

News release on behalf of the Accounts Commission

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Scotland's councils risk becoming financially unsustainable

Whilst councils have made significant savings, the cost of delivering services is rising faster than available funding. This risks the financial sustainability of councils over the next three to five years.

Although Scottish Government funding to councils has been increasing, this hasn't kept pace with rising costs and demand. Councils are overspending on delivering services and borrowing more.

In its latest update on council finances, the Accounts Commission report that councils face a budget gap of nearly £1 billion by 2027.

In 2024/25, councils met 90 per cent of their savings targets. But for the first time in six years, they reported a collective overspend on the costs of delivering services. Debt levels are increasing. Many are relying on reserves. Whilst councils are increasing the amount of money they raise through fees and charges, income generated isn't keeping pace with rising costs and inflation.

With Scottish Government funding to deliver capital projects falling, councils are also taking on more debt to deliver local infrastructure projects such as building schools and housing.

Derek Yule, member of the Accounts Commission, said:

‘Despite increased funding and income, councils are struggling to cope with the financial pressures they face. A growing gap between costs to deliver services and funding available is risking the financial sustainability of councils.

‘We’re already seeing the impact on services – the pace of improvement is slowing, some services are being cut or are harder to access and there are growing levels of dissatisfaction from communities. Councils must fundamentally reconfigure how they operate and deliver services.’

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Notes to Editor:

1. This report focuses on the 2024/25 financial performance of councils - funding, income and budget setting, as well as the financial outlook.
2. On 12 February we publish a brief supplement analysing the recently published 2026/27 Scottish Budget and levels of funding to councils. And in spring 2026, we publish our annual detailed briefing examining the 2026/27 budgets set by councils, including analysis of anticipated budget gaps, actions to address these, and the decisions made by councils when setting their budgets.

3. All reports by the Accounts Commission and Auditor General published since 2000 are available at www.audit.scot

- The Accounts Commission is the public spending watchdog for local government. It holds councils and various joint boards and committees in Scotland to account and help them improve. It operates impartially and independently of councils and of the Scottish Government, and meets and reports in public.
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.

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