



STRONG COUNCILS, STRONG COMMUNITIES



Budget Pressures in Local Government



Strong communities start with Local Government. Whether it be a bus ride to school, keeping fit and active, or getting the care our family members need, Councils are at the heart of all our everyday lives. Now, more than ever, budget pressures mean the services on which we all rely are under existential threat. Meeting our call for a settlement of **over £16bn** will not make up for previous cuts but it is the only way to put local government on a sustainable footing next year. This document sets out our key budget asks with a particular focus on social care and housing - two areas nearing breaking point.

Budget Pressures in Local Government



The Accounts Commission have forecast a £647m gap across Councils for 2025/26, £528m in 2026/27 and £496m in 2027/28



Unfunded pay policies place stress on Council budgets. A 1% rise in pay equates to £125m of pressure if unfunded



Inflationary pressures continue to affect Local Government. A 3% rise adds a £270m pressure to Councils across their gross operational (non-staff) costs



Demand for services continues to increase in both volume and complexity, particularly in social care and homelessness services

What We Do



54,000km of roads maintained



261,000 employees



97,585 people receiving care at home



90,321 children registered for ELC in **2,575** centres



1,868 instances of emergency statutory homelessness support

What This Means

- In 2025/26, Council Tax was used as a lever to address funding gaps. Whilst still being amongst the lowest in the UK, an average 8.9% rise across the country provided £258m.
- In 2025/26, £192m of recurring savings were planned. **Since 2011, an estimated £5bn of savings have been delivered nationwide.**
- Councils have maintained £55bn worth of assets in 2025/26 with only £780m. Additional pressures have been placed on revenue budgets to borrow to fund capital projects.
- Council workforces have continually felt the force of budget decisions, leading to challenges in recruitment, retention, stress and absence. Since Covid-19 (2020/21) there has been an 85% increase in teacher sickness absence, and 45% in non-teaching staff.
- Councils have had to raise their fees and charges to meet budget demands, with an estimated £1.1bn anticipated for 2025/26. These include significant increases in fees charged to access leisure facilities, garden waste collection and visitor experiences.
- £190m of reserves were used to balance budgets in 2025/26.

Continued real terms cuts to Local Government have had a detrimental impact on the scale, scope and quality of services provided. Additional, unallocated funding is needed through this year's settlement to reverse the impact and sustain preventative service delivery

Our Budget Principles



The 2025/26 Budget delivered £289m additional, uncommitted revenue to Local Government, alongside a reduction in directed funding. We believe that more can be done. The key principles we want to see in the 2026/27 Budget are:

Increased, Multi Year, Flexible Funding

As a minimum, all Councils should receive revenue funding that is fair, flexible and uplifted to reflect rising costs and demand. Flat cash settlements are unsustainable and will result in service reductions. Ringfenced funding stifles local decision making.

Prevention and Early Intervention

As explored in the Population Health Framework, Local Government services embody prevention. Upstream investment today will mitigate the impending challenges the public sector faces due to an ageing demographic and rising health inequalities. A shift to enable place-based, preventative budgeting across the public sector is needed to tackle the root causes and impacts of inequality.

Capital

Councils require additional capital investment to enable the maintenance and broadening of their estate, including schools, community centres and libraries. These assets are key to achieving our shared priorities around poverty and net zero.

Verity House Agreement

All spending decisions must align with the commitments of the Verity House Agreement. The Budget must be sustainable, multi-year and flexible.

Net Zero

There is no future on a dead planet. Local Government can drive Net Zero ambitions across a number of areas, including transport, housing and education, and contribute towards our shared national priority.

Council Tax

The decision to set Council Tax must be made locally to reflect local needs. There should be no council tax freeze or cap.

Joint Working

Early budget engagement with Government is essential to help our forecasting, with no surprises come Budget day.

Health and Social Care



Our social care services are critical to Local Government’s preventative mission and demand for these services continues to rise. Providing the right care, in the right place at the right time can unlock a better quality of life for those who depend on these services, whilst easing pressure on acute services and contributing to our shared priorities. **An additional £750m per year is needed to maintain social care.**

The Problem

Our Integration Joint Boards have reported a £497.5m pressure in 2025/26

Reserves sit at £55m nationally, or 0.5% of total budget

Councils have continually struggled with capacity with pressures in recruitment and retention of staff

Scottish Government funding uplifts for social care have continually been directed, mainly for the Real Living Wage

Councils have had to provide significant funding, over and above Scottish Government funding, to ensure continuity of IJB’s statutory services

The Impact

Reductions in packages of care, commissioning, residential care placements and community hospital capacity

IJBs hold no contingency in case of emergency. The diminution of reserves is proof that unsustainable savings have had to be made in the past

Significant budget has had to be directed to the use of agency staff. We need a budget that allows us to pay social care staff the wage they deserve and strengthen the Third Sector

Directed funding cannot be applied to baseline pressures. Although welcome, the funding uplifts in social care have not contributed to easing operational pressures

IJB pressures have resulted in financial challenges for Council and NHS partners. £109m was provided over and above SG directed funding by Partners in 2025/26 alone. Trade-offs have had to be made with other core services to fund social care pressures

What £750m investment in social care could deliver

An additional 8,800 annual nursing care home placements

Increase the social worker workforce by over 19,000

Over 9,000 additional residential care packages

Almost 80% of the combined 24/25 and 25/26 projected IJB budget gap would have been met

Almost 9 million weeks of unpaid care funded through the Carer Support Payment

Our Asks

A shift towards preventative spend in health and social care, recognising the benefits of Social Care services and the whole-system impact they bring

An immediate £750m injection in Social Care Budgets

A commitment to sustainable multi-year funding to enable social care services to build capacity and tackle the associated challenges of our ageing population

Budget Decisions and the Impact on Preventative Services

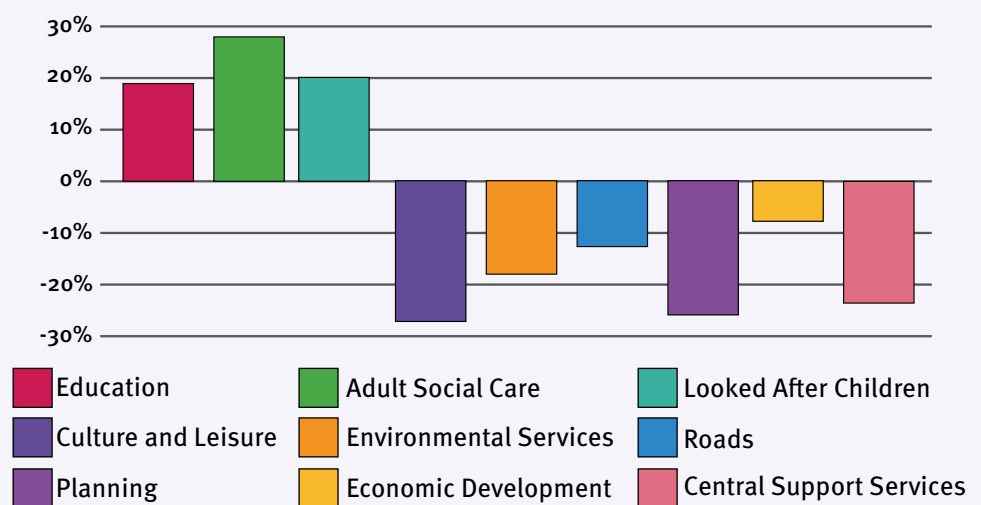


The financial pressures on social care have resulted in difficult decisions being made that have prioritised statutory service provision at the expense of some of the higher impact, preventative initiatives IJBs deliver. Below are real examples of decisions IJBs have made in order to balance budgets and meet their statutory duties.

In the face of adversity, councils have had to shift resource to social care at the expense of other core services.

Since 2011, Councils have provided a 29% increase in Adult Social Care Budgets whilst Culture and Leisure services have suffered a 26% decrease, Planning a 25% decrease and Central Support Services a 23% decrease.

Real Terms % Change in Local Government Net Expenditure
2010-11 - 2023-24



Examples of IJB preventative budget cuts

In North Ayrshire, a reduction of Care at Home Services by c30 WTE, or over 1,000 hours of care per week, is being implemented as part of their IJB recovery plan, alongside a higher threshold for accessing care meaning longer waits in the community and in hospital.

Despite significant additional contributions by partner organisations, Aberdeenshire IJB agreed to the rationalisation of in-house care home provision, subsequently reducing care home capacity.

In Renfrewshire, the provision of a Housing and Health Hub, Community Health Champion Service and grant funding for a charity helping older people to eat well, age well and live well at home for longer were not extended after March 2025.

In Fife, there has been a reduction in Care at Home whilst demand is increasing at approximately 60 additional hours per week. Priority has been given to those being discharged from hospital over community referrals. Currently, there are 1,260 hours of care that have been assessed but not being met, and 493 people in the community awaiting assessment.

In the Scottish Borders, significant savings were agreed around a reduction in Home First Reablement thus reducing capacity to recover from hospitalisation at home.

In West Lothian, physical and learning disabilities day service provision has significantly reduced, with the closure of two-day services and the remaining day services reduced from 5 to 2 days per week.



Housing



Far too many people across Scotland are unable to access a safe, stable home. Investing in the supply of good quality affordable housing is the only way to resolve the housing emergency whilst making a significant contribution towards widely shared priorities of eradicating child poverty and tackling climate change. Investing in homes will drive economic growth. Local Government must be resourced and empowered to provide affordable housing to meet our communities' needs.

The Problem

13 local authorities have now declared a housing emergency, but all local authorities face systemic challenges, long waiting lists and increased demand in the need for homelessness services

The Affordable Housing Supply Programme (AHSP) has suffered a real terms reduction since 2022/23. The AHSP meets on average only 41% of the cost of a new home

The current levels of approvals, starts and completions for affordable housing has declined over the last three years. Level of completions in the second quarter of 2025 were a record low

Housing and homelessness services are under increasing strain due to lack of supply. New duties on Councils in the Housing Act may exacerbate this

The Impact

A lack of housing supply leaves Councils unable to meet a growing demand and meet statutory duties. Nearly 17,000 children are homeless and local authorities are spending £720m per year on hotels and B&Bs

Rising construction costs, meeting current standards and reduced grant funding mean higher tenant rents, increased reliance on council borrowing and reduced capacity to fund new builds

We are not building enough homes fast enough. Scottish Government's target of delivering 110,000 affordable homes by 2032 lies in jeopardy, with only 28,537 completions to date. This has a direct impact on child poverty targets

Increased pressure on the system if new duties are not fully funded, if lead in time is not sufficient and without a multi-sector response

Tackling Child Poverty

Social housing is key to tackling child poverty, as recognised in the Tackling Child Poverty Delivery Plan. We need ambitious action that reflects this.

- There is a clear link between child poverty and a lack of access to safe, secure and affordable homes
- Child poverty is also one of the strongest predictors of homelessness in adults
- Housing costs tend to be the largest of the living costs for most households, with some families (particularly in the private rental sector) pushed into poverty by their housing costs

The Whole System Benefit

Adequate housing is vital for our communities' wellbeing and will be central to tackling the fiscal sustainability challenges in Scotland:

- Health inequalities, low educational attainment, unemployment and poverty can all be tackled through appropriate housing
- Mental health and emotional wellbeing, cardiorespiratory health, digestive health, allergies and skin conditions can all be mitigated through adequate housing
- Stable housing also has a significant positive impact on reduced offending/reoffending
- House building also unlocks wider benefits for the economy, drives investment, creates jobs and supports economic growth

Our Asks

A reinstatement of the real terms spending power of the AHSP to £955m, plus sufficient additional funding for the Gypsy/Traveller Accommodation Fund.

An increase in the capital settlement to offset some of the pressures currently absorbed by revenue budgets used to borrow, as well as sufficient revenue funding for local authorities to provide housing support.

That Scottish Government meaningfully engages in discussions on improvements to the AHSP, including further devolution to local authorities.

That Scottish Government works with Local Government to lobby UK Government to write-off historic HRA debt.

Funding Future Commitments



Local Government is at capacity. The financial challenges, pressures and impacts clearly show that, whilst we would like to continue broadening our services – particularly in the preventative space – we have neither capacity nor resource to achieve this and must prioritise our statutory duties. There are several Scottish Government commitments that threaten to push Local Government beyond tipping point if they are not fully funded by Scottish Government.



Digital Front Door

The Digital Front Door intends to enable people to more easily access information on health and social care services and arrange appointments. A full business case for the DFD has now been developed and costs for DFD are estimated at £190 million, potentially rising to £342 million over 10 years. While Local Government is aligned with the policy intention for DFD, there is no confirmation as yet to where the funding for this programme will be taken.



Digital Care Record

The Care Reform (Scotland) Act places a duty on Scottish Ministers to ensure that every person who receives health or social care services in Scotland can have a digital health and social care record. The need for better data sharing across the sector has been recognised for years. While we support the policy intent for the digital care record, it is unclear how this will be funded



Residential Outdoor Education

Local Government supports the provision of outdoor education but has significant concerns about the Schools (Residential Outdoor Education) (Scotland) Bill. This would require councils to provide a residential course for every pupil, yet the associated practical and funding challenges remain significant and unaddressed.



Right to Breaks for Carers

The Right to Breaks for Carers was a welcome policy commitment within the Care Reform Act passed in June 2025. This reflects the significant contributions that carers make to the people they care for, their communities, and the wider health and social care system. The economic value of unpaid care is estimated to be worth £15.9 bn ([Carers Scotland and Centre for Care](#)), comparable to the overall budget for the NHS. The most recent financial memorandum estimates steady state costs for the Right to Breaks to be achieved after 10-years, with a central estimate of £254m cost to implementation. There is not yet any funding for this.



Reduction in Class Contact Time

Local Government remains committed to constructive engagement through the Scottish Negotiating Committee for Teachers. We are focused on improving outcomes for children in education and supporting teachers, however, there is fundamental concern about the financial and practical implications of this policy. This is estimated to cost £250m - £310m. This must be fully funded, or require drastic changes to the delivery of education. This is the equivalent to over 7,500 Pupil Support Assistants.

Our Asks



Revenue

£16billion

An inflationary uplift to the general revenue grant including the vital additional £750m for social care

Capital

£844million

An inflationary uplift to the general capital grant

£955million

A reinstatement of the real terms spending power of the Affordable Housing Supply Programme