

Demand and spending in Scottish Local Government

An analysis of population-driven demand,
expenditure and future pressures

Contents

Key messages	3
Introduction and context	5
Methodology	13
Demand estimates and projections by service area	16
Conclusion	33
Appendix A – Methodology	36
Bibliography	42

Key messages

- This report estimates how demand for council services changes with population, using historic relationships between population and spending, and compares this with what councils actually spent. It builds on previous work published in 2018, modelling demand for services between 2010-11 and 2024-25 and projecting forward to 2029-30.
- Local government in Scotland has experienced prolonged financial constraint since 2010, with real-terms funding increasing by just 0.2%, compared to substantial growth in protected areas such as health.
- As a result, while spending rose by 76% in real terms between 1996-97 and 2009-10, between 2010-11 and 2024-25 it has increased by just 0.3%.
- In the period from 2010-11 the population has risen by 5.4%, and there has been an especially rapid increase in the population aged 75 and over of 30.5%, leading to ageing of the Scottish population. This growth has increased demand for council services.
- Modelling based on the relationship between population and expenditure before austerity estimates that spending has not kept pace with underlying demand. The model suggests that, by 2024-25, councils would have needed to spend an additional £10 billion per year (48% more in real terms) than in 2010-11 to match demand pressures.
- Demand is likely to continue to grow in future, driven by further ageing of the population and increasing numbers of households, although at a slower rate than in the previous decade.
- Historic and projected demand varies by service area, with particularly high levels of demand for adult social care. Some service areas have faced spending reductions while demand has increased, including environmental services and roads and transport services.



Introduction and context

Since 2010, the UK has faced a lengthy period of fiscal tightening described by former Prime Minister David Cameron as an “age of austerity”¹. Although this has impacted almost all parts of the public sector across the UK, local government has been particularly hard-hit. While certain service areas have been partially protected by the UK and Scottish Governments, particularly health, local government has seen many of its services subject to sustained spending constraints. This divergence is reflected in funding patterns: while funding for health increased in real terms by over 24% between 2013–14 and 2024–25, local government funding over the same period grew by just 0.2%.²

This period of squeezed funding has led to a stagnation in local government expenditure. While some reductions in spending have been achieved through efficiency measures, councils have also faced difficult decisions about which services to prioritise, with certain service areas particularly vulnerable to cuts. As a result, councils have had to reduce or discontinue delivery in certain service areas and raise fees and charges in others. The Accounts Commission’s 2025 spotlight report on Culture and Leisure Services, for example, highlights the impact of this financial context on non-statutory provision.³

Growing demand

The funding and spending pressures experienced by councils have coincided with rising demand for council services. Between 2010-11 and 2024-25 the total population and number of households rose by 5.4% and 7.9%, respectively.⁴ As the population grows, so does the potential number of users of, and therefore the demand for, public services. In addition, Scotland’s population has aged in this time as the growth rate in the over seventy-five population has outstripped total population growth. The over seventy-five population rose from 6.6% of the total population in 1996-97 and 7.5% in 2010-11 to 9.5% in 2024-25. These older population groups are more likely to make use of many public services, especially

- 1 Deborah Summers, “David Cameron warns of ‘new age of austerity’” Guardian, April 26, 2009, <https://www.theguardian.com/politics/2009/apr/26/david-cameron-conservative-economic-policy1>
- 2 National Benchmarking Overview Report 2024–25. Improvement Service, 2025, https://www.improvementservice.org.uk/_data/assets/pdf_file/0024/73248/Benchmarking-Overview-Report-2024-25.pdf
- 3 Local government performance Spotlight on culture and leisure services, Accounts Commission, 2025, https://audit.scot/uploads/2025-10/nr_251023_lgo_services_spotlight.pdf
- 4 “Statistics and Data.” NRS, accessed 23rd June 2026, <https://www.nrscotland.gov.uk/statistics-and-data/>

social care.⁵ This further increases the demand on services stretched by major funding cuts. Figure 1 shows the historic trends in different population cohorts from their 1996-97 level.

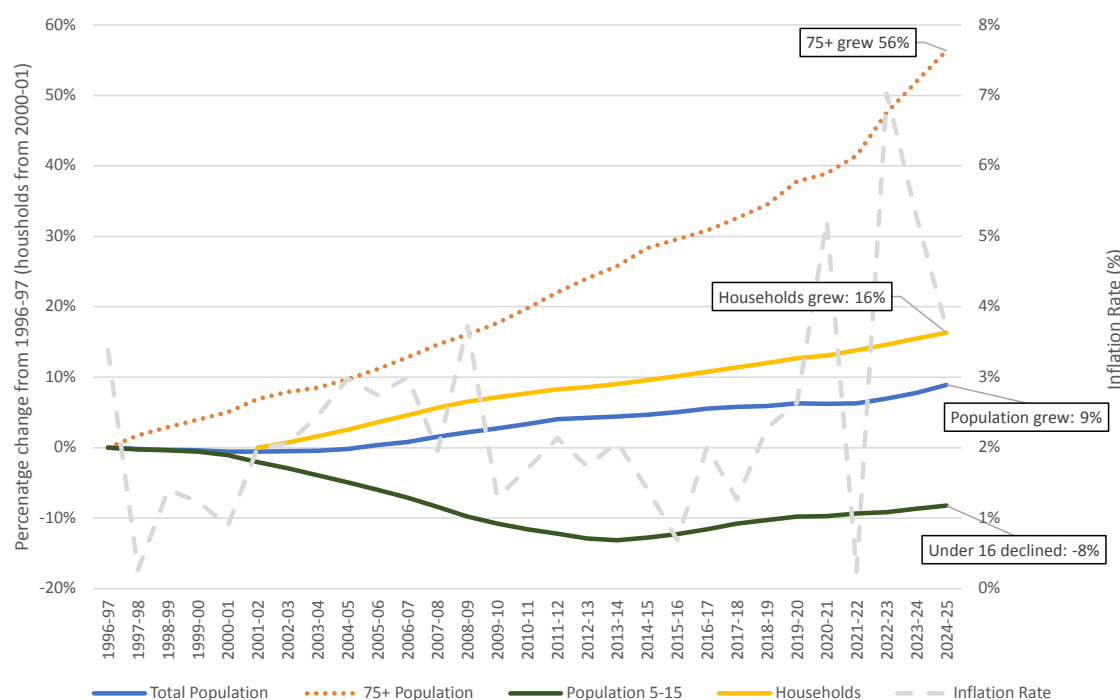


Figure 1 - Historic trends in population sizes and inflation (GDP deflator) 1996-97 to 2024-25 (households from 2000-01).

While population change has contributed to increased demand, rising demand has also been driven by growing socio-economic need. Research suggests that austerity and public service cuts lead to an erosion in life outcomes, especially for the most vulnerable in society, which then increases demand for public services. Analysis by the Scottish Health Equity Research Unit (SHERU), for example, finds that “austerity negatively impacts health outcomes” and that these effects are more pronounced where public services have already been weakened, with greater risks for those experiencing disadvantage.⁶

Regardless of the cause, since 2010 Scotland has experienced worsening health outcomes and widening inequality, including declining healthy life expectancy, growing rates of poverty – especially in deep or very deep poverty, an explosion in

5 “People supported through Social Care Services”, Public Health Scotland, published 4th February 2025, <https://publichealthscotland.scot/publications/people-supported-through-social-care-services/people-supported-through-social-care-services-support-provided-or-funded-by-health-and-social-care-partnerships-in-scotland-202324/>

6 Fiona McHardy, “Exploring the Health Impacts of Austerity”, Scottish Health Equity Research Unit, published 11th June 2025, <https://scothealthequity.org/exploring-the-health-impacts-of-austerity/>

mental health conditions, and a rise in food insecurity and food bank use.⁷ These trends have placed additional demand on the wider public service system, whether the health service or a range of services delivered by councils, such as social care, advice services, housing, employability services and so on.

In addition, this period has seen other crises and shocks that have raised demand for council services including the Covid-19 pandemic and cost of living crisis. These have squeezed incomes, accelerated negative health outcomes, including mental health outcomes, and had a wide range of potential impacts that may not yet be fully realised.

Looking ahead, demand is likely to continue to grow as the population continues to grow and age. The changes projected by the National Records of Scotland in the next five years across key population groups used in the analysis within this report, comparing with their 2024-25 levels, are:

- The total population is projected to grow by around 1.8%,
- The over seventy-five population is projected to grow 13.2%,
- The five- to fifteen-year-old population is projected to reduce by 8.5%,
- The number of households is projected to grow by 3.5%,
- Inflation is forecast to be 2% per year on average (not accounting for the impacts of the Iran War).

These projections suggest a significantly changing demographic picture, with relatively slow overall population growth, a decline in the population aged under fifteen, and rapid growth in older populations. This means that the ageing we have seen in the past thirty years is likely to continue. This changing population will significantly impact the demands on council services, meaning careful planning will be required to address these needs. Figure 2 displays population projections for each group to 2029, as well as the forecast inflation rate.

7 Tackling the Cause, Not the Symptoms. Improvement Service, 2025, https://www.improvementservice.org.uk/__data/assets/pdf_file/0024/63726/Tackling-Cause-Not-Symptoms-July-2025.pdf

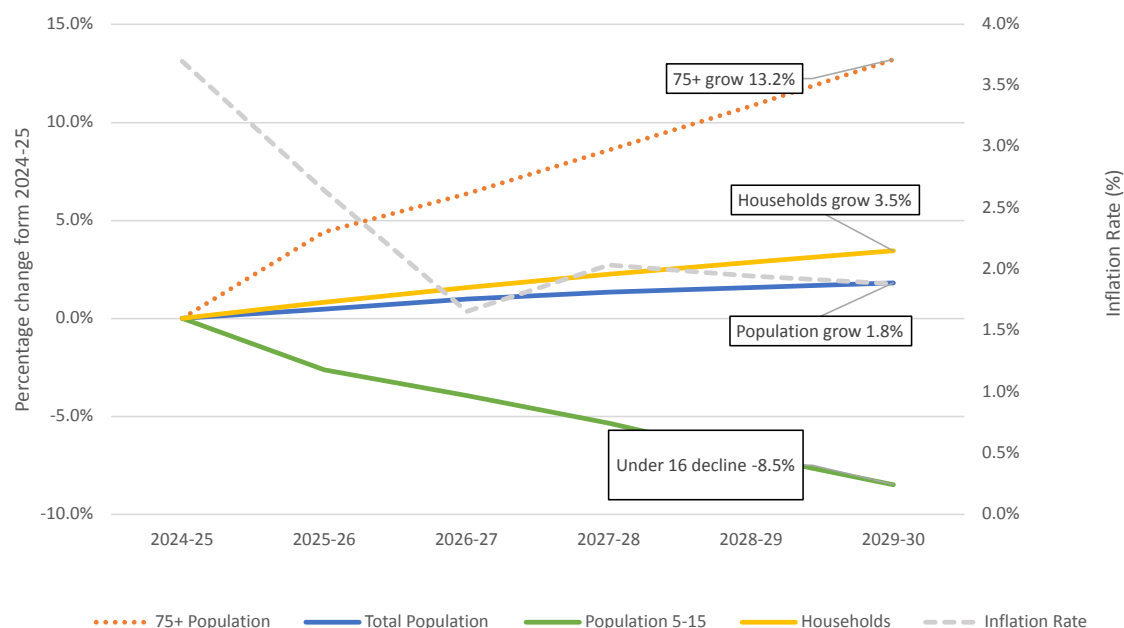


Figure 2 - Projected population change and forecast inflation (GDP deflators).

Financial Restrictions

The period from 2010-11 to 2019-20 saw a tightening of local government budgets in Scotland. Real-terms spending was lower than 2009-10 in every year of that decade. In fact, real-terms spending did not exceed its 2009-10 value in any year until 2023-24 and expenditure in 2024-25 was once again below the 2009-10 figure. Although there has been some growth in spending since 2019-20, this has been sluggish, with expenditure growing by less than 2% in real terms over the past five years (2019-20 to 2024-25).

These figures from 2010-11 compare with the pre-austerity period when real-terms spending rose in eleven of the thirteen years from 1997-98 to 2009-10. Over this period spending rose in real terms by 76% and in cash terms by 128%.

The historic trends in local government expenditure are shown in Figure 3 – note that these figures do not include the non-HRA Housing expenditure to allow comparability with the years before 2007-08 as this was not available for those years.

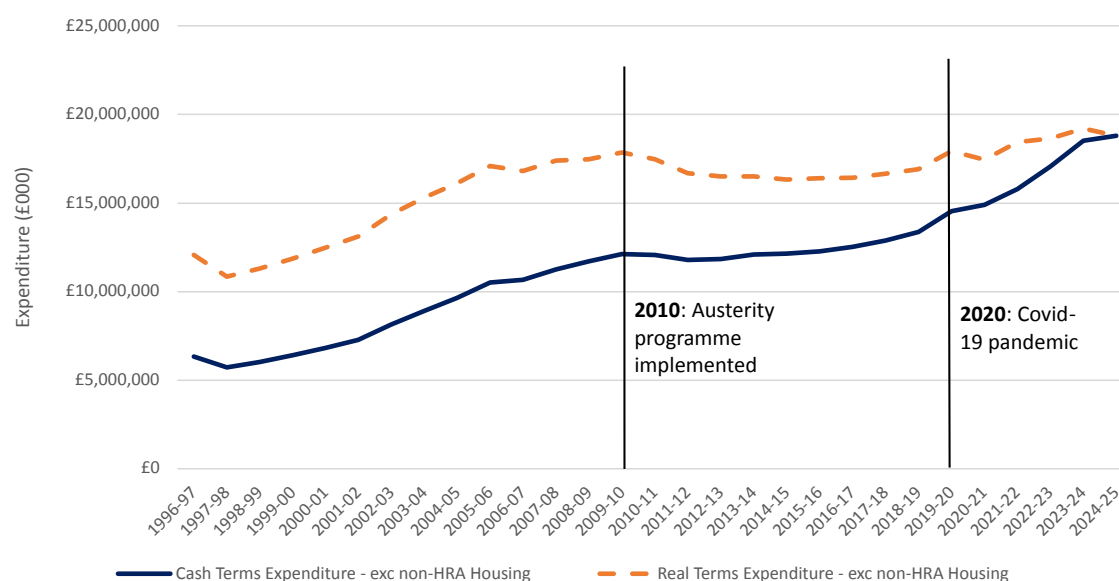


Figure 3 - Local government gross spend, excluding non-HRA housing, 1996-97 to 2024-25.

This financial tightening for local government is expected to continue, with the Scottish Government's spending review published in early 2026 suggesting local government funding will fall in both real and cash terms by 2028-29.⁸ However it is also likely that demand for council services will continue to rise. The Accounts Commission in their Local Government Budgets 2026/27 Bulletin⁹ warn of a risk of financial unsustainability within councils due to increasing demand and falling resource, with a £529 million gap in 2026/27. They also note that councils will need to "stop, reduce or significantly redesign services". This means that careful planning and consideration of how demand is likely to change will be crucial if councils are to maintain fiscal viability.

Report Purpose, Approach, and Scope

This report aims to understand how demand for council services has changed since 2010, how this relates to actual expenditure over the same period, and how future demand may evolve based on population change.

The analysis estimates this demand by analysing the relationship between expenditure and population prior to austerity and modelling what spending in subsequent years would have been had this relationship remained unchanged.

⁸ "Scottish Spending Review 2026", Scottish Government, published 13th January 2026, <https://www.gov.scot/publications/scottish-spending-review-2026/pages/5/>

⁹ Bulletin: Local government budgets 2026/27, Accounts Commission, 2026, https://audit.scot/uploads/2026-06/nr_260611_lg_council_budgets.pdf

How the model works:

1. Analyses data from before 2010 to understand how council spending historically changed as population changed
2. Uses this relationship to estimate what demand would have been in each year since 2010, based on population trends
3. Compares these estimates with actual spending to identify the extent to which demand has been managed within available resources
4. Extends the approach using population projections to estimate how **demand may change in future.**

By estimating the level of demand for council services and comparing this with actual expenditure, the model shows how councils have managed demand in a range of ways since 2010 including efficiency savings, service redesign, increased charges and fees, preventative approaches, the use of reserves, as well as demand reflected in unmet need.¹⁰ Looking ahead, it also aims to support service planning and contribute to the case for sustainable funding that keeps pace with future demand changes.

This report is an update to a [paper](#) published in 2018 by the Improvement Service. It uses the same methodology as previously but expands on this by modelling demand in historic years.

While there are many other factors that will impact the demand for and expenditure on councils' services, such as complex needs, broader socio-economic conditions, societal expectations, and technological changes, this paper does not account for these. This is due to availability of relevant data, which makes estimating the impact of these factors difficult and unlikely to improve the accuracy of the model. It is also impossible to accurately account for future policy decisions that could impact demand and spending.

This report is also accompanied by a set of short reports that apply the methodology to local data to help understand historic demand levels relative to expenditure, and to help understand how changing local populations might translate into future spending pressures. It should be noted that modelling demand is more difficult locally due to local policy decisions which make the relationship between population and expenditure weaker.

¹⁰ Examples of steps taken by councils are included in the Accounts Commission's Local Government Budgets 26/27 Bulletin: https://audit.scot/uploads/2026-06/nr_260611_lg_council_budgets.pdf

The reports aim to provide an individualised insight into demand if national patterns applied in local areas. Individual local authority reports are available on request by emailing research@improvementservice.org.uk.



Methodology

Data and Sources

Population estimates, household estimates, and population and household projections are all sourced from the National Records of Scotland. The population estimates used are 2024 mid-year estimates (MYEs)¹¹, household estimates are from 2024¹², population¹³ and household projections¹⁴ are both 2022-based.

Inflation estimates used in the report are GDP Deflators published in October 2025.¹⁵

All expenditure data is sourced from the Local Government Finance Statistics reports.¹⁶

The spending figures included here are gross expenditure to allow comparability with the Local Government Benchmarking Framework (LGBF). Previously, net spend was used.

Demand and Projection Estimates

The approaches used to model changes in demand are by design based solely on population change and inflation rates. This means it does not account for or capture changing complexity in need, especially complex need amongst certain groups, which may change costs and demand rates more rapidly than growth, or decline, in the population will. It also does not account for efficiencies or additional cost pressures arising from service cuts, technological improvements, workforce pressures (including absences), other cost drivers such as wage rises or consultancy fees, preventative approaches, or savings made. As noted above, data

11 “Mid-2024 population estimates”, NRS, published 14th August 2025, <https://www.nrscotland.gov.uk/publications/mid-2024-population-estimates/>

12 “Households and Dwellings in Scotland, 2024”, NRS, published 26th June 2025, <https://www.nrscotland.gov.uk/publications/households-and-dwellings-in-scotland-2024/>

13 “Subnational Population Projections: 2022-based”, NRS, published 30th September 2025, <https://www.nrscotland.gov.uk/publications/subnational-population-projections-2022-based/#>

14 “Household Projections for Scotland (2022-based)”, NRS, published 16th December 2025, <https://www.nrscotland.gov.uk/publications/household-projections-for-scotland-2022-based/#>

15 “GDP deflators at market prices, and money GDP September 2025 (Quarterly National Accounts)”, HM Treasury, published 1st October 2025, <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-september-2025-quarterly-national-accounts>

16 “Local government finance: statistics”, Scottish Government, updated 5 February 2026, <https://www.gov.scot/collections/local-government-finance-statistics/>

on these factors is limited, meaning their inclusion would be unlikely to enhance the robustness of the model.

For each service a different method is applied to estimating demand and projected costs. Where there is a strong relationship between the size of a particular population group and expenditure a statistical model is used to estimate this relationship and demand for the service. For service areas with weaker relationships a simpler approach is used that adjusts expenditure based on the percentage change in the relevant population size. These approaches are discussed in more depth in Appendix A. In brief, these approaches are:

- **Education Services:** expenditure is adjusted each year to match the percentage change in the mandatory school age population, that is those aged five to fifteen.
- **Environmental Services:** demand is estimated based on the total population. A linear model is fit based on the relationship between spend on these services and population size.
- **Roads and Transport Services:** expenditure is based on the average spend per household. An average spend per household is calculated and then applied to household numbers and projections.
- **Social work services** are split into two separate models:
 - Adult social care demand is modelled based on the linear relationship between adult social care spend and the total seventy-five and over population.
 - All other social care demand is based on the percentage change in the total population every year. Spending is adjusted by this amount to estimate demand.
- **All other services:** Non-HRA Housing, Trading Services, Central Services, Cultural and Related Services, and Planning and Development Services are kept cash flat within both the demand and projection estimates. They are only changed by inflation.



Demand estimates and projections by service area

Overall spend

From 2010-11 to 2024-25 councils in Scotland saw a real-terms increase in gross spend from £20.897 billion to £20.954 billion. This was an increase in percentage terms of just 0.3%.

In this time, as noted above, the population has grown by 5.4%, the seventy-five and over population has grown by 30.5%, the number of households has increased by 7.9%, and the five- to fifteen-year-old population has grown by 3.8%. Inflation has also pushed costs up by almost 45%, although this is accounted for within the 0.3% increase.

Considering this increased population size, the model suggests that, if spending had risen in line with demand, councils' spending between 2010-11 and 2024-25 would have increased by:

- £10 billion - or 48% - in real terms per year. Actual annual real-terms spending in this period increased by £57 million or 0.3%,
- £16.4 billion in cash-terms or 114% per year. This compares to the actual increase in annual cash-terms spending of £6.5bn per year or 45%.

This means there is a significant gap each year between the modelled demand level and the actual level of spending. In 2024-25 this gap was almost £10 billion.

Between 2025-26 and 2029-30, demand is expected to increase further, albeit at a slower rate than in the past. As noted above, the NRS projects growth in the seventy-five and older population of over 8% and more modest increases in the number of households (2.6%) and in the total population size (1.3%). The number of school age children is expected to decline by 8.5%. Inflation is also expected to grow steadily, further increasing costs by over 10%.¹⁷

According to this model, if spending in 2024-25 prices were to increase at a rate that maintains pace with demand, spending in 2029-30 would need to be 2.4% higher than the actual spend in 2024-25, or an additional £493 million. This is somewhat slower than the modelled demand was in the previous five years, due to slowing growth in the seventy-five and older population and total population, and the decline in the school age population. If future spending were also to keep pace with inflation, the cash-terms increase would be 13.2% or around £2.8 billion.

Although this projected demand increase is slower than the modelled demand in past years, it still represents spending growth at a faster rate than was seen between 2010-11 and 2024-25. Projecting the historic trends in spending increases

17 "GDP deflators" HM Treasury

forward to 2029-30 would see a cash-terms increase, that is an increase that keeps pace with future inflation, of £2.2 billion or 10.7%.

As noted above, however, the Scottish Government's spending plans suggest that funding for local government will fall in cash and real terms in the coming years. This means that expenditure is likely to fall, creating yet more unmet need.¹⁸

The historic and projected modelled and actual spend figures, as well as a trend line based on historic spend are displayed in Figure 4.

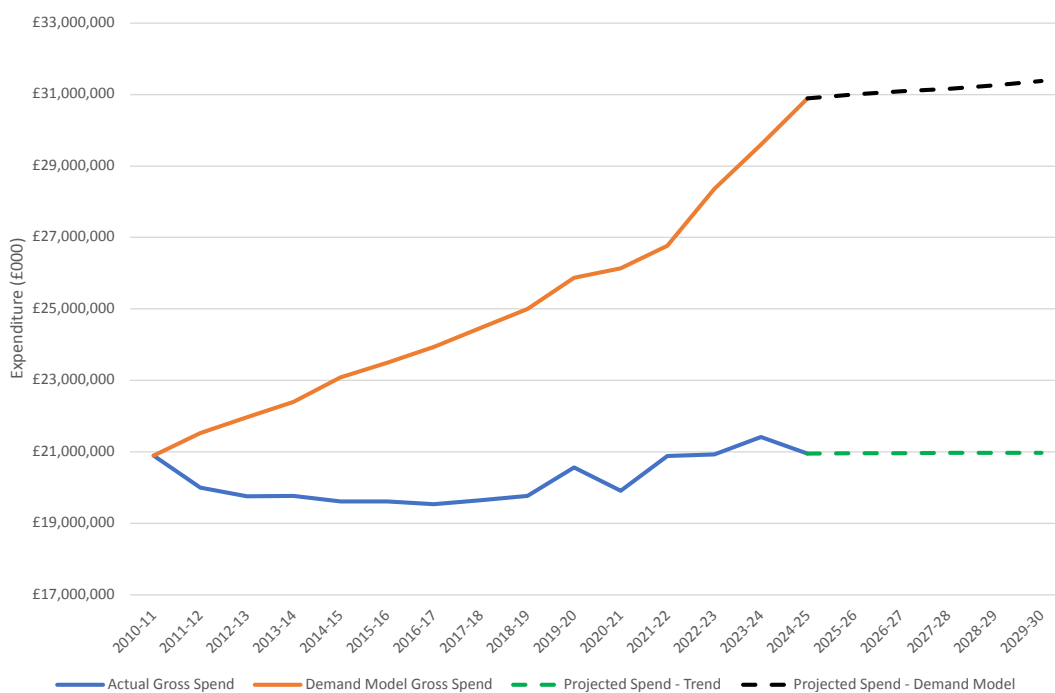


Figure 4 - Actual and modelled spend and demand. (All 2024-25 prices)

18 "Scottish Spending Review 2026", Scottish Government, published 13th January 2026, <https://www.gov.scot/publications/scottish-spending-review-2026/pages/5/>

Education

Historically, education has been one of the largest areas of local government expenditure and has been one of the Scottish Government’s highest priority areas. Many aspects of the service have received ring-fenced funding, meaning councils have been unable to make their own decisions about spending in these areas. Despite this, it has not been immune to the impacts of austerity. Councils made real-terms cuts in spending on education services between 2007-08 and 2014-15, from when spending began to gradually increase.

In part, this increase has been driven by a major expansion of Early Learning and Childcare (ELC) entitlement for all three and four-year-olds and eligible two-year-olds from 600 hours to 1140 hours a year. This expansion led to a major increase in ring-fenced funding and expenditure, provided from 2017-18.¹⁹ When ELC expenditure is included, real-terms education spending rose by 17% between 2010-11 and 2024-25. Without ELC expenditure, education funding still grew but at a more modest rate of 9%.

The historic expenditure values for education with and without ELC spend are displayed in Figure 5.

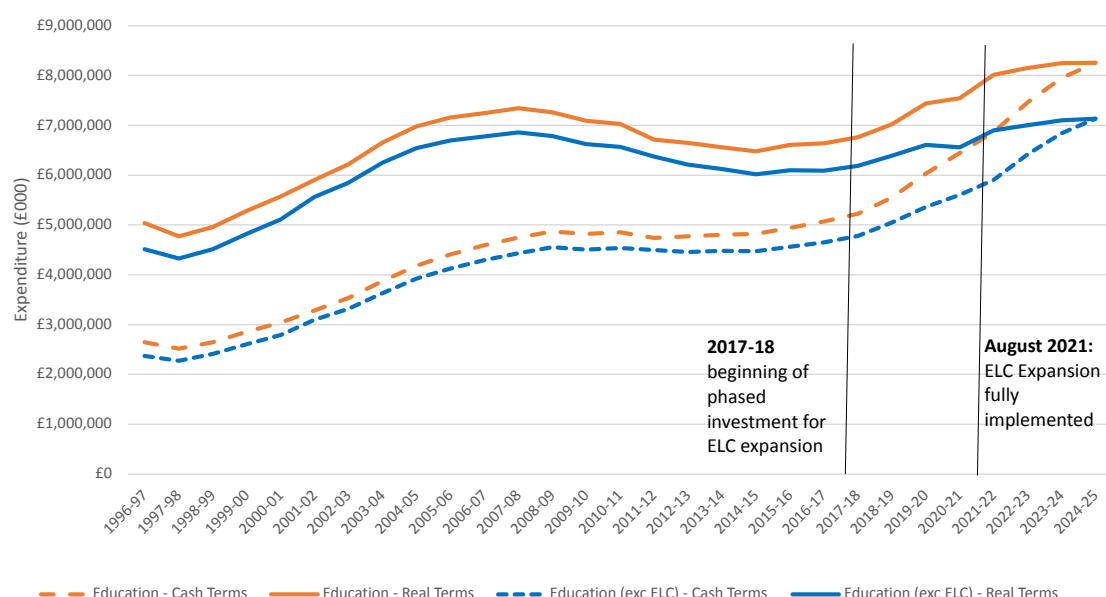


Figure 5 - Historic education expenditure 1996-97 to 2024-25

In modelling expenditure on education, figures with and without ELC are shown to demonstrate the impact of changes in funding due to ELC expansion. Note that the overall spend estimates in the “Overall Spend” section above include all education spend, including ELC. Modelled demand rates for education show

19 “Early Learning and Childcare Expansion to 1140 hours: Interim Evaluation Report”, Scottish Government, published 14th August 2024, <https://www.gov.scot/publications/early-learning-childcare-expansion-1140-hours-interim-evaluation-report/pages/2/>

the same trend for the figures with and without ELC: a decline between 2010-11 and 2013-14 followed by a gradual increase to 2024-25. This modelled demand mirrors the change in population amongst five- to fifteen-year-olds, which steadily declined to 2013-14 before starting to grow slowly. Without ELC, actual education expenditure overtook the modelled demand in real terms in 2021-22. When ELC figures are included, actual spend overtook the model in 2019-20 and grew much more rapidly. Higher levels of expenditure than estimated by the model may reflect the high level of prioritisation the service has received, as well as increasing complexity of need, such as major growth in the proportion of children with Additional Support Needs.²⁰

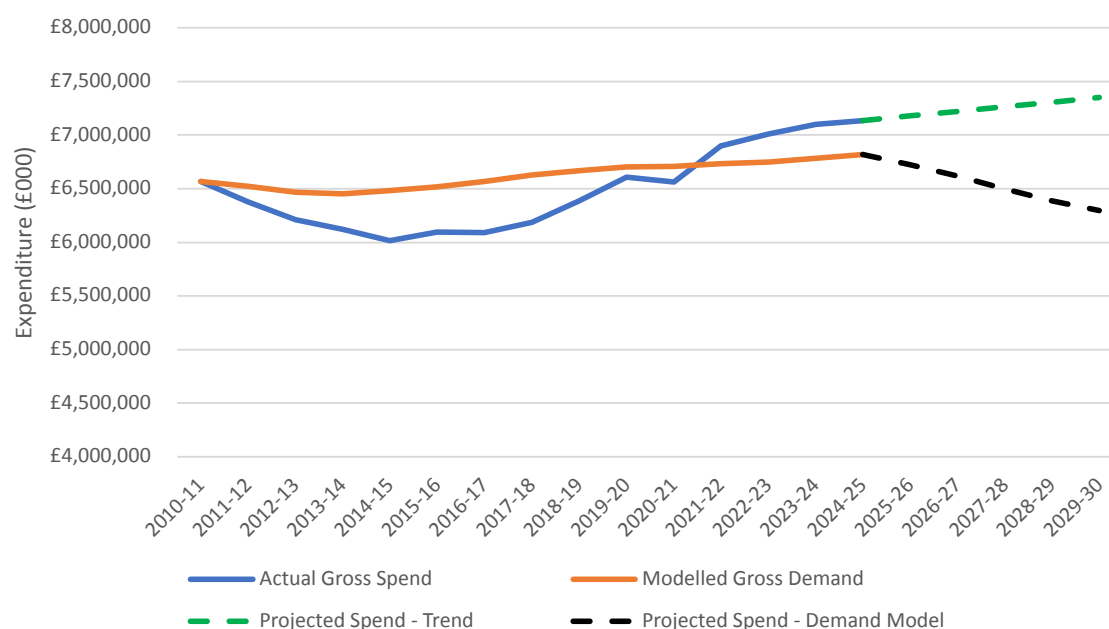


Figure 6 - Actual and modelled spend and demand on education, not including ELC (All 2024-25 prices)

In the years from 2024-25 to 2029-30 the model projects that demand for education without ELC, not including inflation, is likely to fall by around 7.3% or £523 million from its 2024-25 position, driven by a decrease in the school age population of 8.5% over this period. To keep pace with inflation, spending would therefore need to increase by 2.5% or £177 million.

The projections for spending including ELC show the same downwards trend. Given the decrease in the population by 2030, the model would see spending decline by £605 million or 7.3%. If this spending were to keep pace with inflation it would increase by £205 million or 2.5%.

20 "Pupil census supplementary statistics", Scottish Government, published 25th March 2025, <https://www.gov.scot/publications/pupil-census-supplementary-statistics/>

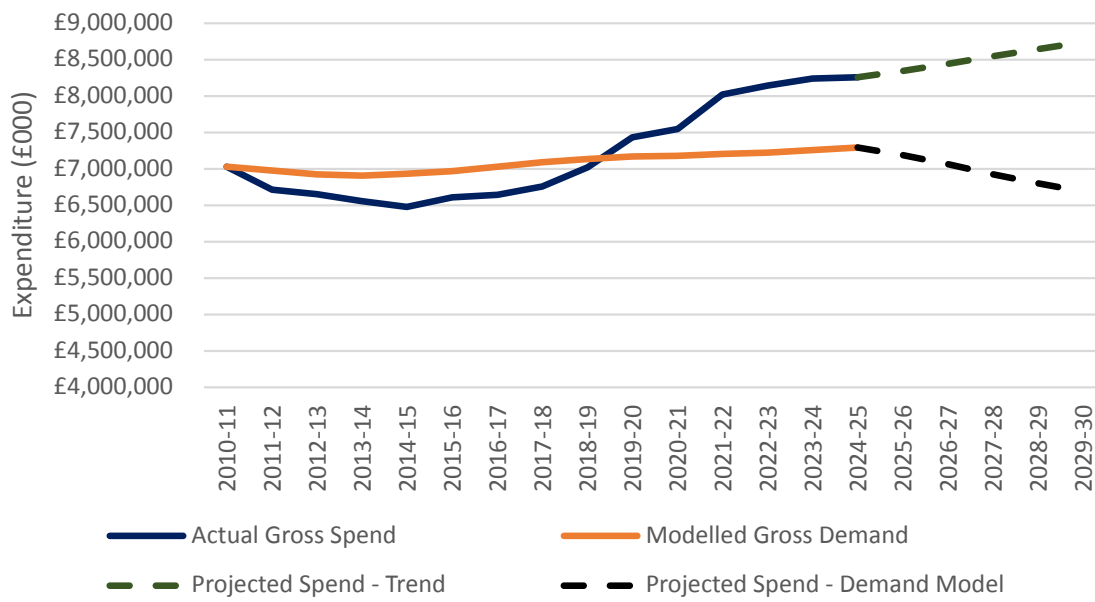


Figure 7 - Actual and modelled spend and demand on education, including ELC (All 2024-25 prices)

Social Work

Social Work Services, as they are described in the Local Government Finance Statistics, have historically been the highest area of expenditure for local government. When transfer payments to Integration Joint Boards (IJB) are excluded the service falls to the second highest expenditure area after education. For the purposes of this report IJB transfers are not included.

Within this model, the Social Work Services data has been split into adult social care, which constituted 77% of all spending on Social Work Services in 2024-25, and the remainder of social care services.

Adult Social Care

Adult social care (ASC) is one of the few service areas that saw an increase in real terms expenditure between 2010-11 and 2024-25, rising by 26% over this time. In cash terms this was an 83% increase. The historic spend on adult social care is shown in Figure 8.

In this period the seventy-five and older population rose by over 30.5%. Over 60% of social care users were aged over seventy-five in 2023-24 according to Public Health Scotland data²¹, meaning the spending increase has not kept pace with the growth in the population group that constitutes the largest share of social care users. This is before increases in the population aged sixty-five to seventy-four and additional complex need linked to mental health, disability, and deprivation are accounted for.

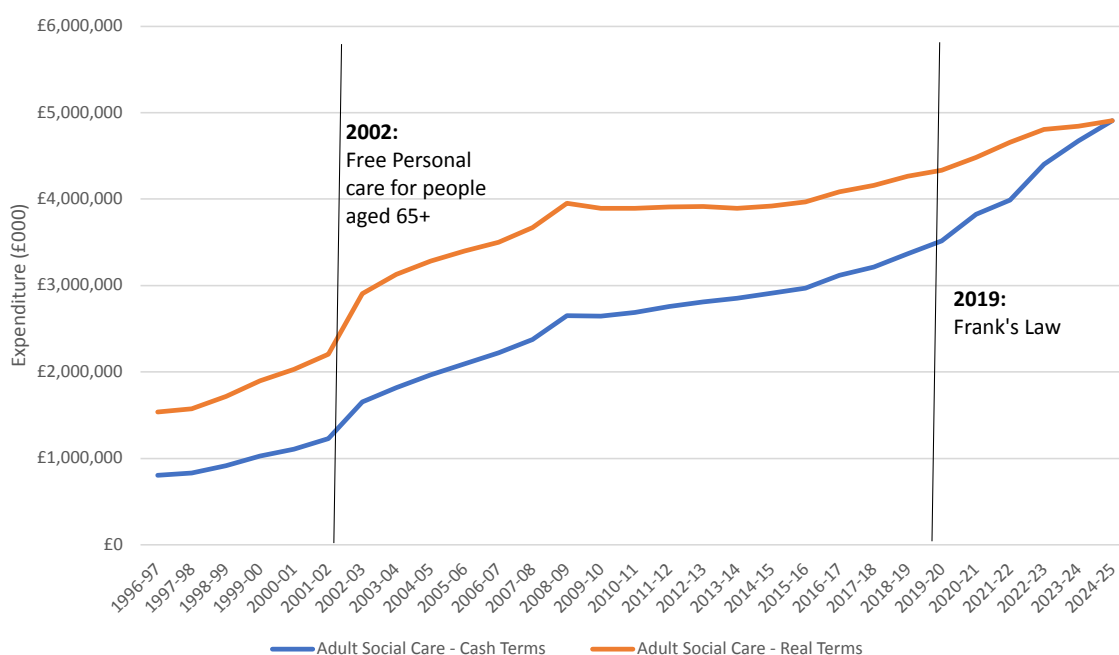


Figure 8 - Historic spend on adult social care, 1996-97 to 2024-25

There are two important policy decision that have influenced historic social care expenditure. First is Free Personal Care entitlement for people aged over sixty-five²². Historic spend data shows a major increase in real-terms spending of almost 32% between 2001-02 and 2002-03, reflecting the additional expenditure to deliver this policy.

The second policy decision was the introduction of Frank's Law, which meant that from April 2019 any adult, regardless of age, who is assessed as having care needs will be entitled receive this free of charge. In 2017 the Scottish Government estimated this would benefit at least 9000 families in Scotland.²³ The Scottish Government allocated £30 million in the 2019-20 budget for implementation of the expansion²⁴ and expenditure on adult social care did increase more rapidly in 2020-21, 2021-22, and 2022-23 than it had previously. The extent to which this was driven by Frank's Law or other factors is not clear.

The model used to estimate demand and to project spend does not account for these policies currently. The data shows that expenditure did not keep pace with demand as estimated by the model. While spending in real terms rose by over £1 billion or 26%, the model estimates that demand would have increased spending by over £8.4 billion or 216%.

22 "Free personal and nursing care: questions and answers", Scottish Government, published 28th March 2019, <https://www.gov.scot/publications/free-personal-nursing-care-qa/>

23 "News: Frank's Law", Scottish Government, published 7th September 2017, <https://www.gov.scot/news/franks-law/>

24 "News: Expansion of free personal care", Scottish Government, published 1st April 2019, <https://www.gov.scot/news/expansion-of-free-personal-care/>

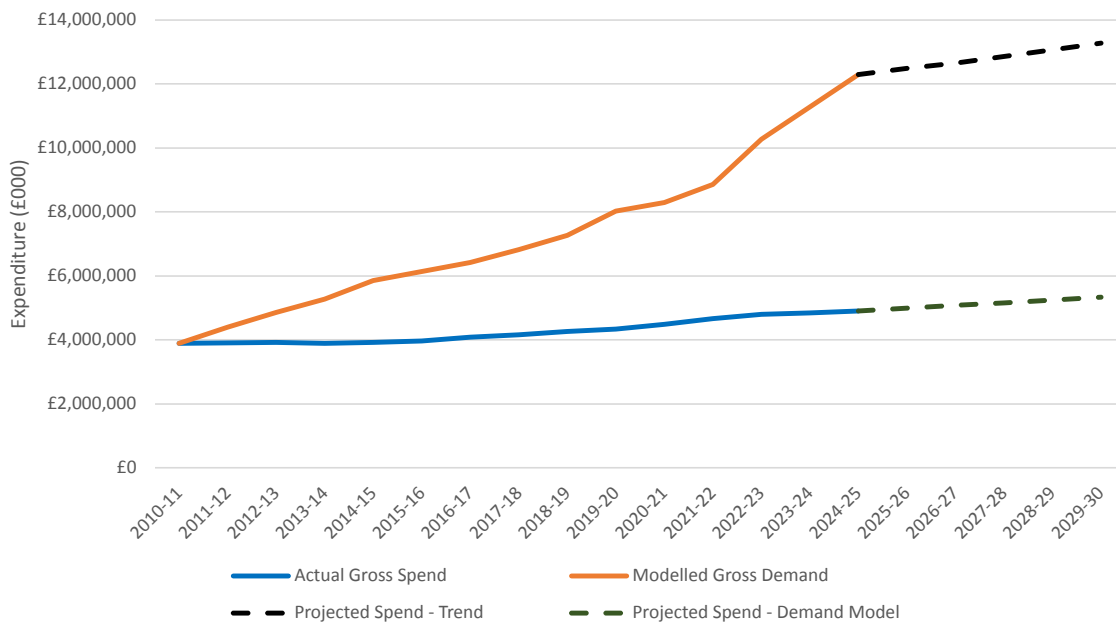


Figure 9 - Actual and modelled spend and demand on adult social care (All 2024-25 prices)

Looking ahead to 2029-30 the model estimates an increased demand, in 2024-25 prices, of £982 million or 20% from its current 2024-25 actual expenditure level. If spending kept pace with this demand and future inflation, it would rise by 33% from its current level, or £1.6 billion.

All other social work services

Without adult social care, the remaining expenditure on social work services, not including IJB transfers, amounted to just over £1.4 billion in 2024-25. This includes social care for children and families, which forms the largest proportion, service strategy, and criminal justice social work. Although this portion of social work service is only 23% of the total service expenditure, it still accounted for more spending than any other service area, other than education.

As with adult social care, spending on this remainder of social work services has risen in real terms since 1996-97, although expenditure growth slowed from 2009-10. Spending growth has also slowed recently, and in 2024-25 spending was at its lowest level since 2020-21. Figure 10 displays all historic spending figures for these other social care services.

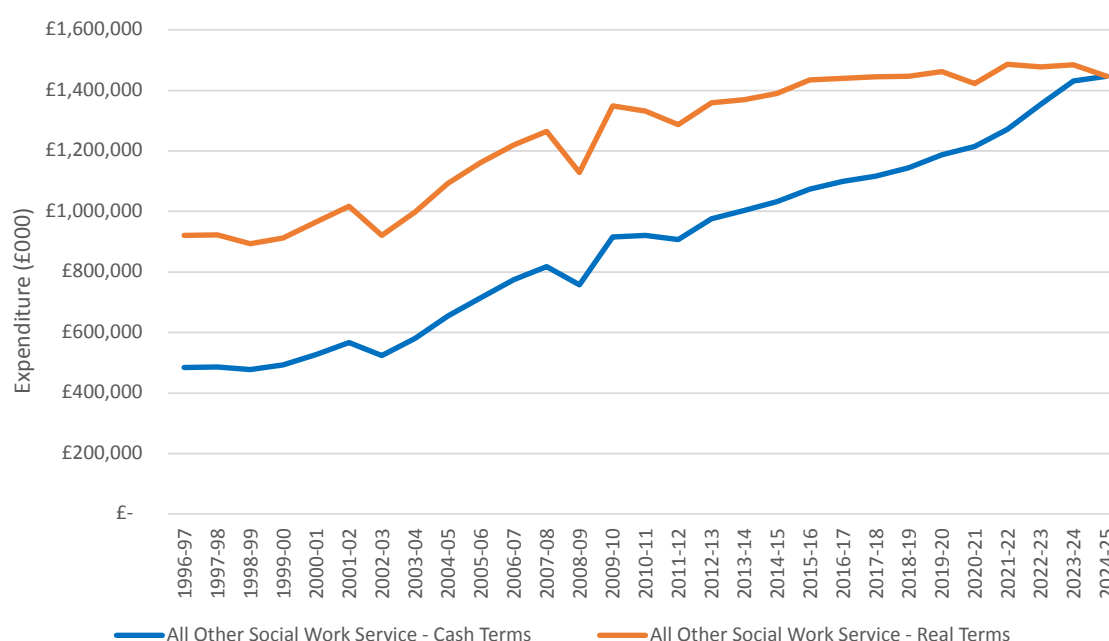


Figure 10 - Historic spend on all other social care services, 1996-97 to 2024-25

It should be noted that the population, and particularly the school aged population, has risen relatively slowly, or even declined, in this period, which could reduce demand. However, this does not account for a rising range of complex needs, particularly amongst children and young people. Between 2015 and 2025, these complex needs have risen sharply. Analysis of Scottish Government data by the Scottish Children's Service Coalition suggests that mental health problems have risen by over 500% for example.²⁵ Although these increases will have led

²⁵ "Children's coalition demands action as mental health problems soar over 500%", Scottish Children's Services Coalition, published 14th April 2026, <https://www.thescsc.org.uk/childrens-coalition-demands-action-as-mental-health-problems-soar-over-500/>

to an increase in demand, the modelled figures presented here do not account for any changes in the types of demand and solely adjust spend proportionate to the change in the total population. They can therefore be considered a likely underestimation of the true level of demand.

Expenditure on social work services outwith ASC has risen faster than the population has grown in this time. While the population, and therefore demand in this model, has grown by 5.4% in this period, spending on these services grew by 8.6% in real terms.

Looking ahead, expenditure would need to increase by 1.6% from its current level, or £22.4 million, to keep pace with population change by 2029-30. If this increase is adjusted to match future inflation, expenditure would need to be 12.3% higher or an additional £178 million. In practice, given growing demand from the complex needs discussed earlier, future demand may be higher than this. If the average rate of growth between 2010-11 and 2024-25 continued, spending would increase by £43 million in 2024-25 prices (3%) and £201 million (13.8%) in cash terms. Figure 11 displays the actual and modelled figures for spending and demand on these services, as well as the current trend in spending continued to 2029-30.

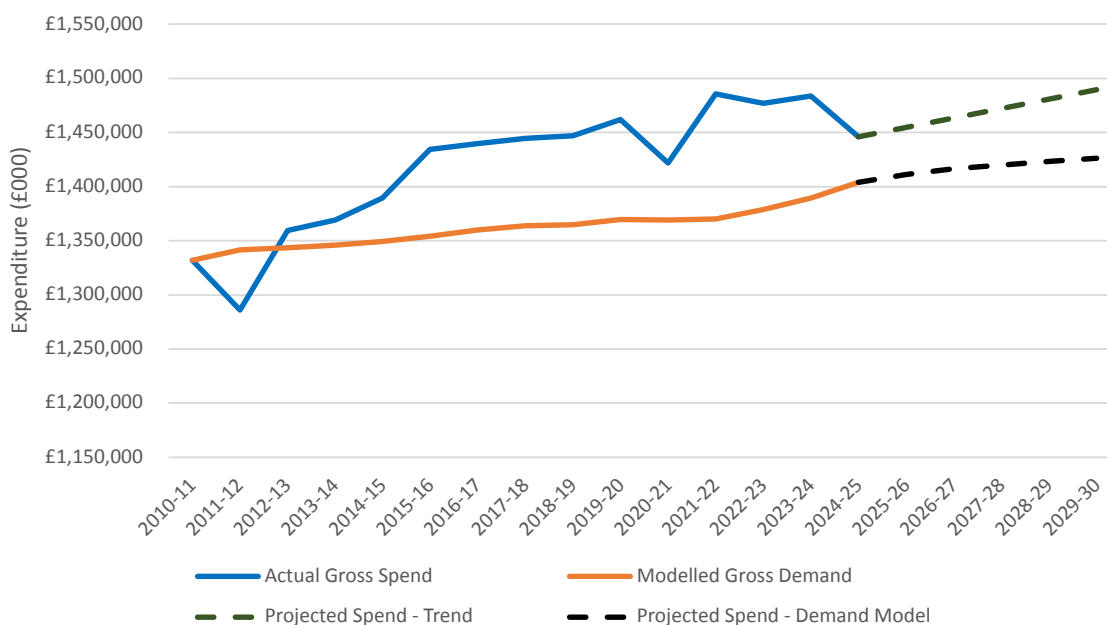


Figure 11 - Actual and modelled spend and demand on other social care services (All 2024-25 prices)

Roads and transport services

Unlike the service areas discussed so far, roads and transport services have not seen their budget protected. Spending on roads and transport has fluctuated year to year, due to particular investments or policy decisions by local authorities and the Scottish Government. As shown in Figure 12, spending fluctuates but has a clear downward trend since 2010-11. In real-terms, average annual spend from 1997-98 to 2009-10 was £1.036 billion, while the average from 2010-11 to 2024-25 was £870 million. 2019-20 saw a jump in expenditure due to the construction of the Aberdeen Bypass, part of which was included within revenue expenditure figures.

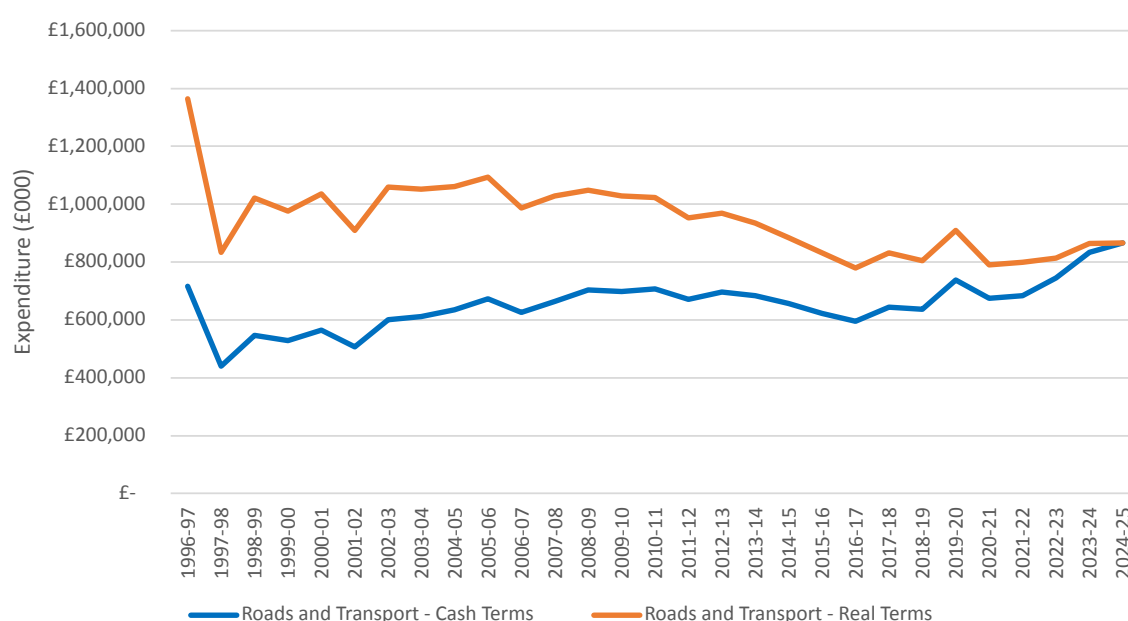


Figure 12 - Historic spend on roads and transport services, 1996-97 to 2024-25

In this model, demand for roads and transport services is based on the number of households. The model estimates demand if spend per household had remained at the same average level as in the pre-2010 period, reflecting the link between household numbers and travel patterns and vehicle ownership.

Since 2010, the number of households has steadily risen at a faster rate than population change. This means that while actual real-terms spend on these services has decreased by 15% or over £157 million, demand has risen by 12% or almost £123 million.

In the years between 2024-25 and 2029-30 the number of households in Scotland is projected by the NRS to grow by 3.5%. According to this model, demand for these services would therefore increase in 2024-25 prices by 3.7% from its 2024-25 level, or £32 million. If spending increased in cash terms, that is kept pace with future inflation, it would rise by £127 million or 14.7% from its current level. These

figures, as well as the demand model discussed above, are displayed in Figure 13.

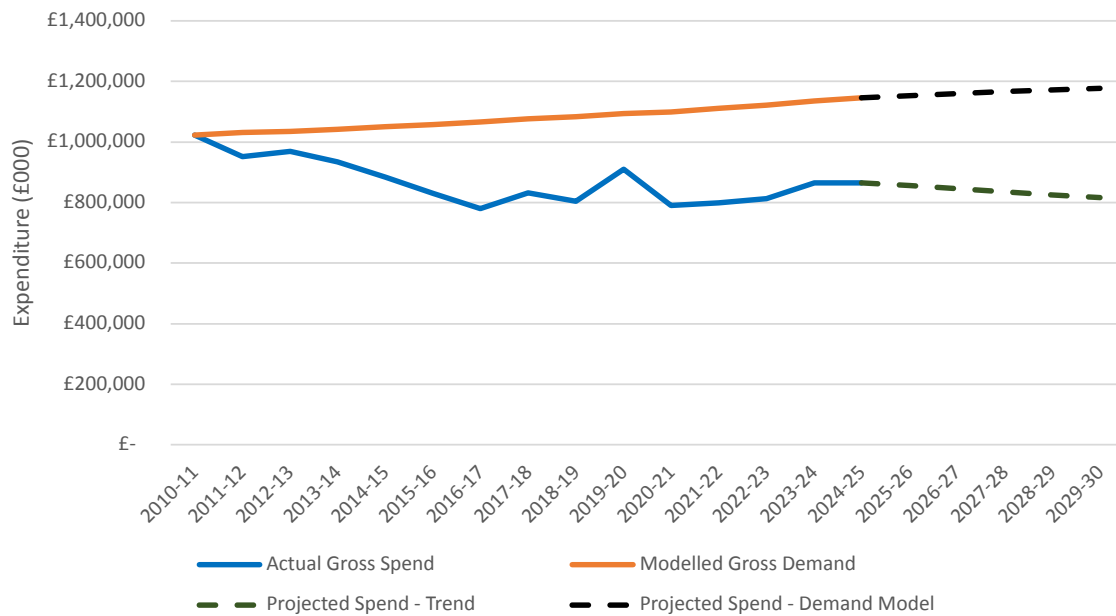


Figure 13 - Actual and modelled spend and demand on roads and transport services (All 2024-25 prices)

Environmental services

As with roads and transport services, environmental services have been unprotected and have therefore borne much of the brunt of cuts in local government expenditure since 2010-11. Prior to 2010-11, expenditure on environmental services rose steadily in real terms, increasing by almost 75% from 1996-97 to 2010-11. Since then, real-terms spend has followed a downward trend, falling by almost 13% by 2024-25. These figures are shown in Figure 14.

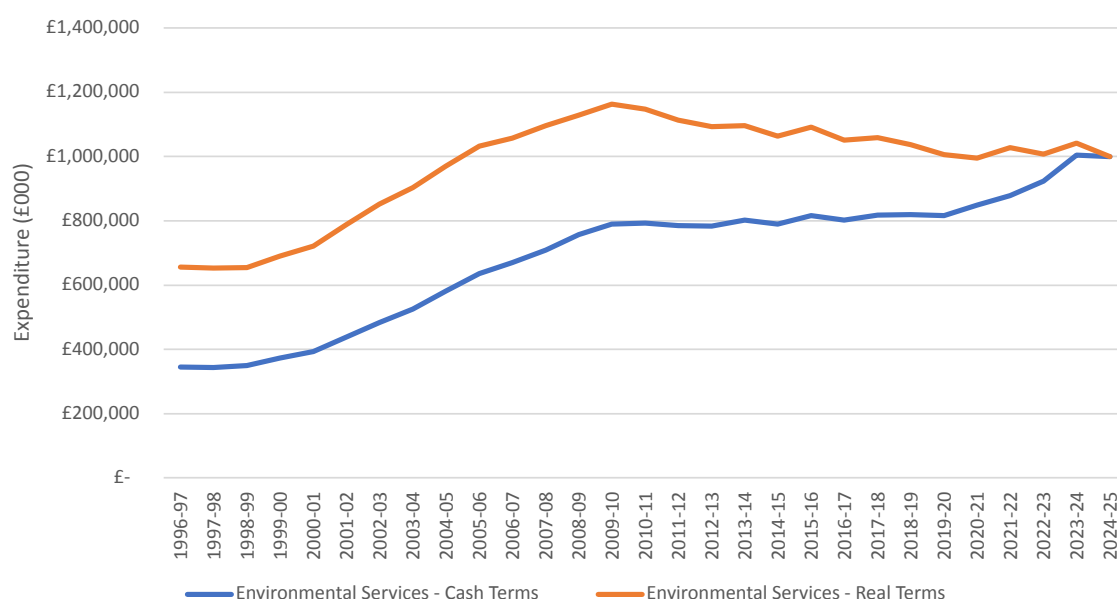


Figure 14 - Historic spend on environmental services, 1996-97 to 2024-25

Historically, expenditure on environmental services has correlated with population change. If expenditure had kept pace with demand modelled in this way, expenditure on environmental services would have risen steadily since 2010-11, particularly in the period from 2021-22 to 2024-25 when the population rose relatively quickly. According to this model, demand rose by £1.13 billion, almost doubling relative to 2010-11 (an increase of 98%). As noted, spend actually fell in this period by £147.5 million or 12.9%, meaning a major gap between demand and expenditure.

In the years from 2024-25 to 2029-30, population growth is expected to slow slightly, rising by 1.8% by the end of the decade. This would translate into an increase in 2024-25 prices of 6.1% or £61 million. If this increased at a rate that keeps pace with inflation as well as demand spending would increase by £174 million or 17.4%.

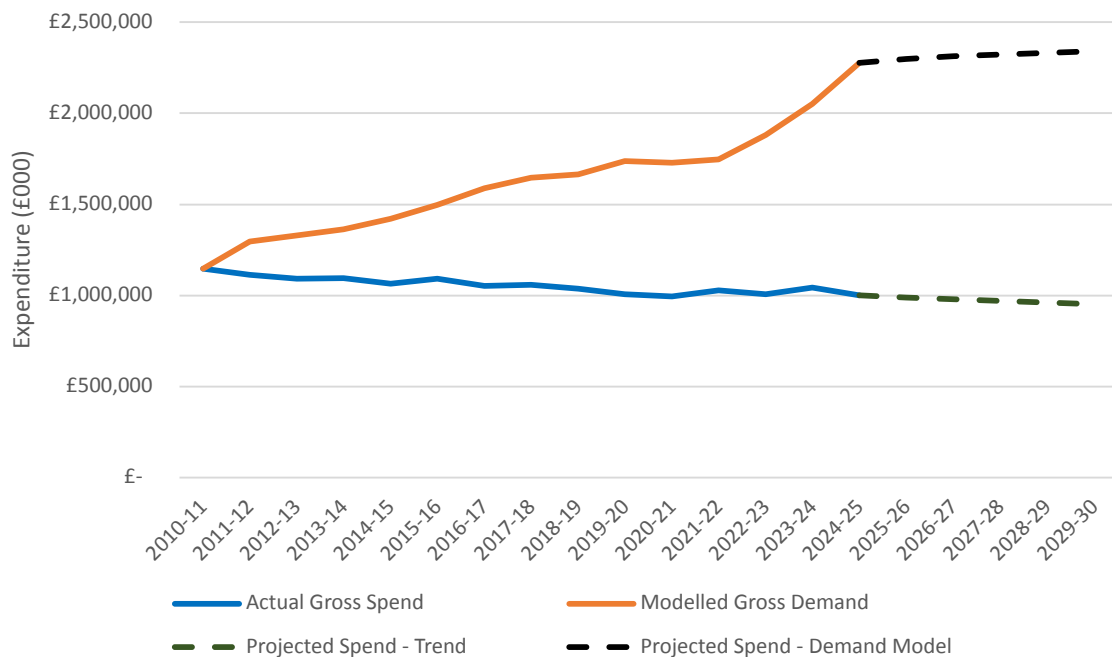


Figure 15 - Actual and modelled spend and demand on environmental services (All 2024-25 prices)

Other Services

There are multiple other service areas that councils spend their budgets on. These are cultural and related services, which includes leisure services; planning and development services; central services, including human resources and IT functions that are essential for delivery of front-line services; non-HRA housing; and trading services. These services have generally been the most vulnerable to spending cuts since 2010-11. In this time, they have all decreased in real terms:

- Planning and development services spend is now 4% lower than in 2010-11 despite growth since 2016-17.
- Cultural and leisure services have 26% lower spend, although many of these services may now be delivered by Arm's Length External Organisations (ALEOs), which could complicate gross spend figures.
- Central services spend is 33% lower.
- Non-HRA Housing spend is 37% lower.
- Trading Services spend is 38% lower, although this will be heavily influenced by the income generated.

Expenditure trends in real terms for all these service areas are shown in Figure 16.

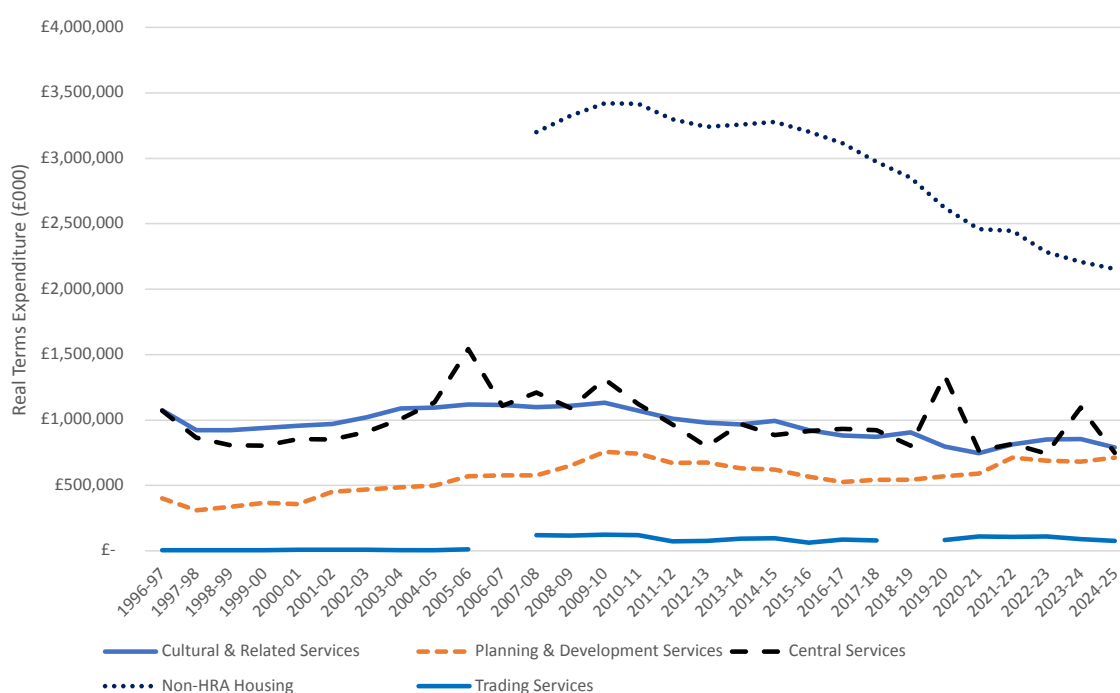


Figure 16 - Historic real-terms spend on all other services, 1996-97 to 2024-25

For the purposes of this model these service areas are kept steady in cash terms at their 2010-11 level and only adjusted based on inflation. This means the level of demand for these services within the model appears at the same level of spending in real terms as they were in 2010-11 for the whole 2010-11 to 2024-25 period. In practice, however, demand for all these services will almost certainly have increased as the population has increased. The modelled demand and actual spend, together with a projection based on the historic trend in spending are displayed in Figure 17.

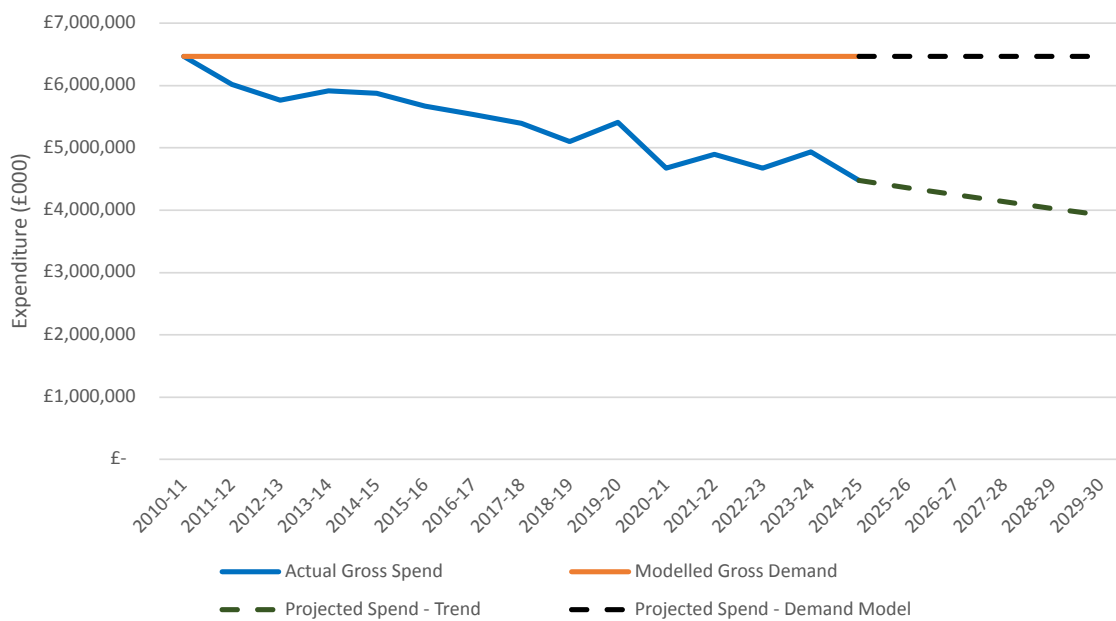


Figure 17 – Aggregated actual and modelled spend and demand for other services (All 2024-25 prices)



Conclusion

This analysis highlights how local government in Scotland has faced sustained financial pressures from a combination of reducing funding and rising demand since 2010. While population growth and demographic change alone would have required a significant increase in expenditure, actual spending has been almost flat in real terms, increasing by just 0.3% between 2010-11 and 2024-25.

The modelling approach used in this report suggests that, had pre-austerity relationships between population and expenditure been maintained, councils would be operating at a substantially higher level of spend. The estimated gap between modelled demand and actual expenditure reached almost £10 billion in 2024-25, reflecting the cumulative impact of constrained funding, efficiency savings, and unmet need over this period.

This gap has not emerged in isolation. While councils have been unable to meet growing needs arising from population growth, the past 15 years have seen worsening health outcomes, increasing and sustained inequality, and growing complexity of need. These pressures will have almost certainly driven additional need and demand, not accounted for in this report.

Looking ahead to the end of the decade, the analysis suggests that demand will continue to increase. Population projections indicate continued growth in older age groups alongside modest overall population increases and a declining school-age population. Across most service areas, maintaining spending in line with demand would require increases in expenditure, alongside additional resource to keep pace with inflation.

Current funding plans by the Scottish Government, however, suggest that local government will face continued financial constraint, with plans indicating reductions in both real and cash terms over the coming years. This points to a continued and potentially widening gap between demand and available resource, reinforcing concerns about the long-term fiscal sustainability of the sector.

The findings of this report should be interpreted in the context of its methodological scope. The model deliberately focuses on population-driven demand and does not capture wider drivers such as increasing complexity of need, technological change, or policy decisions, all of which will influence demand and spending in future. As such, the estimates presented here are likely to represent a conservative assessment of demand pressures, particularly in service areas where need is shaped by factors beyond population change alone.

Taken together, the analysis underscores the importance of ensuring future funding for local government is sufficient to meet growing demand pressures. Without this, councils will continue to face difficult choices about service provision,

with implications for service sustainability, equity of access, and outcomes for communities. Underfunding and growing unmet need undermine councils' ability to deliver preventative programmes of work and reduce future service demand and unmet need across the public sector. The accompanying local analyses provide a local insight into these pressures may vary across areas.



Appendix A – Methodology

Education

Historically there has been a weak and negative relationship between education expenditure and the number of school-aged children. Throughout the 1990s and 2000s expenditure increased as the number of children fell. This relationship then changed from 2007-08 as both spend and population size fell together, until 2014-15 when both began to increase.

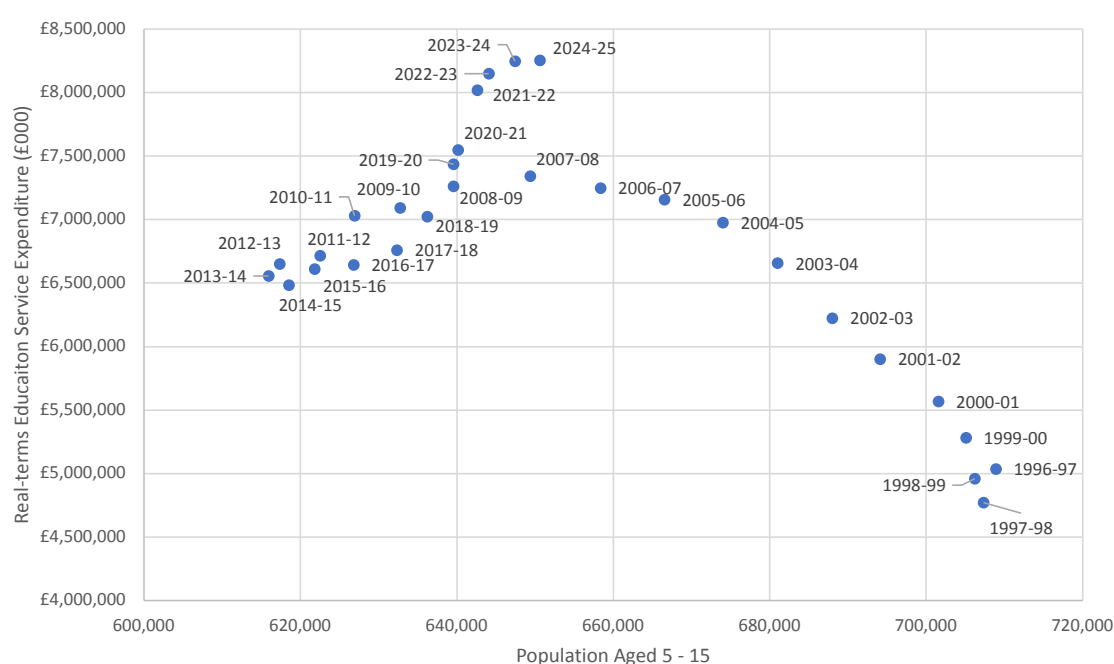


Figure 18 - Historic real-terms education services expenditure and population aged 5-15

Modelling future change is therefore relatively difficult, as total spend has clearly been heavily influenced by policy priorities. Demand and projected spend are therefore based on population change. The percentage change between years in the total five- to fifteen-year-old population is calculated and this change is then applied to the actual real-terms expenditure to get a modelled value. This is deliberately conservative and does not account for changing need beyond population size.

Environmental Services

Expenditure on environmental services has a positive correlation with the total population size. Examining this relationship there are three clear and distinct time periods: 1. The pre-austerity period from 1996-97 to 2009-10 when expenditure increased as the population increased; 2. The austerity period from 2009-10 to 2020-21 when expenditure fell even as the population grew; 3. The recovery

period from 2020-21 to 2024-25 when expenditure has tended upwards slowly while the population grew.

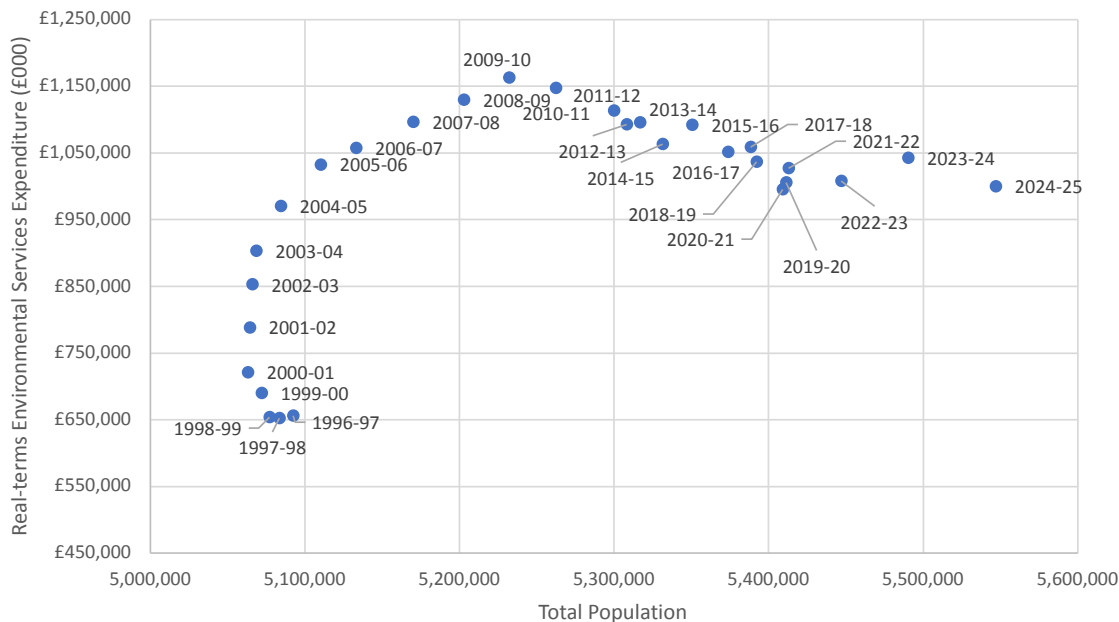


Figure 19 - Historic real-terms environmental services expenditure and total population size

The following model is used to estimate demand for these services:

$$\text{Spend}_t = \alpha + \beta_1 \text{Population}_t + \varepsilon_t$$

Where:

- Spend_t spend in Scotland in year t
- α is the intercept (fixed effect)
- β_1 is the coefficient on population, capturing the relationship between population size and spend
- ε_t the error term

This model is used to estimate projected spend between 2024-25 and 2029-30 and demand in the years 2010-11 to 2024-25. Note that projections are based on the application of this model to data from all years 1996-97 to 2024-25.

Roads and Transport Services

Spending on roads and transport services has fluctuated over time, however we can see patterns in spending with higher levels of spend pre-2009-10, decline between 2009-10 and 2016-17, then some growth in spending to 2024-25.

Within the model, household numbers are used to calculate demand for roads and transport services, reflecting their relationship with travel demand and vehicle

ownership. As the number of households increases, and their structure changes, this typically results in a greater number of trips and higher levels of road use, placing additional demand on transport infrastructure and associated services.²⁶

The model estimates an average spend per household across previous years and then uses the household numbers and projections to estimate demand-based spending. The goal of the model is therefore to maintain the average level of spend per household.

For the demand model in the years 2010-11 to 2024-25, an average expenditure per household between 2001-02 and 2009-10 is used. For projections from 2024-25 to 2029-30 the average is based on spending across 2001-02 to 2024-25. These values are then adjusted downwards so that the first year in the demand estimates and projections match the actual data in 2010-11 and 2024-25, respectively.

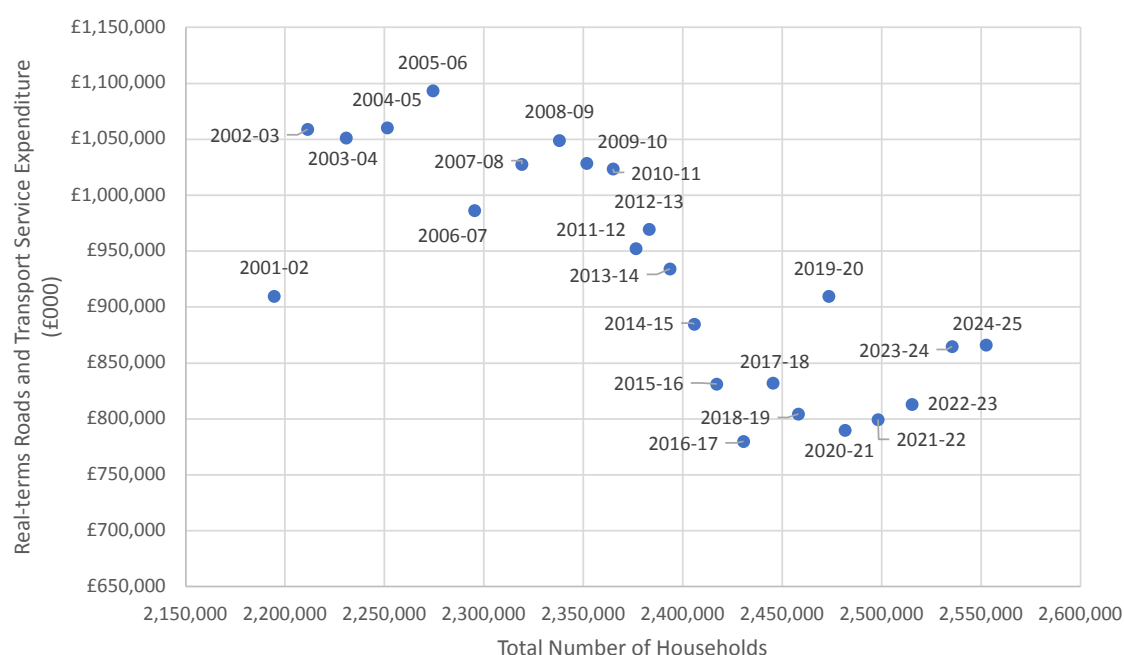


Figure 20 - Historic real-terms roads and transport expenditure and number of households

26 Phil Charles, "The Drivers of Transport Demand", Transport Futures Institute, published 12th December 2024, <https://transportfutures.institute/the-drivers-of-transport-demand/>

Adult Social Care

Expenditure on adult social care has a strong positive correlation with the population aged seventy-five and over. This is due to older people making up the majority of those who use social care services. There is also a large jump in spending in 2002-03 due to the expansion of free personal care to all people aged over sixty-five deemed eligible.

The model used in the projection and demand estimates uses a linear regression model based on the population aged seventy-five and over.

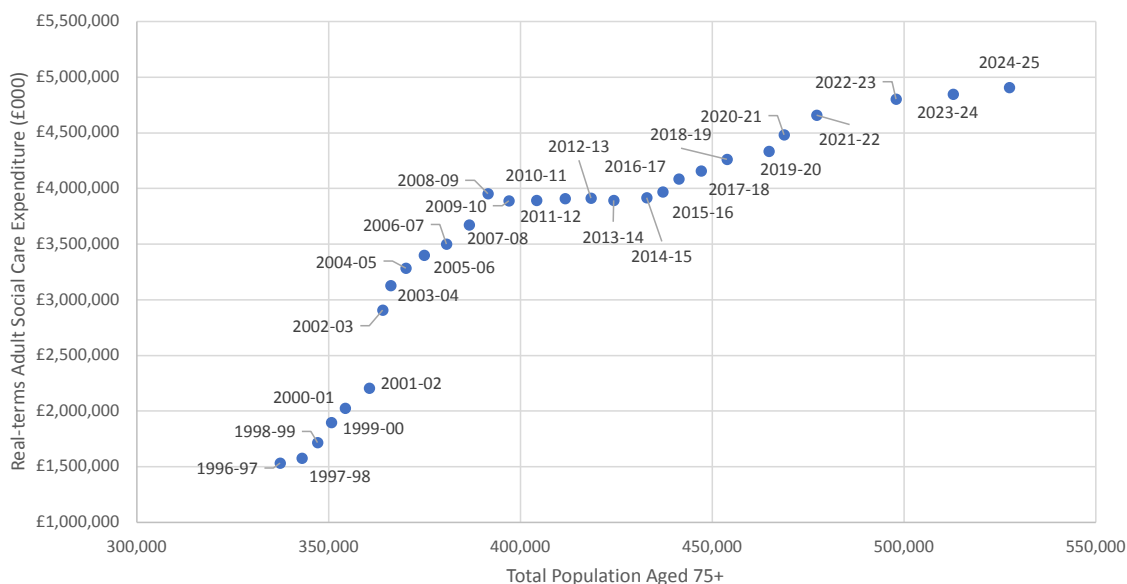


Figure 21 - Historic adult social care services expenditure and population aged 75+

This model used is:

$$\text{Spend}_t = \alpha + \beta_1 \text{Population}_t + \varepsilon_t$$

Where:

- Spend_t spend in Scotland in year t
- α is the intercept (fixed effect)
- β_1 is the coefficient on population, capturing the relationship between population size and spend
- ε_t the error term

Both projections and demand estimates use this same model. Projections are based on the application of the model over the full 1996-97 to 2024-25 dataset.

Other Social Work Services

The remainder of the social work services categories is adjusted only according to population change amongst the total population. Historically the total real-terms expenditure on these aspects of social work expenditure has been correlated in a positive direction with population size. That is, spend has increased as population does.

Applying a linear model between spend and the total population, however, provides a poorly fit model. Similarly, applying a linear model between these services and the under eighteen population gives a negative correlation. This implies complexity of need or other factors are stronger drivers of spend than population size.

Demand and projected spend are therefore based on percentage change in the population size. The percentage change between years in the total population is calculated and this change is then applied to the actual real-terms expenditure to get an estimated value. This is deliberately conservative and does not account for changes in the population structure or in the growing range of complex needs amongst the population.

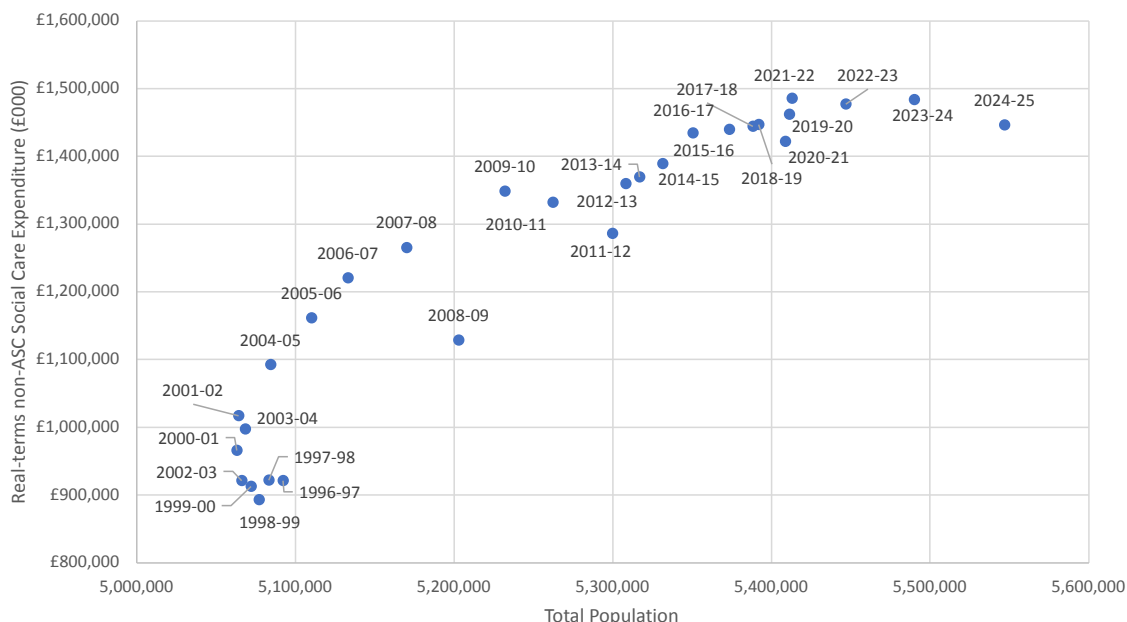


Figure 22 - Historic non-adult social care expenditure and population size

All Other Services

All the remaining services areas contained in the Local Government Finance Statistics – that is cultural and related services, planning and development services, central services, non-HRA housing, and trading services – are maintained flat in cash terms for the purpose of both the projection and demand estimates.



Bibliography

Accounts Commission. Bulletin: Local Government Budgets 2026/27. 2026.

https://audit.scot/uploads/2026-06/nr_260611_lg_council_budgets.pdf

Accounts Commission. Local Government Performance: Spotlight on Culture and Leisure Services. 2025.

https://audit.scot/uploads/2025-10/nr_251023_lgo_services_spotlight.pdf

Charles, Phil. “The Drivers of Transport Demand.” Transport Futures Institute, published 12 December 2024.

<https://transportfutures.institute/the-drivers-of-transport-demand/>

HM Treasury. “GDP Deflators at Market Prices, and Money GDP September 2025 (Quarterly National Accounts),” published 1 October 2025.

<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-september-2025-quarterly-national-accounts>

Improvement Service. National Benchmarking Overview Report 2024–25. 2025.

https://www.improvementservice.org.uk/_data/assets/pdf_file/0024/73248/Benchmarking-Overview-Report-2024-25.pdf

Improvement Service. Tackling the Cause, Not the Symptoms. 2025.

https://www.improvementservice.org.uk/_data/assets/pdf_file/0024/63726/Tackling-Cause-Not-Symptoms-July-2025.pdf

McHardy, Fiona. “Exploring the Health Impacts of Austerity.” Scottish Health Equity Research Unit, published 11 June 2025.

<https://scothealthequity.org/exploring-the-health-impacts-of-austerity/>

National Records of Scotland. “Household Projections for Scotland (2022-based),” published 16 December 2025.

<https://www.nrscotland.gov.uk/publications/household-projections-for-scotland-2022-based/>

National Records of Scotland. “Households and Dwellings in Scotland, 2024,” published 26 June 2025.

<https://www.nrscotland.gov.uk/publications/households-and-dwellings-in-scotland-2024/>

National Records of Scotland. “Mid-2024 Population Estimates,” published 14 August 2025.

<https://www.nrscotland.gov.uk/publications/mid-2024-population-estimates/>

National Records of Scotland. “Statistics and Data,” accessed 23 June 2026.

<https://www.nrscotland.gov.uk/statistics-and-data/>

National Records of Scotland. "Subnational Population Projections: 2022-based," published 30 September 2025.

<https://www.nrscotland.gov.uk/publications/subnational-population-projections-2022-based/>

Public Health Scotland. "People Supported through Social Care Services," published 4 February 2025.

<https://publichealthscotland.scot/publications/people-supported-through-social-care-services/people-supported-through-social-care-services-support-provided-or-funded-by-health-and-social-care-partnerships-in-scotland-202324/>

Scottish Children's Services Coalition. "Children's Coalition Demands Action as Mental Health Problems Soar over 500%," published 14 April 2026.

<https://www.thescsc.org.uk/childrens-coalition-demands-action-as-mental-health-problems-soar-over-500/>

Scottish Government. "Early Learning and Childcare Expansion to 1140 Hours: Interim Evaluation Report," published 14 August 2024.

<https://www.gov.scot/publications/early-learning-childcare-expansion-1140-hours-interim-evaluation-report/pages/2/>

Scottish Government. "Expansion of Free Personal Care," published 1 April 2019.

<https://www.gov.scot/news/expansion-of-free-personal-care/>

Scottish Government. "Free Personal and Nursing Care: Questions and Answers," published 28 March 2019.

<https://www.gov.scot/publications/free-personal-nursing-care-qa/>

Scottish Government. "Local Government Finance: Statistics," updated 5 February 2026.

<https://www.gov.scot/collections/local-government-finance-statistics/>

Scottish Government. "News: Frank's Law," published 7 September 2017.

<https://www.gov.scot/news/franks-law/>

Scottish Government. "Pupil Census Supplementary Statistics," published 25 March 2025.

<https://www.gov.scot/publications/pupil-census-supplementary-statistics/>

Scottish Government. "Scottish Spending Review 2026," published 13 January 2026.

<https://www.gov.scot/publications/scottish-spending-review-2026/pages/5/>

Summers, Deborah. "David Cameron Warns of 'New Age of Austerity.'" Guardian, April 26, 2009.

<https://www.theguardian.com/politics/2009/apr/26/david-cameron-conservative-economic-policy1>

Improvement Service
West Lothian Civic Centre
Howden South Road
Livingston EH54 6FF

E. info@improvementservice.org.uk