

To: Social Work Scotland Board
Chief Social Work Officers' Committee
Workforce and Resources Standing Committee

28 January 2026

FUNDING FOR LOCAL GOVERNMENT SOCIAL WORK AND SOCIAL CARE SERVICES IN 2026-27

This paper summarises the few *identifiable* increases for social work and social care services in the provisional **local government settlement** for 2026-27¹, dated 13 January 2026, and in an **Annex** we provide estimates for their distribution to individual local authorities. We also discuss other relevant items in the provisional settlement, and what seems to be missing for social work and social care. [Further work is planned later on the three-year *Scottish Spending Review* published alongside the Scottish Budget 2026-27 on 13 January – this flatlines total local government funding in *cash terms* across the years 2026-27 to 2028-29, so represents a real-terms reduction²].

We agree with COSLA's assessment of the overall position³:

In both COSLA's manifesto and pre-budget lobbying, the voice of Scottish local government, made a clear and urgent ask for significant additional investment of £750m to protect and strengthen social care. The Scottish Budget as it currently stands, fails to deliver on this. There is no dedicated, additional funding for social care, and the £160m allocated for paying the Real Living Wage to adult social care workers falls short of the estimated £175m cost of this policy commitment. This is not additional investment - it is underfunding of an existing promise.

The consequences of this budget are real. Without significant new resources, people will continue to face unacceptable delays for social work assessments and care packages. Services already under immense strain will be pushed even closer to breaking point, and councils will be forced into impossible choices. This will directly impact individuals - those who access care and support and those in hospital waiting for care - at a time when our shared ambition should be to shift the balance of care and improve population health. It is for these reasons that COSLA sees this as very poor settlement for local government which fails to address the dire financial situation.

COSLA's ask for £750m was "immediate", i.e. for 2026-27, and then "per year"⁴ in order to address the ongoing crises in social care and social work in Scotland.

¹ Scottish Government 14 January 2026: Local Government Finance Circular No. 1/2026 – see footnote 5.

² The Spending Review also sets out ambitious public sector savings required to deliver a balanced Scottish Budget; if those are not achieved we should expect further cuts in service funding.

³ <https://www.cosla.gov.uk/news/2026/january/scottish-budget-delivers-cut-to-social-care.-warns-cosla2>

⁴ "An additional £750m per year is needed to maintain social care":

<https://www.cosla.gov.uk/news/2025/december/over-16-billion-needed-in-the-scottish-budget-to-protect-essential-services.-cosla-warns>. We do not have the basis for this estimate. It might include the annual

Key Timescales: The Scottish Budget is with Parliamentary Committees for scrutiny, reporting before the Scottish Budget Bill is debated by the Scottish Parliament on 12th and 13th February (Stages 1 and 2), with the Stage 3 debate on **25th February**; shortly afterwards we expect the Local Government Finance Order to be debated. Once passed, the settlement will no longer be “provisional” and the Scottish Government will issue a revised Local Government Finance Circular for 2026-27, “currently scheduled for the end of February 2026”⁵. **Social Work Scotland should then be able to re-issue a revised version of this paper.**

Headline figures for the provisional local government settlement for 2026-27: the total is £15.7 billion – divided between £15.0 billion for revenue spending and £681 million for capital spending. This compares with COSLA’s “Manifesto”⁶ ask for £16 billion revenue funding in 2026-27 to cover known pressures, including an “immediate” additional £750M for social care, and £844M total for capital funding. COSLA’s additional £750M needed for social care is larger than the additional £448 million in revenue funding provided in the provisional settlement for *all* local government services.

Compared to the current year, 2025-26, the provisional settlement for 2026-27 represents a revenue cash increase of 3.1%, and a capital funding *reduction* of minus 15.4%: these are the total Scotland changes, which will of course vary for individual councils. Allowing for projected inflation, this is a 3.0% real increase in revenue funding and a minus 16.1% cut in capital.

COSLA’s position is that:

this year’s settlement is a very poor settlement for local government which fails to address the dire financial situation of local government. Further [...] the settlement does not offer the urgent financial support required for social care and social work⁷.

This is because there are serious budget pressures already in the system. COSLA’s recent briefing⁸ mentions a “projected **£528m budget pressure** in 2026-27 across all Councils, as forecast by the Accounts Commission” and “in addition to the gap Councils face, the **£497.5m gap in 2025-26 in Health and Social Care Partnerships** will continue to rise as demand and complexity increases.”

The provisional LG finance settlement included “additional General Revenue Grant of £253.9 million to support local priorities” determined by councils; COSLA’s “Budget Reality”

demography uplifts recommended in the 2021 Feeley Report; pay and other inflation; Real Living Wage and FPNC uplifts; fully funding “the Promise” and implementation for the Care Reform (Scotland) Act and other new legislation. It may also include current budget pressures, and possibly actions on growing levels of unmet need.

⁵ <https://www.gov.scot/publications/local-government-finance-circular-1-2026-settlement-for-2026-to-2027/>

⁶ <https://www.cosla.gov.uk/manifesto>

⁷ <https://www.cosla.gov.uk/news/2026/january/cosla-resources-spokesperson-writes-to-cabinet-secretary-for-finance-and-local-government#>

⁸ COSLA, 21.1.26: <https://www.cosla.gov.uk/news/2026/january/what-does-the-2026-27-budget-mean-for-councils>

briefing⁹ uses a slightly lower figure of £234.9 million for “**uncommitted additional [revenue] funding**”, also pointing out:

the increase of £234 million in uncommitted revenue funding for 2026/27 does not address the scale of pressures facing councils, particularly in social care where demand and complexity continue to rise sharply¹⁰.

The difference between these two figures is £19 million. We understand this is the total underfunding for the Real Living Wage uplifts, discussed later. COSLA also state that these uncommitted funds will not cover the costs of the 3.5% local government pay rise already agreed for 2026-27 as the second year of a two-year deal: that will cost £462M¹¹ – much more than the “uncommitted” funding in the provisional settlement and almost as much as the total revenue cash increase, much which is already committed.

In **Annex A** we provide illustrative distributions to individual councils of the uncommitted element within the provisional revenue settlement, to assist senior social work and social care managers who may be involved locally in discussions as to how this is used in the draft council budgets currently being prepared.

MORE DETAIL ON SOCIAL CARE INCREASES

Specific increases for social work and social care are itemised within a longer list of increases for local government¹² in paragraph 5 in the provisional settlement Finance Circular. These include:

For Adult Social Care

- £160 million for **adult social care workers** in commissioned services;
- £7 million to support provision of **Free Personal and Nursing care**;

For Children’s Social Work and Social Care:

- £11 million to support development of **people working in children’s social work**;

Apart from the small increase for FPNC, the other three lines¹³ all relate to increases in **Real Living Wage** for social care workers, from £12.60 to £13.45 per hour (up 6.7 per cent¹⁴) when implemented from 1 April 2026. Councils will also receive RLW increases for ELC (usually delivered within council Education services):

⁹ <https://www.cosla.gov.uk/news/2026/january/budget-reality-for-scottish-local-government>

¹⁰ <https://www.cosla.gov.uk/news/2026/january/cosla-warns-scottish-budget-falls-short-for-local-government>

¹¹ Using the COSLA briefing figures: “A 1% increase in pay for all Local Government employees costs £132m”.

¹² One of these is “an additional £3 million to support **Free School Meals**”. According to the Scottish Budget this increases funding from £58.8 million to £61.8 million.

¹³ Last year we clarified with civil servants that additional funding “to support development of people working in children’s social work” means the Real Living Wage increases for care workers in children’s social work services

¹⁴ These Living Wage rates are calculated annually by the Resolution Foundation, generally in October. This year’s uplift is higher than overall inflation because the Foundation takes account of the greater impacts on lower-earning workers and their families of above-inflation increases such as for food, utilities, and council tax. See: <https://www.livingwage.org.uk/calculating-real-living-wage-london-and-rest-uk-2025>.

For Early Learning and Childcare¹⁵

- An additional £11 million to improve pay for **early learning and childcare workers** in commissioned services;

There are no identifiable increases for Justice Social Work in the provisional LG finance settlement. We discuss in-year transfers later.

As noted earlier, COSLA has criticised the £160m figure for Real Living Wage increases for social care workers in adult services, saying that £175m is needed. I make the figure slightly higher, and for all three staff-groups totalling £19 million – see table overleaf. The Scottish Government has changed the calculation method¹⁶.

2026-27 LG provisional settlement	Adult social care	Children's social care	ELC	Total
	£M	£M	£M	£M
Amount in Circular	160.000	11.000	11.000	182.000
Calculated Full cost ¹⁷	177.083	12.174	12.174	201.432
Difference	17.083	1.174	1.174	19.432
%	10.7%	10.7%	10.7%	10.7%

The total **Real Living Wage underfunding of £19.4M** is the same as COSLA's figure for the "uncommitted" revenue funding in the 2026-27 being £19M less than the Scottish Government's. **In practical terms, what this means is that councils will need to fund the missing RLW funding from the uncommitted amounts.** For that reason we have put in two columns in Annex A to show both the funded RLW uplifts for each council and the smaller unfunded amounts which should be funded from the "uncommitted amounts" also shown in Annex A.

The additional £7 million for **Free Personal and Nursing Care** in 2026-27 is less than for the 2025-26 uplift (£10m). The value of payments for free personal care and nursing care is being increased by 2.23%¹⁸:

FPNC Rates	2025-26	2026-27
Free Personal Care	£254.60	£260.30
Free Nursing Care	£114.55	£117.10
Both: FPNC Total	£369.15	£377.40

¹⁵ In the Scottish Budget – as in councils – this is treated as part of Education funding.

¹⁶ Scottish Ministers have confirmed they are only prepared to fund the difference between the National Living (formerly Minimum) Wage rate (£12.71) and the new Scottish Living Wage rate (£13.45), on the basis that that employers are bound by statute to pay the NLW, so the Fair Work policy only requires the Scottish Government to fund the difference. In reality, councils need to fund the full SLW uprate, irrespective of whether this is seen as comprising in part an NLW element.

¹⁷ My estimates, based on the 2025-26 adult increase funding cost per hour applied to the 2026-27 increase in hourly rates. This assumes that the number social care workers in commissioned services has not increased.

¹⁸ The Community Care (Personal Care and Nursing Care) (Scotland) Amendment Regulations 2026, at: <https://www.legislation.gov.uk/sdsi/2026/9780111065105/contents>

In **Annex A** I have estimated the distributions of these four items (RLW and FPNC) to individual councils based on the relevant 2025-26 Granted-Aided Expenditure distributions and will re-issue these when the 2026-27 distributions are published around the end of February. I also give an estimate for each council's share of the "uncommitted additional [revenue] funding", mentioned earlier.

IS THIS ALL?

For several years it has been the practice of the Scottish Government to transfer funding from Health, Education, Community Justice, and other portfolios to Local Government for delivery. These are often termed "**in year**" transfers, but some may be transferred at the start of the financial year.

Paragraph 6 of the provisional Local Government Finance Settlement Finance Circular states:

In addition to the funding set out in this Circular it should be noted that there are a number of further revenue and capital funding streams outwith the local government finance settlement for particular policy initiatives which deliver on shared priorities and support local government services. Table 4.17 in the Scottish Government's "Budget Document: 2026-27", which was published on 13 January 2026, provides provisional details of these funding streams but as with previous years, the actual sums payable will be notified by the relevant policy team at the earliest opportunity.

The Scottish Budget also has information in Table 4.15: *Revenue Funding within Other Portfolios to be Transferred In-Year*. While these are included within the total funding set out in the Circular, they are not all separately mentioned there. Two items are of particular interest: The Table 4.17 line for the **Justice Social Work top-up** is blank for 2026-27:

	2024-25	2025-26	2026-27
	£m	£m,	£m
Justice Social Work top up from Offenders Services	49.9	54.9	

The **main JSW Grant remains at £86.450m**, the same level now for many years, and SWS seeking clarification from civil servants about the top-up and other funding. The other item is the increase for the **Whole Family Wellbeing Fund**, where funding is increasing by £5.9 million:

Scottish Budget 2026-27	2024-25	2025-26	2026-27	Change
Whole Family Wellbeing Fund	£m	£m	£m	£m
Table 4.15: Revenue Funding within Other Portfolios to be Transferred In-Year	32.0	32.0	38.1	6.1
Table 4.17: Estimated Local Government Funding outwith Core Settlement	0.5	0.5	0.3	-0.2
Total	32.5	32.5	38.4	5.9

Funding for **Discretionary Housing Payments** is also increasing by £9.3 million.

I am not yet clear if there any other additional funds within the Scottish Budget that are intended to be transferred to local authorities in-year for social work and social care, and to other services that are relevant to people who use social care services. If readers of this briefing have copies of the communications about such financial transfers from Scottish Government policy teams mentioned in the quotation above I would be grateful to be sent a copy (email address below).

Finally, given the emphasis on prevention in the Scottish Government's public sector reform plans and in the Scottish Budget and Scottish Spending Review, it is puzzling to see **no increases in support for unpaid carers**, apart from social security. Carers' right to a break in the Care Reform (Scotland) Act 2025 is a right to an assessed unmet for a break to be met by the local authority with no further eligibility test. I have written at length elsewhere about the serious shortcomings in the funding proposed for that new right, and criticised its long 10-year phasing, but still expected the commencement of the relevant sections of the new Act to have been decided for implementation from 1 April 2026. The Scottish Budget does set out very welcome increased funding for Scottish Social Security benefits for unpaid carers, but nothing on their rights to a break.

Any new information received or in the public domain will be included in the update of this paper planned for the end of February.

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ANNEX – ESTIMATED DISTRIBUTIONS TO LOCAL AUTHORITIES

The table overleaf provides estimates for each local authority for known additional social work and social care funding (plus ELC RLW) for 2026-27 using the relevant 2025-26 “Green Book” percentage distributions. These should be reasonably close to the actual local authority shares when these are known, probably in late February/early March when the updated 2026-27 “Green Book” distributions are likely to be published¹⁹.

The bases for the distributions are understood²⁰ to be as follows.

LG Settlement increases	£M	GAE distribution	
		Section	GAE category
Free Personal and Nursing Care uplifts	£7.000	Social Work	Personal and Nursing Care for Older People ²¹
Adult Social Care Real Living Wage uplifts	£170.000	Social Work	Carers Services, Respite Care and Health & Social Care Uplift
Missing ASC RLW uplift – see text	£17.083	As above	As above
Children's "social care" Real Living Wage uplifts	£11.000	Social Work	£19.862m distributed via GAE 'Casework and Related Administration: Children', plus £13.138m via GAE 'Changing Children's Services Development Fund
Missing Children's SC RLW uplift – see text	£1.174	As above	As above
Early Learning and Childcare Real Living Wage uplifts	£11.000	Education	Early Learning & Childcare [in Education GAE]
Missing ELC RLW uplift – see text	£1.174	As above	As above
Whole Family Wellbeing Fund		Miscellaneous	Whole Family Wellbeing Fund [in Miscellaneous GAE]

I have also provided distributions for the “additional General Revenue Grant of £253.9 million to support local priorities” determined by councils; these are based on the percentage distributions of 2026-27 “revised total individual revenue allocations” in column 12 of Annex B of the Local Government Finance Circular 1/2026.

¹⁹ Scroll down to: “The funding of Local Government in Scotland” to look for *Scottish Local Government Finance – Green Book 2026-27*, at: <https://www.gov.scot/collections/local-government-finance-statistics/>

²⁰ Those for the children's services were confirmed by the Scottish Government last year; the adult distributions follow previous RLW uplifts which I have identified in previous GAE Green Books.

²¹ Free Personal Care was extended to eligible adults aged under 65 from 2019-20, at a cost of £29.5M distributed (somewhat crudely) in proportion to population aged 16-64. However, subsequent GAE Green Books show this amount has never been increased, so all FPNC uplifts are being distributed via the composite indicators of need for Personal and Nursing Care for Older People.

Estimated local authority shares of known 2026-27 increases

(based on 2025-26 GAE % distributions, until 2026-27 GAEs are available)

Green Book section	Social Work					Education		Misc	Fin Circ 2026/1
	FPNC	REAL LIVING WAGE UPLIFTS						WFW	
	Free Personal and Nursing Care uplifts	Adult Social Care Real Living Wage uplifts	RLW uplifts missing funding for ASC	Children 's "social care" Real Living Wage uplifts	RLW uplifts missing funding for CSC	Early Learning and Childcare Real Living Wage uplifts	RLW missing funding for ELC	Whole Family Well-being Fund	Addional General Revenue Grant to support local priorities
	£M	£M	£M	£M	£M	£M	£M	£M	£M
Aberdeen City	£0.270	£5.948	£0.635	£0.398	£0.042	£0.397	£0.042	£0.194	£9.073
Aberdeenshire	£0.448	£6.920	£0.739	£0.396	£0.042	£0.538	£0.057	£0.272	£11.259
Angus	£0.222	£3.797	£0.405	£0.223	£0.024	£0.220	£0.024	£0.119	£5.266
Argyll & Bute	£0.180	£3.000	£0.320	£0.138	£0.015	£0.156	£0.017	£0.084	£4.707
City of Edinburgh	£1.081	£13.334	£1.424	£0.769	£0.082	£0.832	£0.089	£0.408	£19.451
Clackmannanshire	£0.025	£1.482	£0.158	£0.128	£0.014	£0.116	£0.012	£0.063	£2.477
Dumfries & Galloway	£0.275	£5.300	£0.566	£0.302	£0.032	£0.292	£0.031	£0.163	£7.273
Dundee City	£0.100	£4.569	£0.488	£0.344	£0.037	£0.311	£0.033	£0.178	£7.300
East Ayrshire	£0.093	£3.779	£0.404	£0.290	£0.031	£0.288	£0.031	£0.151	£5.946
East Dunbartonshire	£0.268	£3.290	£0.351	£0.160	£0.017	£0.205	£0.022	£0.088	£5.019
East Lothian	£0.150	£3.255	£0.348	£0.202	£0.022	£0.240	£0.026	£0.111	£4.726
East Renfrewshire	£0.255	£2.761	£0.295	£0.147	£0.016	£0.197	£0.021	£0.089	£4.756
Falkirk	£0.112	£4.542	£0.485	£0.336	£0.036	£0.314	£0.034	£0.170	£7.072
Fife	£0.489	£11.281	£1.204	£0.792	£0.085	£0.756	£0.081	£0.418	£16.984
Glasgow City	£0.271	£16.999	£1.815	£1.624	£0.173	£1.322	£0.141	£0.854	£30.930
Highland	£0.306	£7.201	£0.769	£0.423	£0.045	£0.471	£0.050	£0.249	£11.343
Inverclyde	£0.101	£2.691	£0.287	£0.178	£0.019	£0.154	£0.016	£0.089	£4.065
Midlothian	£0.096	£2.532	£0.270	£0.203	£0.022	£0.242	£0.026	£0.105	£4.394
Moray	£0.131	£2.896	£0.309	£0.171	£0.018	£0.192	£0.021	£0.096	£4.203
Na h-Eileanan Siar	£0.011	£0.995	£0.106	£0.041	£0.004	£0.046	£0.005	£0.028	£2.143
North Ayrshire	£0.172	£4.489	£0.479	£0.335	£0.036	£0.275	£0.029	£0.173	£6.863
North Lanarkshire	£0.088	£9.603	£1.025	£0.820	£0.088	£0.737	£0.079	£0.416	£16.386
Orkney Islands	£0.014	£0.738	£0.079	£0.038	£0.004	£0.043	£0.005	£0.023	£2.059
Perth & Kinross	£0.459	£4.819	£0.514	£0.246	£0.026	£0.313	£0.033	£0.150	£6.656
Renfrewshire	£0.147	£5.488	£0.586	£0.369	£0.039	£0.396	£0.042	£0.187	£8.385
Scottish Borders	£0.260	£3.950	£0.422	£0.202	£0.022	£0.218	£0.023	£0.120	£5.342
Shetland Islands	£0.009	£0.661	£0.071	£0.042	£0.004	£0.050	£0.005	£0.028	£2.187
South Ayrshire	£0.287	£3.956	£0.422	£0.214	£0.023	£0.198	£0.021	£0.111	£5.335
South Lanarkshire	£0.341	£9.643	£1.030	£0.663	£0.071	£0.691	£0.074	£0.348	£14.913
Stirling	£0.192	£2.637	£0.282	£0.150	£0.016	£0.175	£0.019	£0.089	£4.262
West Dunbartonshire	£0.067	£2.752	£0.294	£0.236	£0.025	£0.201	£0.021	£0.114	£4.621
West Lothian	£0.075	£4.696	£0.501	£0.419	£0.045	£0.413	£0.044	£0.211	£8.504
Total	£7.000	£160.000	£17.083	£11.000	£1.174	£11.000	£1.174	£5.900	£253.900

NOTE: the Final Column is not social care-specific – see pages 1-3. All calculations by SWS