
Scottish Budget 2025/26

Briefing for the Accounts Commission

Introduction

1. The 2025/26 budget was announced on 4 December 2024, following the announcement of the UK Budget on 30 October 2024. The Stage 1 debate was held on 4 February 2025. At the time of writing, the budget is expected to pass due to the abstention of the Scottish Labour Party and there remains the possibility that the Scottish Government may announce further changes to the budget during its parliamentary passage as it continues to seek the support of opposition parties.

2. This budget briefing:

- sets out the key messages included in the 2025/26 Scottish Budget pertaining to local government, and
- links these to the Accounts Commission's work programme.

3. The Accounts Commission's local government Financial Bulletin 2023/24 was published on 28 January 2025. It covers local government spending in 2023/24. This budget briefing considers the upcoming 2025/26 financial year.

4. Please note that the financial bulletin uses 2023/24 as the baseline year for its real terms changes calculations, whereas, like the planned Accounts Commission council budget briefing 2025/26, this briefing uses 2024/25 as the baseline. This means that the real terms figures presented here will differ from those in the bulletin.

5. The way the Scottish Government presents previous years' figures has changed for the 2025/26 budget. This year's budget compares the 2025/26 budget figures to the 2024/25 Autumn Budget Revision. While this helps understand how budgets change in year, this poses challenges for local government because it routinely receives lots of transfers in year (for example from the Education and Skills portfolio) and we would expect similar changes to happen in 2025/26. These transfers are not included in the original budget and therefore skew the analysis. For example, using the Autumn Budget Revision figure for 2024/25 suggests the General Revenue Grant (GRG) will fall by 3.5 per cent in real terms, whereas using the original 2024/25 budget figure would show an increase in the GRG of 9.9 per cent in real terms.

6. In this briefing, in order to produce meaningful year-on-year funding trends, we compare the draft 2024/25 funding position for local government (as presented in the 2024/25 budget) to the draft 2025/25

funding position, which excludes transfers to the local government portfolio made at the 2024/25 Autumn Budget Revision. This ensures that we are comparing the two years on a like-for-like basis.

7. As a result, the figures we use here for 2024/25 will not match the figures given in the 2025/26 budget document. Please see [Appendix A – Changes to the presentation of the Scottish Budget](#) for more information.

Context

8. The UK Autumn Budget on 30 October 2024 led to additional funding being allocated to the Scottish Government through the Barnett formula. The UK Government stated that the Scottish Government will receive an additional £1.5 billion in 2024/25 and an additional £3.4 billion in 2025/26.

9. The [Scottish Fiscal Commission \(SFC\)](#) note that despite the increase in the UK Government Block Grant, the real terms growth in total resource funding is relatively low – 0.8 per cent. This is mostly explained by a deterioration of the income tax net position because forecasts for income tax revenues in the UK have increased relatively more than forecasts for Scotland. The SFC also report that, after accounting for social security spending, there will be a real terms fall in resource funding for public services of 0.3 per cent between 2024/25 and 2025/26.

10. Further funding from the UK Government is expected to support the cost of public sector employer National Insurance Contributions (see [paragraph 25](#) below). The level of funding has not yet been confirmed and may not be sufficient to cover the total additional cost to the public sector payroll due to Scotland having a relatively larger and better paid public sector workforce.

11. The medium-term position for public finances remains unclear, however more information is expected in 2025 following the announcement of the UK Spending Review in June, and subsequent publications of the Scottish Government's Medium-Term Financial Strategy and new Fiscal Sustainability Delivery Plan.

Budget changes

12. Audit Scotland's analysis of Local Government funding is included at [Exhibit 1](#). The core funding to local government has increased by £947 million (7.7 per cent) in real terms. Reductions in funding transferred from other portfolios however means the overall increase in funding to local government is £802 million (5.8 per cent).

13. In total, funding relating to revenue (both core funding and transfers from other portfolios) has increased by 5.1 per cent in real terms, while capital has increased by 19 per cent in real terms.

Exhibit 1**Budget for local government**

Local Government funding has increased in real terms

(figures in £ million)	Cash terms				Real terms	
	2024/25	2025/26	£ change	% change	£ change	% change
General Revenue Grant (including baselined specific grants)	8,404	9,458	1,054	12.5%	834	9.9%
Non-Domestic Rates Income	3,068	3,114	46	1.5%	-27	-0.9%
<i>Total GRG & NDR</i>	<i>11,472</i>	<i>12,572</i>	<i>1,100</i>	<i>9.6%</i>	<i>807</i>	<i>7.0%</i>
Specific resource grants after baselining	239	247.4	8	3.5%	3	1.1%
Support for capital	477	556	79	16.6%	66	13.8%
Specific capital grants	121	196.1	75	62.1%	71	58.3%
Core Funding to Local Government	12,309	13,571.9	1,263	10.3%	947	7.7%
Revenue funding in other portfolios to be transferred to LG	1,534	1,438	-96	-6.2%	-129	-8.4%
Capital funding in other portfolios to be transferred to LG	40	25	-15	-37.5%	-16	-39.0%
Total Local Government Settlement in the finance circular	13,883	15,035.2	1,152	8.3%	802	5.8%
<i>Of which:</i>						
<i>Resource</i>	<i>13,245</i>	<i>14,258.10</i>	<i>1,013</i>	<i>7.6%</i>	<i>681</i>	<i>5.1%</i>
<i>Capital</i>	<i>638</i>	<i>777.1</i>	<i>139</i>	<i>21.8%</i>	<i>121</i>	<i>19.0%</i>

Source: Audit Scotland analysis of the 2024/25 and 2025/26 budgets. Real terms in 2024/25 prices

Real terms increase for resource

14. There is a continuation in 2024/25 of the shift to general revenue grant, with increases of 9.9 per cent, compared to smaller increases (1.1 percent) in specific grants. Together, total General Revenue Grant (GRG) and Non-domestic rates (NDR) income has grown by 7 per cent.

15. Revenue funding from other portfolios drops from £1.53 billion in the 2024/25 budget to £1.44 billion in the 2025/26 budget, an 8.4 per cent real terms drop. Please see [Appendix B - Total Revenue Funding within other Portfolios](#) for the full list of revenue funding from other portfolios, and how this has changed since the 2024/25 budget.

16. Within this difference, we would highlight the following:

- New funding - £152 million has been added to revenue funding from other portfolios, including £33 million for Children’s social care workforce development, £25.7 million for Early Learning and Childcare (ELC) Private and Third Sector Pay, and £28 million extra funding for Additional Support for Learning.
- Movement from ringfenced to general funding – some funding that was previously ringfenced, e.g. Living Wage for social care, is now included in the GRG.
- Flat cash funding in some areas - £1 billion of funding from other portfolios has been held flat in cash terms in 2025/26, which is equivalent to a 2.3 per cent real terms drop compared to the 2024/25 budget.

Real terms increase in capital – but still a drop on 2023/24

17. The Scottish Government budget shows a real terms increase in capital funding of 12 per cent, driven by a 7.6 per cent real terms increase in the capital Block Grant. Further the Scottish Government plans to borrow the maximum possible in 2025/26, and use £326 million of ScotWind proceeds to support capital investment for the first time.

18. This increased capital spending is feeding through to Local Government capital budgets. The 2025/26 budget shows a 19 per cent real terms increase in total capital for local government, compared to the 2024/25 budget. However, since the total local government capital budget has fallen from £826 million in the 2023/24 budget to £777 million in the 2025/26 budget, this remains lower in both cash and real terms than two years ago.

Views on the budget

Scottish Government

19. In her [budget statement](#), the Cabinet Secretary for Finance and Local Government described the settlement for local government as ‘a second record funding settlement’, and noted that, ‘while it will be for councils to

make their own decisions, with record funding, there is no reason for big increases in Council Tax next year.’

COSLA

20. The Scottish Parliament Information Centre (SPICe) [commented in December](#) that “perhaps the most striking aspect of this year’s budget has been the relatively positive response from COSLA and the degree to which there is a general agreement between local government and Scottish Government on what the figures show.”

21. COSLA published its [Budget Reality](#) document following the budget. This includes analysis suggesting that existing commitments erode the value of the increase between the 2024/25 and 2025/26 budgets as summarised in [Exhibit 2](#).

Exhibit 2

COSLA budget reality analysis

£ million	Revenue	Capital
Funding for 2025/26	14,258	777.1
Funding for 2024/25	13,389*	638
Cash increase	869	139
SG Commitments 2024/25	309	-
Commitments for 2025/26	271	91
Total committed funding	580	91
Total uncommitted funding	289	48

* This includes the total revenue funding in Exhibit 1 above, plus the £144 million Council Tax freeze funding

Source: Audit Scotland analysis of COSLA figures

22. [COSLA](#) welcomed the increased funding but said ‘it will take more than a single year’s settlement to restore the financial position of local authorities.’

23. Further [COSLA analysis](#) concluded that the 2025/26 Budget was a difficult budget for Local Government which “will not resolve the long-standing acute financial pressures being felt by Local Government.”

What the budget means for the Commission's work programme

24. We have reviewed the budget to identify changes relevant to the Accounts Commission's confirmed work programme. Our findings are summarised in [Exhibit 3](#) below.

Exhibit 3

Relevant developments from the 2025/26 budget for the Accounts Commission's wider work programme

Product	Developments related to the 2025/26 budget
Sustainable Transport (24/25)	Support for Active and Sustainable Travel shows a drop from £200 million in the 2024/25 budget, to £164.8 million in the 2025/26 budget. The Scottish Government note 'This maintains the Active and Sustainable Travel programme delivered in 2024/25, as amended at the fiscal statement in September 2024'.
Additional support for learning (24/25)	The 2025/26 budget includes £43 million in funding for Additional Support for Learning for Local Government, up from £15 million in the 2024/25 budget.
Building Community Resilience to Flooding (25/26)	The budget notes that £15 million of additional capital will be invested in flood resilience activity, complementing the support provided through the Adaptation Scotland programme. The Flood Risk Management budget line increases from £0.5 million in the 2024/25 budget to £15.9 million in 2025/26.
Integration finance and performance bulletins and blogs 2025	<p>In the 2025/26 budget, the budget line Social Care Support within the Health and Social Care portfolio is £658.5 million. This is compared to £905.3 million in the 2024/25 budget (when the budget line was described as Social Care Support and NCS Delivery).</p> <p>The Scottish Government comment on this budget line in the Level 4 budget tables that 'in 2025-26 a further £376.5 million of funding is added to the Local Government core settlement, including additional budget to uplift pay for adult social care staff to £12.60 per hour and additional investment in Free Personal Nursing Care.'</p> <p>The National Care Service is not mentioned within the 2025/26 budget document.</p>
Best Value Thematic Report: workforce innovation	A pay policy was published alongside the budget. This set out a 9 per cent pay envelope covering 2025-26 to 2027-28. The pay policy notes that the pay metrics set out in the Public Sector Pay Policy apply to all public sector workforces across Scotland including NHS Scotland, firefighters and police officers, teachers, and further education workers. Previously, the pay policy was only a 'reference point' for teachers and other major public sector workforce groups. The main local government pay award is out with the scope of Public Sector Pay Policy as Ministers have no direct role in negotiations which are undertaken through the Scottish Joint Council.

Product	Developments related to the 2025/26 budget
Care Experienced Children & Young People (25/26)	The Care Experience - Whole Family Wellbeing budget line has increased from £84.2 million in the 2024/25 budget to £87.2 million in the 2025/26 budget. As set out in Appendix B of this document, the local government funding for the Whole Family Wellbeing fund is flat in cash terms.
Best Value Thematic Report: Transformation (26/27)	<p>The 2025/26 budget includes £30 million for a proposed spend to save fund. No further information is available in the budget documents about the detail of these plans. SPICe has commented that “it is hard to see how £30 million will really shift the dial” on reform.</p> <p>Further to the budget, a Public Service Reform (PSR) update was published on 21 December 2024. This sets out plans for a PSR Summit and Strategy in 2025 and gave updates on the Local Governance Review:</p> <ul style="list-style-type: none"> • Single Authority Models: Meetings have been held with councils, Health Boards and Integration Joint Boards in Western Isles, Orkney and Argyll and Bute to explore proposals for deeper integration of key services. • Democracy Matters: working with the Democracy Matters Steering Group, the Scottish Government are developing models for community governance which deliver on the ambitions expressed in the process findings report. Scottish Government plan to enact any required legislation early in the next Parliament. <p>Scottish Government set out that both these workstreams will proceed ‘at pace’ through 2025.</p>
Delayed discharges (25/26)	The 2025/26 budget sets out that ‘this budget includes £200 million to reduce waiting lists and to help support reduction of delayed discharge.’ The PSR update includes more information on prevention and care in the community and plans for a Population Health Framework to be published jointly with Public Health Scotland and COSLA in Spring 2025.

Key developments for local government

Employer National Insurance Contributions

25. The 2025/26 budget does not include any specific funding to cover the costs of increased employer national insurance contributions. COSLA [has estimated that](#) the additional direct costs to local government will be approximately £265 million annually. There will also be additional costs for commissioned services in the third and independent sector (such as some adult social care services), which are estimated at £85 million annually. In the absence of additional, specific funding to cover these increased costs, councils will need to fund them from the existing settlement for 2025/26.

26. Chancellor Rachel Reeves has stated that public sector bodies will receive funding from HM Treasury to cover the increased costs incurred by the changes, and it has been reported that the Scottish Government will

receive £300 million of Barnett consequentials arising from the increased expenditure in England. However, the public sector in Scotland is proportionally larger and better paid than in England, which means this funding may not entirely offset the increased costs to the Scottish public sector. A [recent joint letter from the First Minister and the President of COSLA](#) has estimated that the total cost to public service provision (covering both the public sector and commissioned services from the third and private sector) could be more than £700 million and calls on the Chancellor to fully cover these costs and extend this cover to the full range of organisations delivering public services.

Council tax

27. The 2025/26 budget contains no provision for a continuation of the council tax freeze implemented in 2024/25, and individual councils will be able to set their own rates of council tax for the financial year. A [survey by the Local Government Information Unit](#) of Scottish councils conducted in November 2024 found that more than 80 per cent of respondents were planning an increase of 5 per cent or greater for 2025/26.

28. In the 2024/25 budget as announced, councils received £144 million of additional funding to freeze council tax at existing levels. In February 2024, an additional £62.7 million was offered to councils, and the £144 million figure was also uplifted to £147 million.

29. The Scottish Government has not explicitly provided additional funding to councils in 2025/26 to account for the fact that council tax was frozen last year. If this funding has not been baselined, councils will need to fund the resultant shortfall in income either from their existing settlement for 2025/26, or by increasing council tax.

Non-domestic rates (NDR)

30. The Scottish Government announced several measures relating to non-domestic rates in the 2025/26 budget:

- The Basic Property Rate will be frozen at 49.8p. The Intermediate and Higher Property Rates will be uprated by inflation.
- A 40 per cent relief in 2025/26 for properties in the hospitality sector which are liable for the Basic Property Rate. Scottish Government has chosen to not replicate the UK Government's rates reliefs for 2025/26, which covers hospitality, leisure and retail properties.
- The continuation of 100 per cent rates relief for properties in the hospitality sector in island communities
- The continuation of all other existing non-domestic rates reliefs.
- The cancellation of the planned Public Health Supplement for large retailers due to UK Government increases in employer national insurance contribution rates.

Appendix A – Changes to the presentation of the Scottish Budget

31. For the 2025/26 budget the Scottish Government has changed the way it presents budget data. In previous years, the draft budget allocations for the coming financial year were presented alongside the draft allocations for the previous two financial years. For the 2025/26 budget, the Scottish Government has instead presented its draft figures for 2025/26 alongside the latest funding position (post-autumn budget revision) for 2024/25, and the provisional outturn for 2023/24.

32. This change has particularly significant implications for the presentation of the local government funding settlement. A proportion of funding for local government (see our analysis in Appendix B) sits in other portfolios at the time of the draft budget. These are then transferred to the local government portfolio during the financial year at the autumn and spring budget revisions. This means the overall funding position for local government increases over the course of the financial year.

33. This change in presentation means that there are challenges in comparing the budget figures given for local government in 2025/26 to the 2024/25 figures presented alongside them in the 2025/26 budget. This is because the 2024/25 figures now include funding that has been transferred to the local government portfolio following the autumn budget revision in September 2024. This has increased the local government funding position in 2024/25 compared to the figures presented in the draft 2024/25 budget. An overview of the differences in figures for the 2024/25 local government funding settlement between the 2024/25 and 2025/26 draft budgets is provided below in Exhibit 4.

Exhibit 4**Differences in the 2024/25 local government funding settlement**

Data changes mean that the figures used for 2024/25 are very different

Figures in £m	2024/25 figures in draft budget, December 2023	2024/25 figures in draft budget, December 2024
General Revenue Grant	8,403.9	10,034.8
Non-Domestic Rates	3,068.0	3,068.0
General Capital Grant	476.9	538.4
Specific Resource Grants	238.8	263.3
Specific Capital Grants	121.1	97.2
Local Government Advice and Policy	3.3	3.3
Funding held for agreement of Council Tax Freeze	144.0	-
Total Local Government	12,456.0	14,005.0
<i>Of which:</i>		
<i>Resource</i>	<i>11,858</i>	<i>13,369.4</i>
<i>Capital</i>	<i>598</i>	<i>635.6</i>

Source: 2024/25 and 2025/26 Scottish Budgets

Appendix B - Total Revenue Funding within other Portfolios

Figures in £ million	2024/25	2025/26	Change 24/25 to 25/26 (real)
Children's Social Care Workforce Development	0.0	33.0	-
Early Learning and Childcare (ELC) Private and Third Sector Pay	0.0	25.7	-
Additional Support for Learning	15.0	43.0	180.0%
Free School Meals Intervention	22.0	37.0	64.3%
Building Standards Fees	-1.5	-2.1	36.7%
School Workforce	145.5	186.5	25.2%
Discretionary Housing Payments	92.7	99.2	4.5%
Local Government Attainment Grants	10.5	10.6	-1.4%
Removal of Music Tuition Charges	12.0	12.0	-2.3%
Scottish Welfare Fund	40.9	40.9	-2.3%
Self-Directed Support	3.7	3.7	-2.3%
Care at Home	124.0	124.0	-2.3%
Carer's Act	60.5	60.5	-2.3%
Teachers Pay	242.0	242.0	-2.3%
Appropriate Adults	1.0	1.0	-2.3%
Rapid Rehousing Transition Plans	8.0	8.0	-2.3%
Removal of Curriculum Charges	8.0	8.0	-2.3%
School Counselling	4.0	4.0	-2.3%
Whole Family Wellbeing Fund	32.0	32.0	-2.3%
School Clothing Grant	13.9	13.9	-2.3%

Figures in £ million	2024/25	2025/26	Change 24/25 to 25/26 (real)
Tobacco Related Issues	1.3	1.3	-2.3%
Homelessness Prevention Fund	30.5	30.5	-2.3%
Additional Adult Social Workers	22.0	22.0	-2.3%
Educational Psychologists	-0.9	-0.9	-2.3%
Sensory Impairment	0.3	0.3	-2.3%
Health and Social Care	257.2	257.2	-2.3%
Free School Meals (Holiday Provision)	21.8	21.8	-2.3%
Health, Social Care and Mental Health	120.0	120.0	-2.3%
Scottish Disability Assistance – Child Disability Payment	3.5	3.2	-10.7%
Living Wage*	230.0	0.0	-100.0%
2024-25 Free Personal and Nursing Care*	11.5	0.0	-100.0%
National Trauma Training*	1.6	0.0	-100.0%
Customer First Digital Public Services*	1.4	0.0	-100.0%
Total Revenue Funding within other Portfolios	1,534.4	1,438.3	-8.4%

Source: Audit Scotland analysis of 2024/25 and 2025/26 budget documents

Note: * These budget lines have been baselined into the GRG for 2025/26, with the values for this provided in the Budget document table 4.12. Real terms in 2024/25 prices.