

2025/26 Scottish Budget briefing

Executive Director of Performance Audit and Best Value

ACCOUNTS COMMISSION 

Item 8

Meeting date: 6 February 2025

Purpose

1. This briefing sets out the key points arising from the 2025/26 Scottish Budget, including those with implications for local government. It aims to support the Accounts Commission's wider consideration of the links between the budget and its work programme.

Recommendations

2. The Accounts Commission is invited to note the briefing.

Background

3. The 2025/26 Scottish Budget was announced 4 December 2024. This budget followed the UK Government's Autumn Budget in October 2024, which saw significant increases to the Scottish Government's funding for 2024/25 (an additional £1.5 billion) and 2025/26 (an additional £3.4 billion).

Conclusion

4. Overall, the local government budget increases in real terms compared to the budget for 2024/25. COSLA welcomed the increased funding in the 2025/26 settlement but has stated that this will not resolve the long-standing financial pressures faced by local government.
5. The Accounts Commission's Financial Bulletin 2023/24 highlighted the financial pressures on councils in recent years. Local government finances have been boosted by the 2025/26 budget, but some areas of uncertainty – such as the impact of employer national insurance contributions – remain.
6. The budget process is currently ongoing, with the stage 1 debate taking place 4 February, 2025. Whilst the Scottish Government does not have a majority in Parliament, the Scottish Labour Party has recently indicated that it plans to abstain on the Budget Bill, which means the bill is expected to pass in February 2025 and receive royal assent in March 2025. The public finances team will continue to monitor the progress of the budget through parliament. We will update the Accounts Commission of any significant changes through the Local Government Policy Update Report.
7. The Accounts Commission's budget briefing will publish in early summer this year. This will analyse the Local Government settlement for 2025/26 and its impact on councils' own budget setting.