association for public service excellence

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Scottish Local Government Budgets 2026/27

Accounts Commission Bulletin

To: All Chief Executives, Main Contacts and APSE Contacts in Scotland. For information only England, Northern Ireland and Wales.

1. Executive Summary

The Accounts Commission's Local Government Budgets 2026/27 bulletin report highlights the continuing financial pressures facing Scottish councils despite an increase in overall funding from the Scottish Government. While local government has received additional resources for 2026/27, much of this funding is committed to meeting existing obligations, particularly workforce and pay-related costs, leaving limited flexibility to address wider service pressures.

The report identifies a projected funding gap of around £529 million across Scottish local government and warns that councils face increasingly difficult decisions to balance budgets while responding to growing demand for services. Social care, education and inflationary pressures continue to place significant strain on council finances, while reductions in capital funding present challenges for investment in infrastructure, assets and net zero ambitions.

The Accounts Commission concludes that councils will need to accelerate service transformation and prioritisation, supported by stronger long-term financial planning and greater engagement with communities on future service provision. The findings reinforce ongoing concerns about the sustainability of local government finances and the capacity of councils to maintain frontline services while delivering national and local policy objectives.

For APSE member authorities, the bulletin underlines the importance of securing sustainable funding arrangements that support investment in essential frontline services, workforce capacity, infrastructure renewal and the transition to net zero.

Click here to read the bulletin in full.

2. Overview

The latest budget bulletin from the Accounts Commission highlights the continuing concerns about the financial sustainability of Scottish local government. While councils have received a modest real-terms increase in revenue funding for 2026/27, the Commission concludes that funding growth is not keeping pace with rising demand, inflationary pressures and increasing service costs.

The report warns that councils face a collective budget gap of approximately £529 million in 2026/27 despite additional Scottish Government investment, planned savings programmes and council tax increases.

Key findings

Funding increases are being absorbed by cost pressures. Scottish local government will receive around £15.7 billion from the Scottish Government in 2026/27, representing a small real-terms increase. However, much of the additional funding is already committed to meeting existing obligations, particularly public sector pay agreements. Around £244 million of new funding has effectively been earmarked to cover previously agreed teacher pay settlements.

Significant budget gaps remain. The Accounts Commission estimates that councils face a funding gap of approximately £529 million for day-to-day services in 2026/27. This equates to around 3% of total revenue funding received from the Scottish Government.

Service demand continues to rise. Demand-led services, particularly social care, continue to place significant pressure on local authority finances. Spending on social care alone is expected to reach around £4.3 billion during 2026/27, which equates to approximately 24% of the combined revenue budgets for all councils. The Commission notes that demographic change and increasing complexity of needs are driving expenditure growth across many services.

Councils are relying on tax increases and savings. Scottish councils have approved average council tax increases of 7.7% for 2026/27, expected to generate an additional £248 million. Alongside this, councils have identified around £180 million of savings – mostly within corporate functions, environmental services, and changes to waste management services. However, the Commission warns that future savings programmes are increasingly likely to affect frontline services.

Capital investment is under pressure. While revenue funding has modestly increased, capital funding has fallen significantly. The local government capital settlement has reduced by around 15%, raising concerns about councils' ability to invest in infrastructure, housing, fleet replacement, roads, buildings and climate-related projects. The Commission notes that councils may increasingly need to borrow or use reserves to support capital investment.

Service transformation is becoming unavoidable. The report concludes that councils will increasingly need to redesign, reduce or stop some services unless longer-term financial sustainability can be achieved. The Commission emphasises the importance of engaging communities in decisions about future service provision and prioritisation.

Implications for local authorities

The findings are particularly relevant for frontline local authority services represented across APSE's networks. Continued pressure on revenue budgets, combined with reductions in capital funding, is likely to affect councils' ability to invest in fleet replacement, roads and lighting infrastructure, waste and recycling facilities, housing assets and wider environmental services.

The report also highlights the challenge facing councils in balancing immediate financial pressures with longer-term priorities such as net zero, asset management and service transformation. This may mean increasing emphasis on efficiency measures, commercialisation and income generation opportunities, collaborative working and the use of technology to maintain service standards within constrained budgets.

With staffing costs continuing to account for a significant proportion of local government expenditure, councils will also need to consider how workforce planning, recruitment and retention challenges affect the delivery of essential frontline services. The findings reinforce the importance of providing local authorities with sufficient long-term funding certainty to support investment in services, infrastructure and the workforce needed to meet future demand.

3. APSE Comment

The Accounts Commission's findings reinforce concerns that many councils continue to face a structural mismatch between available resources and rising demand for local services. While additional funding for 2026/27 is welcome, it is clear that much of this increase is being absorbed by unavoidable cost pressures, leaving limited flexibility for service improvement or investment.

For frontline services, sustained reductions in capital spending present particular challenges. Local authorities are being asked to deliver ambitious outcomes on net zero, housing, transport, place-making and economic development while facing increasing constraints on investment capacity.

APSE would argue that councils require greater long-term financial certainty to support workforce planning, asset management, service transformation and investment in local infrastructure. Sustained investment in preventative, locally delivered frontline services remains essential if authorities are to meet growing demand, deliver net zero ambitions and support resilient communities.

APSE continues to support member authorities through its national and area networks and seminars, providing a forum for sharing best practice in responding to emerging policy and financial challenges. Members are encouraged to engage with relevant APSE network meetings and events to explore the implications of the Accounts Commission's findings in more detail, particularly in relation to service transformation, efficiency and frontline service delivery.

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Sign up for APSE membership to enjoy a whole range of benefits

APSE member authorities have access to a range of membership resources to assist in delivering council services. This includes our regular networks, specifically designed to bring together elected members, directors, managers and heads of service, together with trade union representatives to discuss service specific issues, innovation and new ways of delivering continuous improvement. The networks are an excellent forum for sharing ideas and discussing topical service issues with colleagues from other councils throughout the UK.

Networks are a free service included as part of your authority's membership of APSE and all end with an informal lunch to facilitate networking with peers in other councils. If you do not currently receive details about APSE network meetings and would like to be added to our list of our contacts for your service area, please email enquiries@apse.org.uk

Our national networks include:

- FM and Building cleaning
- Catering (School Meals)
- Cemeteries and Crematoria
- Local Government Reorganisation Network
- Highways and Street Lighting
- Housing, Construction and Building Maintenance
- Local Authority Social Value, Procurement and Commercialisation
- Parks, Horticulture and Ground Maintenance
- Recovery and Renewal
- Renewables and Climate Change
- Roads, highways and street lighting
- Sports and Leisure Management
- Vehicle Maintenance and Transport
- Waste Management, Refuse Collection and Street Cleansing
- Armed Forces and Veterans Network

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