
Local government sector update – February 2026

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Introduction

1. Each month, the Accounts Commission receives a report that provides an overview of significant recent activity relating to local government that is relevant to its work. This is an adapted version of the report, which is shared with local government stakeholders for information.
2. Please direct any queries or feedback [via email to Joe Chapman](#).

Scottish budget and financial outlook

3. The [Scottish Parliament passed the Scottish budget for 2026/27](#) and the Local Government Finance Order, on 25 and 26 February respectively. On the budget, SNP and Liberal Democrat MSPs voted in favour and Conservatives against, while Labour and the Greens abstained. On the Finance Order, the Conservatives abstained and all others voted in favour.

4. The agreed Scottish budget included amendments such as:

- Social care – £20 million added to the local government settlement to be used to fund the Real Living Wage for workers in the adult and childcare sectors. This followed discussions with COSLA, who had said that the original budget met the Real Living Wage uplift for social care but not the increase in the statutory minimum wage.
- Investing in Communities - £5.33 million added to the Economy portfolio to support continuity for community-led projects while work progresses on transitioning to future funding arrangements.
- Non-Domestic Rates: new reliefs for eligible licensed premises and music venues, and for some self-catering properties, adding to the planned relief for small retail, hospitality and leisure properties.

5. A number of experts have published analyses of the economic and political landscape ahead of the Scottish Parliament election. Some of these have been [summarised by the BBC's Douglas Fraser](#). For example:

- The [Scottish Fiscal Commission](#) (SFC) produced a summary of the pressures on the Scottish budget identified through its short-term and long-term forecasts. These include rising demand for services, rapidly growing social security spending, a continuing squeeze on living standards, and child poverty and net zero obligations, as well

as savings targets and a need to manage workforce costs. The SFC also says tax revenue is growing, with more people paying the higher rate due to the freezing of thresholds.

- The [Fraser of Allander Institute](#) (FAI) called on political parties to be honest with the electorate about the scale of financial challenges facing the Scottish public sector. They highlighted pressures in health, social care, justice and post-school education finances alongside low productivity growth, net zero transition and population ageing as significant issues to be tackled by the next government. The FAI also warned of a [“looming crisis on public sector pay”](#).
- The [Institute for Fiscal Studies](#) (IFS) looked at the impact of an expected reduction in Scotland’s “funding advantage”. Funding for public services may become static in real terms in contrast to recent increases, and funding per person is set to be 23 per cent higher than in England by 2028/29, compared to 32 per cent in 2019/20. The IFS says it will be harder to provide more generous services in Scotland as a result. They also wrote about [shifts in health and social care spending](#) signalled by the spending review.

6. The UK Government’s Spring Statement on 3 March will result in a total of [£921 million of additional Barnett consequential funding](#) for the Scottish Government across three years, 2026/27 to 2028/29. Almost all of this is resource funding, most of which in turn comes from the measures relating to special educational needs and disabilities (SEND; see below). The write-off of SEND debts will trigger £533 million of additional money in 2026/27, while extra spending on SEND in England in 2028/29 will result in £326.5 million of additional funding in that year.

Local government finance issues

7. Almost all councils have now set their budgets for 2026/27. [BBC News has published a summary of above-inflation council tax rises](#) that includes a tracker of increases confirmed or proposed by each council. They also published a [commentary on the reasons for large council tax increases](#) that provides an overview of the financial context and includes references to Accounts Commission reports. Links to councils’ own news releases on their budget-setting are provided in the [Appendix](#).

8. [The Daily Mail reported](#) that councils in Scotland are preparing to write off almost £100 million of council tax arrears. Analysis of [local government finance statistics](#) showed councils put aside £92.8 million for provisions against doubtful debts – in the context of around £4 billion raised through council tax and other charges, subject to discounts and exemptions.

9. The Scottish Parliament agreed to the general principles of the [Bill to amend the Visitor Levy \(Scotland\) Act](#). The Local Government, Housing and Planning Committee had earlier [backed the draft Bill in its Stage 1 report](#) and was scrutinising the Bill in detail at Stage 2 at time of writing.

Policy area updates

Education, children and young people

10. New figures show [the poverty-related attainment gap remains wider than before the pandemic](#). The gaps between the proportions of pupils from the least deprived and most deprived backgrounds gaining either at least one or at least five passes at National 4, National 5 and Higher levels in 2024/25 fluctuated, with some narrowing compared to the year before. However, on almost all measures the gap is wider than in 2018/19.

11. [Residents on Mull have lost a bid for judicial review](#) against Argyll and Bute Council's decision to build a new school campus at Tobermory in the north of the island. Many parents wanted a more central location to avoid pupils from the south having to travel to and stay in Oban for school during the week. They argued the council had failed to follow proper process, but the Court of Session dismissed the case, saying the council acted lawfully. It's the second failed judicial review against the council in recent months.

12. Aberdeenshire Council's education committee chair has said [rural schools may have to merge](#) if pupil numbers continue to fall. The council oversees a large geographic area with a number of sparsely-attended rural primary schools. The [council is currently consulting](#) on proposed closures of two schools and a merger of two others. Meanwhile, it was reported that some councils are [spending millions of pounds on temporary buildings](#) as a short-term measure to address a lack of capacity in their schools.

13. The UK Government has announced [reform of provision of support for SEND](#) in England, in response to rapidly growing demand. In future, only children with the most complex needs will be eligible for a legally binding Education, Health and Care Plan. The Government will also [provide grants to write off 90 per cent of English councils' SEND-related debts](#). These were set to be applied to council accounts from 2028, but the Government will now take responsibility for SEND funding from then.

Housing and homelessness

14. Glasgow City Council has set out plans [to borrow money to cover the rising costs of homelessness](#), as part of its 2026/27 budget. Following discussions with the Scottish Government, the council will be able to 'convert' its capital grant into revenue funding to pay the cost of borrowing, then borrow to fill the gap in its capital budget. City Treasurer, Cllr Ricky Bell, admitted this is a "one-year solution" and said the council will work with the government to reach a "sustainable position".

Infrastructure, communities and climate change

15. Community council members from rural areas across Scotland have met with Energy Secretary Gillian Martin to express their [concerns about planned major new renewable energy developments](#). Campaigners say people living in the areas affected feel their concerns are not being heard. The Scottish Government says potential impacts on communities are

important considerations in the decision-making process, but [a pause on such developments is not a “sustainable position”](#).

16. In February, one controversial wind farm proposal for the Borders was approved by Ministers despite being opposed by the council, while appeal judges overturned Ministerial approval of another, that was originally rejected by the council in 2020.

17. Research carried out for Greenpeace has shown that [nearly 400,000 homes in Scotland could be at high risk of severe flooding by 2080](#) if global temperatures rise by 2.4C above pre-industrial levels. Similar analysis by the Environment Agency has found that around one million homes in England are already in the highest category of flood risk.

18. A £54 million flood protection scheme planned for Musselburgh in East Lothian is likely to be [delayed and/or reduced due to its costs exceeding a cap on national funding](#). The scheme is also subject to a public inquiry, which will take one to two years, having received hundreds of objections. Meanwhile, Argyll and Bute Council reported the [estimated cost of damage caused by Storm Eowyn](#) in January 2026 exceeds £4 million. Funding has mostly been identified, including through the national Bellwin Scheme.

19. The Scottish Government published a new National Islands Plan [proposes detailed appraisals on three new fixed links](#) – between Mull and the mainland and between islands in the Outer Hebrides. The Plan sets out the potential benefits but acknowledges that local opinions may vary. Earlier, Comhairle nan Eilean Siar backed the development of links between Barra, the Uists and Harris, but opposed links to the mainland.

20. A report by the Equalities, Human Rights and Civil Justice Committee says the Scottish Government needs to target action to ensure rural areas have access to services and rights, and [tackle the “rural premium”](#). A lack of affordable housing and adequate infrastructure, combined with a higher than average cost of living, were also found to pose significant challenges to the sustainability of rural communities.

21. Meanwhile the Islands Forum set up by the previous UK Government to discuss the challenges and opportunities faced by island communities has been [scrapped after meeting just four times](#). Island council leaders expressed disappointment that the useful initiative had been wound up.

Workforce and administration

22. Argyll and Bute Council says it has made changes to its recruitment policy after finding that [two thirds of applicants for jobs were “not suitable”](#) for interview. The council also says it takes an average of 78 days to fill a vacancy, with challenges arising when posts are not filled. Job descriptions and interview processes will now set out more clearly the expectations for the role, linked to the council’s ‘Connect for Success principles’.

23. South Ayrshire Council has said [job cuts are “inevitable”](#) over the next few years as it seeks to balance its budget. Pay accounts for half of all of

the council's spending, and it is seeking to include target percentage reductions in its workforce as part of its next workforce plan.

24. West Lothian Council is to [stop public broadcasting of its meetings](#) as part of its budget cuts. The proposal, which will save £51,000 largely in staffing costs, was one of a range of options put forward in the council's large-scale public consultation, which showed little support for retaining the service. The broadcasts have very few viewers, often in single figures. The council will retain its free 'Bulletin' newspaper for all households, though, after a budget proposal that included ceasing it was rejected.

25. There has been a mixed response from councils to the additional bank holiday to mark Scotland's participation in the men's football World Cup. The holiday applies to Scottish Government-employed staff but is optional for other public bodies. Councils in Aberdeen and Glasgow have decided to implement the holiday, but a number of others have rejected it, citing the significant additional cost amid existing pressures on budgets. Glasgow City Council estimates [the holiday could cost £520,000](#).

Other updates

26. The [UK Government abandoned plans to delay elections](#) for councils in England that are subject to reorganisation. The changes will see district and county councils merged into unitary authorities in some areas and neighbouring councils merged in others. It had been considered that holding elections for the 30 affected councils was an unnecessary strain on resources. However, the Government was advised that it was likely to lose a legal challenge brought by Reform UK. Those councils now face a very compressed timescale for organising the elections.

27. Other recent publications and updates identified as being of possible interest to Accounts Commission members (besides those referenced earlier in this report) are listed below:

- Scottish Budget:
 - Scottish Parliament: [Finance Committee calls for government fiscal action before and after election](#)
 - Scottish Government (SG): [Response to budget scrutiny report](#)
 - LGIU: [Scottish Budget - a deeper look at implications for councils](#)
 - Scottish Parliament Information Centre (SPICe): [The 2026-27 Budget in ten charts](#)
- Scottish Government:
 - SG: [Update on progress with Public Service Reform, Jan 2026](#)
 - SG: [Update on the National Performance Framework](#)
 - SPICe: [When is a strategy a strategy \(or not\)? Navigating a complex landscape](#)

- Scottish local government and democracy:
 - LGIU: [What does the year ahead mean for the future of local government? Five key takeaways from an LGIU event](#)
 - LGIU: [Interview with Cllr Richard Bell, Glasgow City Council and COSLA's Resources Spokesperson](#)
 - COSLA: [Abuse and intimidation in politics is threatening democracy in Scotland and the UK, new report finds](#)
 - COSLA: [COSLA speaks out against online abuse](#)
 - Joseph Rowntree Foundation: [Council Tax reform in Scotland](#)
 - LGIU: [Council tax reform: too little too late](#)
- Poverty, inequality and economic development:
 - SPICe: [The ongoing pursuit of 'prevention' in health & social care](#)
 - LGIU: [Tackling child poverty in Scotland by breaking the cycle](#)
 - LGIU: [Making sense of local economic development funding](#)
 - Improvement Service (IS): [Understanding the challenges of childcare in remote, rural and island settings](#)
- English local government:
 - LGIU: [Better late than never? Changes in the final Local Government Finance Settlement for England](#)
 - IFS: [Will reforms achieve 'fair funding' for English councils?](#)
 - IFS: [Government signals major reform of SEND in England](#)
- Other updates from the IS:
 - [IS & Audit Scotland collaborating on best value self-assessments](#)
 - [IS publishes "You Said, We Did" stakeholder survey update](#)

Further information

28. You can find more information about the Accounts Commission [on our website](#). Meeting agendas, public papers, minutes and the recording and transcript of the most recent public session are available [on the meetings page](#), and the [Annual review](#) showcases our work and impact in 2024/25.

Appendix: Council budget-setting news releases

- Aberdeen City: [Major investments in Aberdeen as Council sets Budget](#)
- Aberdeenshire: [Council agrees budget for 2026/27](#)
- Angus: [Council tax in Angus to rise by 9.38% \(BBC News\)](#)
- Argyll and Bute: [Budget saves services and invests in roads and social care](#)
- City of Edinburgh: [Councillors agree record spend to tackle housing emergency and reduce poverty](#)
- Clackmannanshire: [Council agrees budget for the year ahead](#)
- Dumfries and Galloway: [Balanced 2026/27 budget set with 8.5% Council Tax rise to safeguard services](#)
- Dundee City: [2026/27 Budget and Council tax](#)
- East Ayrshire: [Council sets its budget for 2026/27](#)
- East Dunbartonshire: [Council agrees revenue budget and capital programme for 2026/2027](#)
- East Lothian: [Council budget agreed](#)
- East Renfrewshire: [Council sets 2026-27 budget](#)
- Eilean Siar: [Budget 2026/27 approved](#)
- Falkirk: [Councillors approve Council Tax rise and investment plans for the year ahead](#)
- Fife: [Council approves budget safeguarding services and investing in Fife's communities](#)
- Glasgow City: [Council tax in Glasgow to rise by 5.9% as SNP and Greens agree budget \(BBC News\)](#)
- Highland: [Council agrees 2026-27 budget including £12 million of new investments](#)
- Inverclyde: [2026/28 Inverclyde Budget and Council Tax agreed](#)
- Midlothian: [Council sets balanced budget and 9% Council Tax rise](#)
- Moray: [Council sets balanced budget for 2026/27 amid significant financial pressures](#)
- North Ayrshire: [Council sets 2026/27 Budget](#)
- North Lanarkshire: [Budget drives investment in community facilities while protecting services](#)
- Orkney Islands: [Budget Setting for 2026/2027 - Explainer](#)
- Perth and Kinross: [Budget delivers for care, communities and the local economy](#)

- Renfrewshire: [Every play park in Renfrewshire will benefit from investment as Councillors set annual budget](#)
- Scottish Borders: [2026 – 27 Budget agreed at Council](#)
- Shetland Islands: [Council tax rise of 7.3% agreed for Shetland - STV News](#)
- South Ayrshire: [Council agrees 2026/27 Budget](#)
- South Lanarkshire: [Historic budget agreed for South Lanarkshire](#)
- Stirling: [Council approves 2026-27 budget that commits to restoring pride in communities](#)
- West Dunbartonshire: [Council closes multi-million pound funding gap](#)
- West Lothian: [Investment in local services - Council budget approved and Council Tax set at 7.4%](#)