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# Local government sector update – May 2026

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## Introduction

1. Each month, the Accounts Commission receives a report that provides an overview of significant recent activity relating to local government that is relevant to its work. The report is considered in public and is published as part of the [Commission's meeting papers](#). This is an adapted version of the report, which is shared directly with local government stakeholders for information and also published on the Commission's website.
2. Please direct any queries or feedback [via email to Joe Chapman](#).

## Scottish Government and Parliament updates

3. The SNP won the most seats in the Scottish election, but does not have an overall majority and has formed another minority government. Two weeks after the election, First Minister John Swinney unveiled the new [Scottish Cabinet and Ministers](#). The Cabinet is reduced in size from 13 to nine. Full remits were yet to be confirmed at the time of writing.
  - The former Education Secretary Jenny Gilruth is the Deputy First Minister and Cabinet Secretary for Finance and Local Government, succeeding both Kate Forbes and Shona Robison.
  - Ivan McKee was appointed to the new role of Cabinet Secretary for Public Service Reform – for which he previously had responsibility as Public Finance Minister.
  - Mr McKee's former role is now held by newly-elected Shetland MSP Hannah Mary Goodlad, who reports to Ms Gilruth and Mr McKee.
4. In one of her first interviews in her new role, Ms Gilruth said [there will "undoubtedly" need to be cuts](#) to deal with a predicted shortfall of nearly £5 billion by the end of the decade. She said the government will work "to protect services and protect frontline workers" while looking at public sector reform and "driving some of the efficiencies we need to see". A public service reform bill or plan is expected in the next few months.
5. Two independent analyses reiterated the financial challenges facing the new Scottish Government:
  - The Fraser of Allander Institute (FAI) warned before the election that [the new government would need to make "really difficult"](#)

[spending decisions](#) soon after the election, including tackling public sector pay growth. It said Scottish public spending has grown in real terms by 3.9 per cent a year since 2019 compared to income growth of 3.6 per cent a year and much faster than the UK Government's spending.

- The Institute for Fiscal Studies (IFS) more recently set out the “fiscal reckoning” facing the Scottish Government, with funding likely to fall from next year, which may mean spending cuts or tax rises are needed to deliver on manifesto pledges.

**6.** The Scottish Parliament has agreed the [names, sizes and remits of its committees for the new session](#) and (for the first time) elected conveners. The 16 committees include a new Social Justice, Housing and Local Government Committee. Craig Hoy (Conservative) was elected as the Convener, and [the other members were subsequently agreed](#).

## Local government finance issues

**7.** The [City of Edinburgh Council settled its £200 million damages claim](#) against law firm DLA Piper that advised it over the first tram project. The council claimed the firm failed to give adequate warnings that costs would escalate. The terms of the agreement are not public. The council says it has made changes to project management, governance and independent oversight in response to an inquiry that concluded in 2023 that failings by the council and its arms-length companies were to blame for delays.

**8.** City of London investment chiefs say [Aberdeen City Council has “misunderstood” a failed deal](#) and has little chance of clawing back tens of millions lost from the North East Scotland Pension Fund (NESPF). The council is suing Federated Hermes over funds it managed on behalf of NESPF, saying it failed in its due diligence. Hermes has defended its approach, blames losses on extreme global events, and says the terms of the deal limit the circumstances in which it is obliged to pay losses back.

**9.** Argyll and Bute Council officials are forecasting a [budget gap of more than £10 million in the 2027/28 financial year](#) – after projected measures have been put in place. A report to councillors sets out projected six per cent increases in fees and charges, a five per cent council tax rise, and previously agreed savings. The report also warns “political decisions” will need to be made on how much funding the council can make available to the area's health and social care partnership and leisure trust.

**10.** Dundee City Council has [reported on early engagement and modelling](#) it has carried out regarding a possible visitor levy. The report says a tourist tax could generate more than £20 million in revenue over ten years. There was a “cautious” response from stakeholders to the plans, with opinion divided between the sector and the general public as to whether to adopt a flat-rate or percentage-based charge. The council will now carry out a formal 12-week consultation seeking feedback on the two options.

## Policy area updates

### Education, children and young people

**11.** Scottish Borders Council has decided to [prioritise a new replacement primary school in Eyemouth](#) over a shared campus – if it can get the financial support needed from the Scottish Government. The council had proposed to move the primary onto the same site as the town’s high school, but “reconsidered its approach” after an “overwhelming majority” of consultation responses opposed it. However, the council says that could still be an option if funding for a separate new school is not secured.

**12.** New Education Secretary Mairi McAllan has [urged schools to act before it introduces new legislation](#) to restrict phone use in classrooms. The Scottish Government will soon launch a consultation on phone-free classrooms, and publish new national guidance on tackling the "spectrum of harm" linked to mobile phone use, but schools have been encouraged to bring in their own restrictions for the next academic year.

### Health and social care

**13.** East Renfrewshire Council [has ‘paused’ plans to cut a long-standing support service](#) for families of children with complex additional needs. The council says the Local Area Co-ordination (LAC) programme, provided by the charity Enable, no longer provides the support it was intended to and that it will reinvest the funding to better meet people’s needs. However, research has previously found that LAC achieves many positive outcomes. Some parents have expressed dissatisfaction with how the council carried out its review and engaged with those who use the service.

### Housing and homelessness

**14.** Glasgow City Council has [unveiled a new ten-year plan to guide the city’s regeneration and development](#) and help tackle the housing crisis. The City Development Plan 2 includes proposals to open up land for more than 30,000 houses in 36 ‘areas of change’ across the city. It also sets out plans for the creation of ‘economic development areas’ to deliver jobs and growth, and the regeneration of the city centre and other local hubs.

**15.** Meanwhile, analysis accompanying [a new ten-year temporary accommodation strategy](#) suggests Glasgow will continue to breach the law by failing to provide shelter for homeless people for another seven years – despite spending £4.5 million a month on hotels and B&Bs. Homelessness applications in Glasgow have risen by 25 per cent in three years, and the analysis shows the shortage only gradually declining from 1,276 in the first year. The strategy also targets a 20 per cent reduction in demand, which has been described as “optimistic” and “unachievable”.

**16.** The Highland Council has launched [a new £1 million fund to help owners of long-term empty properties](#) carry out works necessary to bring them back into everyday use. To qualify for the grants of up to £30,000, properties must have been empty for at least a year, and then be used as

owner-occupied or mid-market rental homes for at least five years. The fund is part of a wider programme of action to tackle the ‘Highland Housing Challenge’, with almost 2,500 long-term empty properties in the area and 24,000 new homes needed by 2035 to meet housing demand.

## Infrastructure, communities and climate change

**17.** The [development and construction of an undersea tunnel](#) between mainland Shetland and the island of Yell would cost £402 million and take eight years to complete, according to estimates produced by consultants working on the project. The Yell tunnel is a test case for a number of fixed links being explored by Shetland Islands Council as an alternative to future upgrading and maintenance of inter-island ferries. Funding models include private investment, government grants and council borrowing. An outline business case will be presented to councillors on 30 June.

**18.** Scottish Borders Council has been consulting on proposals to create an [active travel pathway linking Selkirk and Hawick](#) via the new Center Parcs holiday village, at an estimated cost of £12 million. The council says the new route would be a priority if the community supports it, so that it can be completed in time for Center Parcs opening by 2029. However, this BBC News article suggests local opinion is split, with some suggesting it would be more economical to upgrade and maintain existing routes.

**19.** East Ayrshire Council is considering buying its own fleet of minibuses as part of [a new long-term strategic transport approach](#) covering school and community transport particularly in rural areas. The council is seeking to reduce spending on school transport for those with additional support needs while maintaining statutory services, amid rising transport costs. The next stage of the review includes working with Strathclyde Partnership for Transport and others to explore new models and improve links.

**20.** There have been a number of recent news stories relating to road maintenance, including:

- [BBC News reported](#) that 25 councils in Scotland paid out more than £2 million in pothole compensation between 2020/21 and 2024/25. Councils received more than 18,600 claims, of which 22 per cent were successful. Dumfries and Galloway Council received the most claims, while the Highland Council paid out the most money.
- Glasgow City Council has [awarded contracts for road resurfacing](#) worth up to £30 million in total. Extensive work will be undertaken in all 23 of the city’s council wards over the next ten months, as part of a wider three-year, £119 million investment in the roads network.
- West Lothian councillors are to get [twice-yearly updates on road maintenance](#), including the numbers of potholes reported, roads closed, and the costs of repairs. The move follows increased investment of £1 million in roads as part of the council’s budget.

**21.** A report to an Inverclyde Council committee has highlighted the [growing role of libraries as hubs for community services](#). The report cites examples of initiatives with third-sector partners to provide social, health and employability services and provide access to digital resources. The council's 2026-28 budget protected local library services that the council had initially suggested closing when it started its budget consultation.

## Other updates

**22.** The [chief executive of Orkney Islands Council](#) and the [chief executive and deputy chief executive of East Ayrshire Council](#) have all taken unplanned and unspecified periods of absence. In Orkney, Oliver Reid's role is being covered between four corporate directors for a month at a time, while temporary arrangements are in place at East Ayrshire until councillors discuss a longer term solution at a meeting on 25 June.

**23.** [South Lanarkshire Council elected Maureen Devlin as its new leader](#), after Joe Fagan stepped down as leader after being elected as an MSP. Meanwhile Glasgow City Council leader Susan Aitken announced she will step down from the role in September after nine years. Richard Bell – who is also COSLA Resources Spokesperson – has become leader of the SNP group and will be the party's candidate for council leader.

**24.** Of the 64 new MSPs, 24 were serving as councillors at the time of the election. Under new regulations regarding 'dual mandates', they can remain as councillors until the 2027 local government elections. To my knowledge at the time of writing, only City of Edinburgh SNP councillors Simita Kumar (who was also appointed as a Minister) and Kate Campbell have decided to step down, though many others have vacated additional roles such as council leader or council group leader. SPICe has produced [a series of fact sheets on MSPs and parliamentary business](#).

**25.** Other recent publications and updates identified as being of possible interest to Accounts Commission members (besides those covered earlier in this report) are listed below:

- Scottish Government, Parliament and the election (all from SPICe):
  - [SPICe Hub: the Session 7 Parliament](#) (*series of blogs explaining how the Parliament works at the start of a new session*)
  - Election results: [interactive blog](#) and [detailed briefing](#)
  - [Explainer: how devolution works](#) (*detailed briefing*)
  - [The new Scottish Government](#)
  - [Scottish Parliament Committees](#)
- Scottish local government:
  - Local Government Information Unit (LGIU): [What does the result of the Scottish Parliament election mean for local government?](#)

- LGIU: [Holyrood election 2026 and the future of local government: common ground](#)
- LGIU: [Holyrood reformed post 2026 election: part one](#)
- COSLA: [COSLA calls for renewed partnership working following Scottish Parliament election](#)
- Citizens Advice Scotland: [Let the reform of Council Tax debt collection begin](#)
- Poverty and inequality:
  - Joseph Rowntree Foundation: [The Child Poverty \(Scotland\) Act – time to go further?](#)
  - Improvement Service (IS): [Local authorities invest over £30 million in advice services in 2024-25](#)
  - FAI: [Tackling child poverty in Scotland: new horizons for analysis](#)
- Other service areas (from IS):
  - [Are eligible two-year-olds getting early learning they're entitled to](#)
  - [Improvement Service automates citizen notifications for planning](#)
- Local government in England:
  - IFS: [What do councils actually do? \(podcast\)](#)
  - LGIU: [King's Speech 2026: key takeaways for local government](#)

## Further information

**26.** You can find more information about the Accounts Commission [on our website](#). This includes our latest and upcoming publications, as well as biographies of Commission members, and current strategies and plans. Meeting agendas, public papers, minutes and the recording and transcript of the most recent public session are all available [on the meetings page](#).