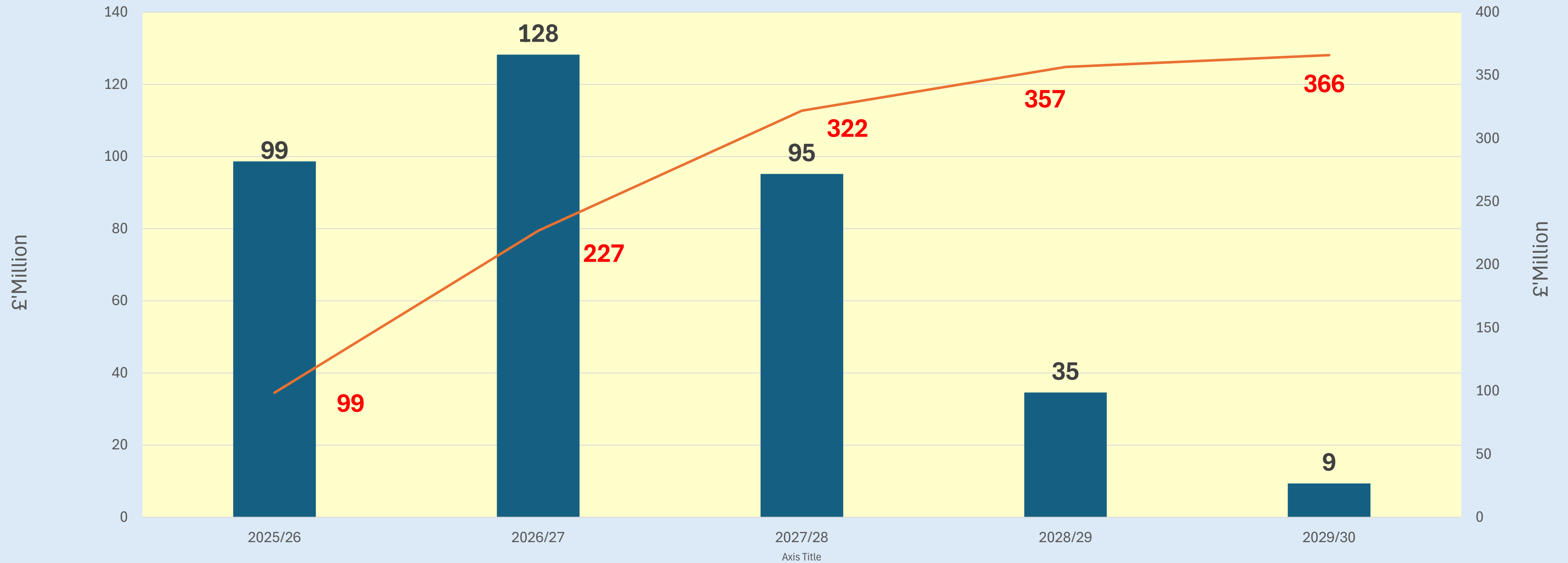
# Required Operating Surplus

- **£30 – 35 Million before Interest.**
- Meet Loan Finance costs of £14 Million per Year
- Meet Capital Expenditure of £15 – 20 Million per Year
- Otherwise, will need to draw on Growth Fund

# Basis of Budget Preparation

- No growth in existing operating budgets; Absorb inflationary increase of 2.7%; Additional expenditure must address an identified risk.
- Only known oil licence fee revenue taken. Known oil preparation costs included.
- Review fees, charges and social benefits to ensure inflationary increases are considered, where appropriate.
- No growth in Establishment unless it is to address an identified risk.
- Changes to capital projects or programmes must be funded from existing programmes; Additional spend must address an identified risk or be related to the development and support of the hydrocarbon industry.
- Produce options for cost savings and/or revenue increases of 10% to generate £10 million annually.

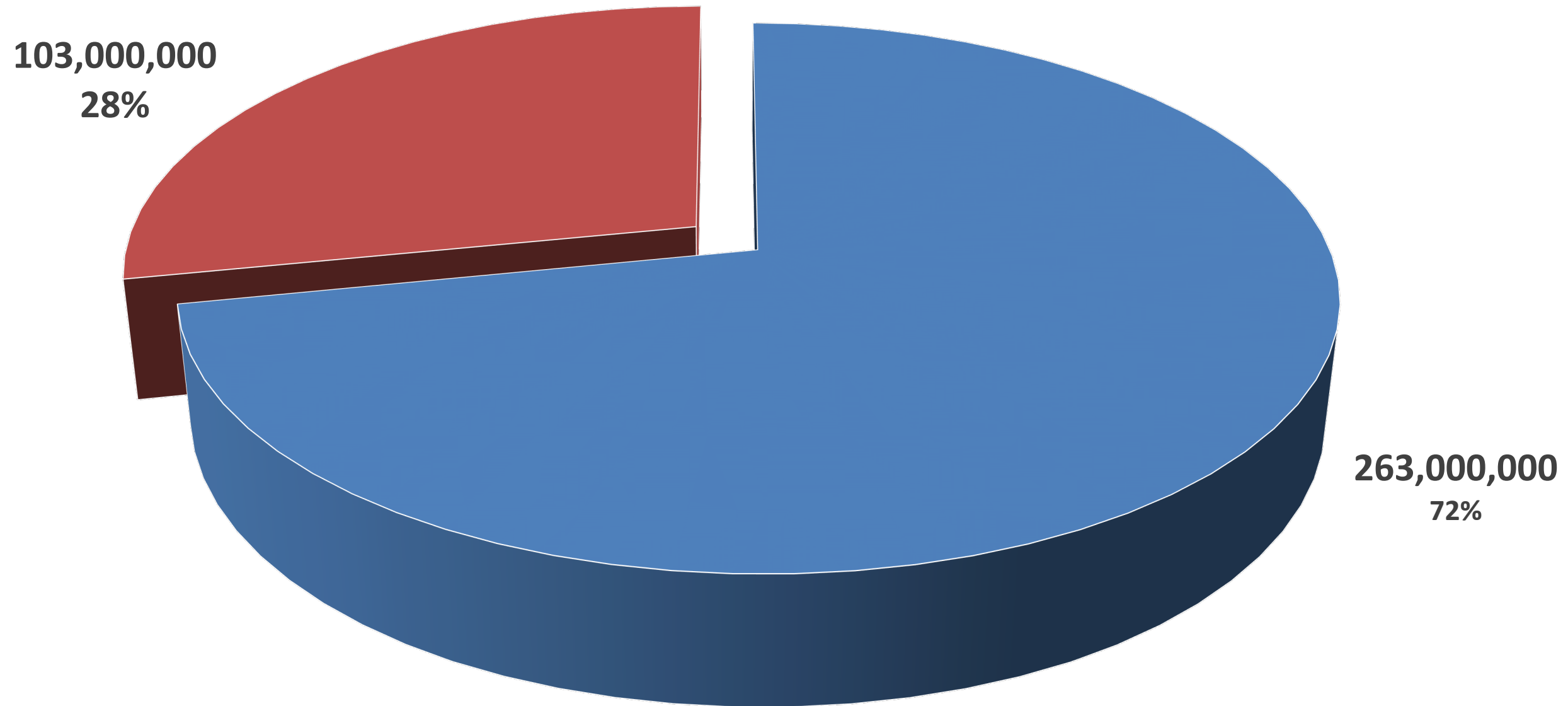
## Capital Spend (2025/26 to 2029/30)



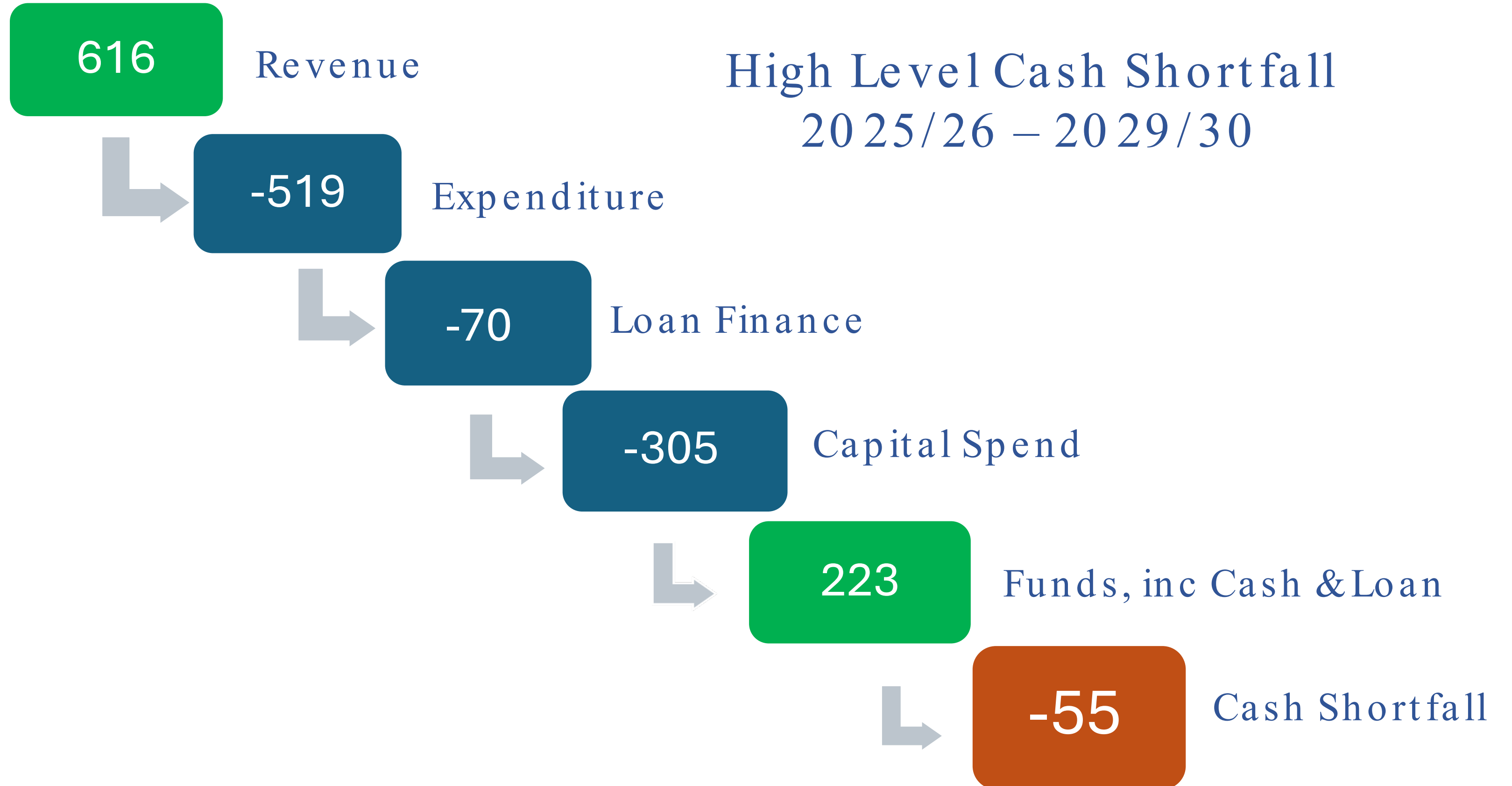
■ Ann. Capital Spend — Cumm. Capital spend



## Infrastructure v Other Capital Spend 2025/26 - 2029/30



■ Port; Power Station: Sand Bay; Waste Facility ■ Other Capital





# FUND BALANCES

<b>Consolidated Fund Unrestricted</b>	
	<b>£'000</b>
Growth	156,539
Income	20,130
<b>Total</b>	<b>176,669</b>

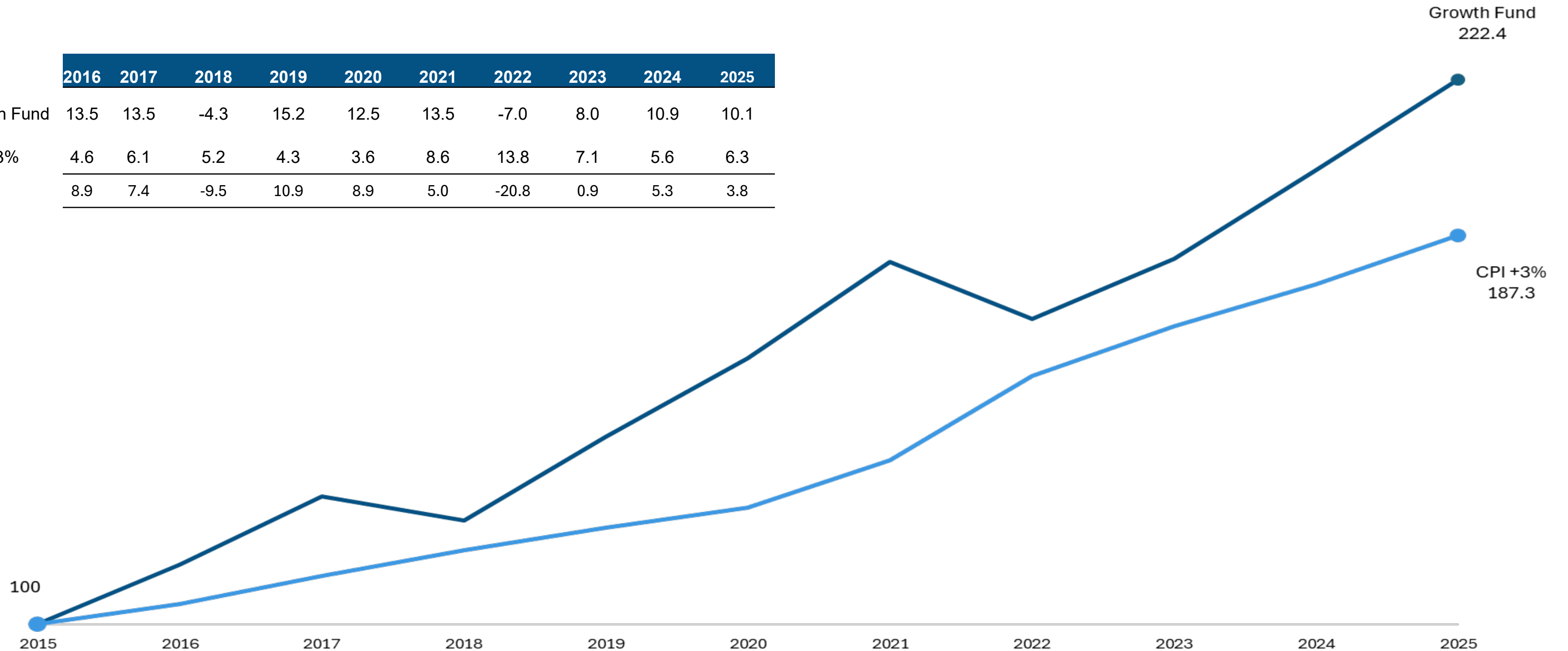
<b>Special Funds Capital Unrestricted</b>	
	<b>£'000</b>
Capital Eq.	67,293
Private Placement	122,831
<b>Total</b>	<b>190,124</b>

<b>Special Funds Restricted</b>	
	<b>£'000</b>
Pension Eq.	119,114
Pension (Old) Sch.)	27,013
Insurance	24,058
Currency	5,701
Sinking	4,972
<b>Total</b>	<b>180,858</b>

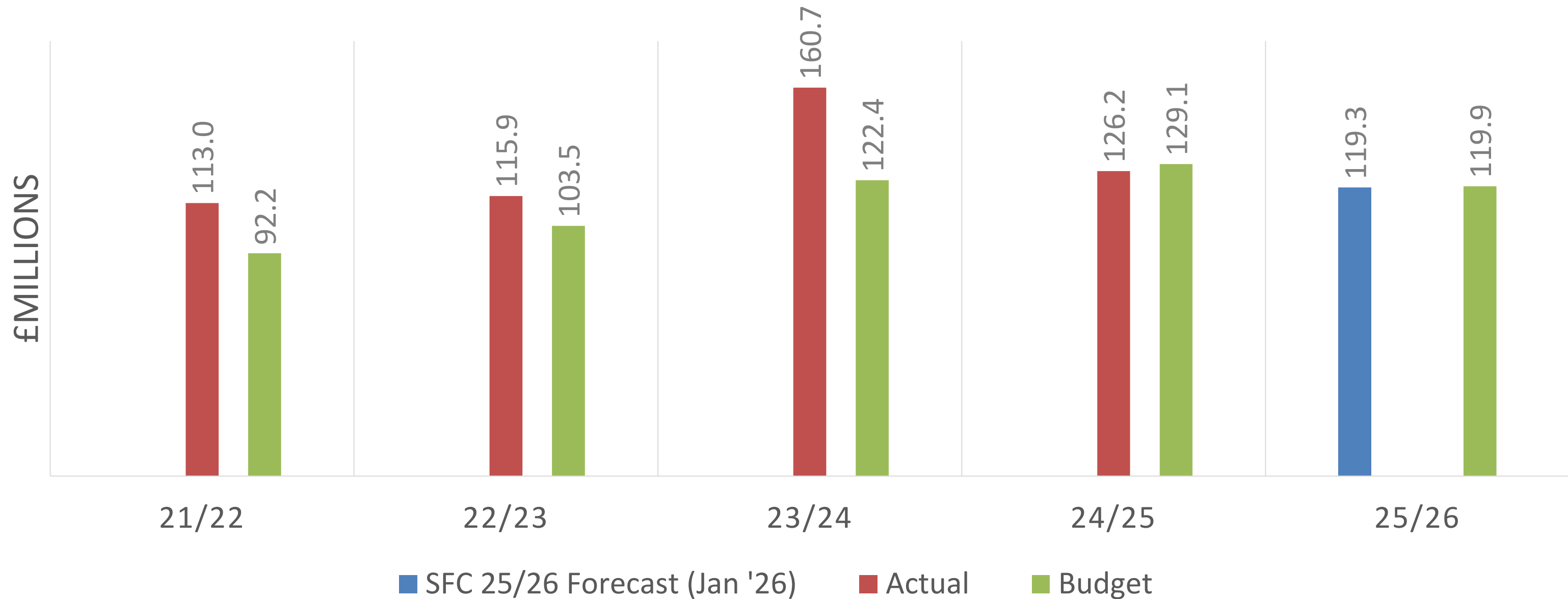
<b>FIG TOTAL</b>	<b>547,651</b>
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# Growth Fund Performance

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Growth Fund	13.5	13.5	-4.3	15.2	12.5	13.5	-7.0	8.0	10.9	10.1
CPI +3%	4.6	6.1	5.2	4.3	3.6	8.6	13.8	7.1	5.6	6.3
	8.9	7.4	-9.5	10.9	8.9	5.0	-20.8	0.9	5.3	3.8



# 5-Year Historical Income



## Income assumptions – future risks

- Corporation Tax receipts last 5 years averaged £30m per annum. 24/25 £19.2m. Forecast for 25/26 is £19mn – in line with budget.
- CT receipts have a dependence upon the level of taxable profits from fishing and other industries (after allowable deductions, including investment costs of new vessels for example).
- Realised investment income has averaged £14.0m over the last five years.
- The level of investment income is also impacted by the rate of disinvestment of some of the accumulated reserves to pay for infrastructure development.
- Previous investment performance is no guarantee of future investment performance.

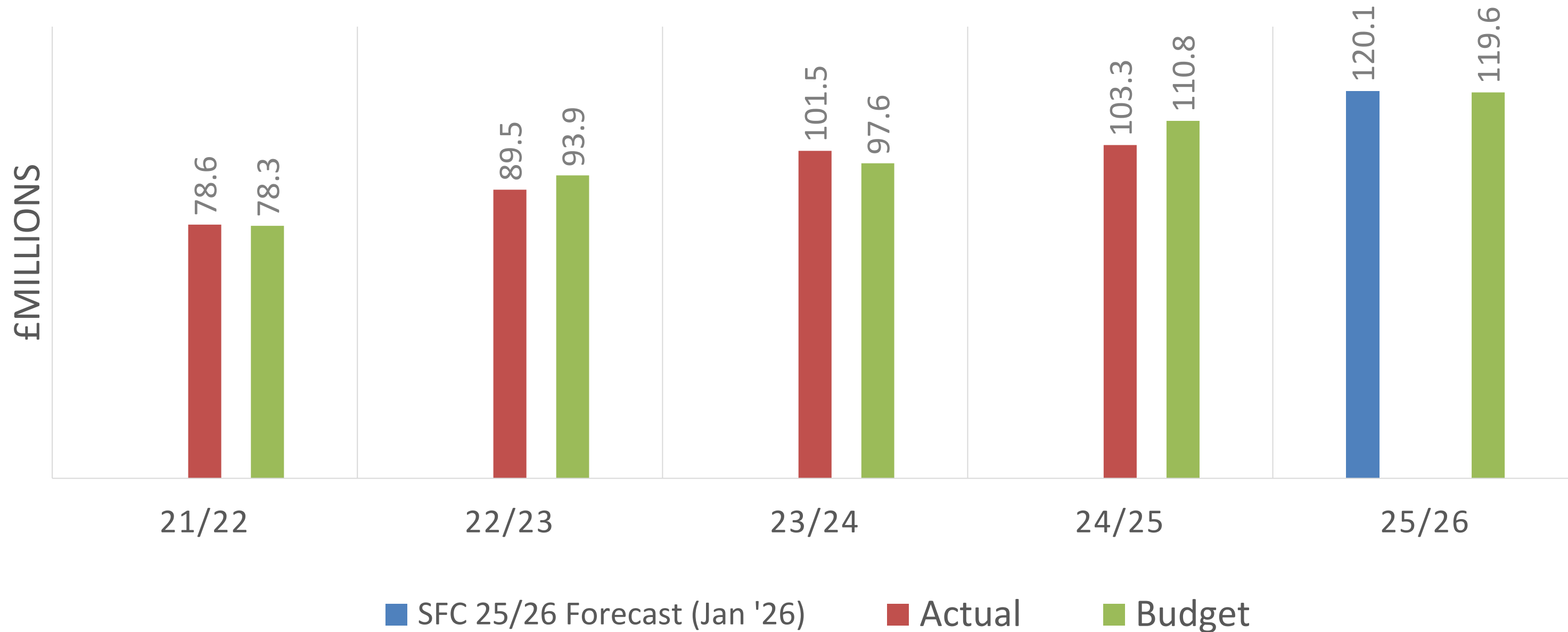


# Income assumptions – future risks

- Fishing license income is not all guaranteed
- Risk mitigated in medium and long term:
  - on-going fisheries science and investment in protection
  - stock management
- The 25/26 forecast is as per the budget £36.3m.



# 5-Year Historical Expenditure





# Costs assumptions – future risks

- Increasing public demand on all government services
- Large scale capital programme
- Repayment of external borrowing
- Management of cashflow
- External un -controllable pressures e.g. rising worldwide commodity prices
- More unstable worldwide economic and political environment.

# Summary Position

