

News release on behalf of the Accounts Commission

Embargoed until 00:01 hours, 11 June 2026

Councils face half billion budget gap

Funding for councils is failing to keep pace with rising costs and demand despite a small real terms increase in funding.

Councils' revenue funding from the Scottish Government has gone up by two per cent. However, much of it is used to cover existing commitments such as teachers' pay increases. Overall, Scotland's councils face managing a budget gap of around £529 million for their 2026/27 daily operating costs - around three per cent of their revenue funding. Capital funding is down by 15 per cent. That means councils will have to borrow more to build houses and other infrastructure, which heightens long-term financial risk.

Every local authority increased council tax by an average of 7.7 per cent for 2026/27, which should raise an extra £248 million. Councils expect to bring in around £1.2 billion from fees and other charges, such as for leisure centres and some refuse services. They are also planning to make savings of £180 million – around 1 per cent of councils' total revenue budget. But these savings will have to increasingly affect services people rely on.

Social care makes up a high proportion of council spending and increasing demand for these services is putting major pressure on local budgets. Anticipated reductions in Scottish Government funding over the medium term are expected to intensify these pressures and increase the risk of councils becoming financially unsustainable.

Derek Yule, a member of the Accounts Commission, said:

'As things stand, councils will continue to face increasing financial pressures unless they stop, reduce, or significantly redesign services.'

'Savings options are limited and will have to increasingly focus on changes to services people rely on. That makes it essential that councils talk to their communities about the difficult decisions they are facing.'

For further information contact Patrick McFall Tel: 07786660171

pmcfall@audit.scot or media@audit.scot

Notes to Editor:

- 1.** The Scottish Government will provide a total of £15.7 billion of funding (revenue and capital) to local government in 2026/27 ([Exhibit 1](#)), a one per cent real terms increase compared to 2025/26.
- 2.** Council tax increases varied from 4 per cent in the City of Edinburgh to 10 per cent in Aberdeenshire and Moray.
- 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.

ENDS