ACCOUNTS COMMISSION

Local government sector update – October 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. This report covers up to and including 27 October, due to the timing of the Commission meeting.

Scottish and local government updates

3. At the time of writing, there had been few significant developments in the past month regarding public service reform (PSR), largely due to the October recess. The Scottish Parliament Information Centre (SPICe) published a useful summary of developments to date on 9 October.

4. There have been various local responses to the Scottish Government's proposal for local government reform. Representatives of a number of councils have expressed criticism or concerns about issues including:

- the level of detail in the proposal, and the engagement process
- what it would mean for their council and local communities
- the prospect of neighbouring but diverse councils being merged
- the short-term costs of the reform
- potential risks of 'distracting' from focusing on improving outcomes, and the impacts on the local government workforce.

5. These and other points were also raised during a debate in Parliament on local governance reform on 29 September. PSR Secretary Ivan McKee emphasised the Scottish Government's aim of empowering communities as part of its plans, and said previous engagement exercises including the 'Democracy Matters' programme and citizens' assemblies have shown that "accessibility, not apathy, is the issue with local democracy".

6. Mr McKee and other ministers have said the published proposal on local governance reform is "a starting point for debate" but that they want to work at pace. The First Minister has said the Scottish Government will set out its response to issues raised during the three-month engagement on PSR in the new year and 'well before' council elections in May 2027.

7. Deputy First Minister Jenny Gilruth told the Finance and Public Administration Committee that the Scottish Government is "off course" in terms of meeting its target of reducing the public sector headcount by 0.5 per cent each year. Mr McKee told the PSR Committee local government is not included in that target, recognising its separate democratic mandate and that its workforce has already been reduced over recent years.

8. Meanwhile COSLA said council leaders have expressed "serious concerns" about the Scottish Government's plans to move social care under NHS control. COSLA said the proposal "could risk medicalising disability, care and support", and that social care and social work "must be seen as an equal partner to the NHS, not subsumed within it".

Local government finance issues

9. Scottish Labour leader Michael Marra claimed councils are under-funded by around £2 billion in 2025/26, compared to what they would have received if their allocation had kept pace with the Scottish Government's funding from Westminster. Labour says the UK Government block grant has increased by 20.3 per cent in real terms since 2013/14, but the local government settlement has only increased by 5 per cent in that time.

10. Labour's figures include a breakdown by council, which shows for example that Glasgow City Council's funding would be £357 million higher, and City of Edinburgh Council's funding would be £147 million higher, if their allocation had increased in line with the growth in the block grant.

11. Glasgow City Council and Unison reached an agreement regarding the new pay and grading structure. The deal means all three unions will ballot their members on the new structure, the council will not consider 'firing and rehiring' staff, and those facing reductions in salary as a result of the changes will now have pay protection for three years. However, Unison recommended its members reject the offer, saying there is not enough money to support those losing out, and some staff still do not know how they will be affected as their jobs have not yet been evaluated.

12. There has been some reporting recently regarding the finances of individual councils and Integration Joint Boards (IJBs):

- Angus IJB faces a £9.5 million overspend in 2026/27, which was described as "quite a different picture" compared to previous years, with "temporary measures" being considered to address it. Meanwhile, the council is projecting a £1.6 million overspend.

- Dundee City Council is facing a budget shortfall of nearly £13 million in 2027/28 according to a report on its financial position.
- East Ayrshire IJB is still not operating on a financially sustainable basis despite receiving £8.6 million in one-off emergency council support, according to its annual audit report.
- Midlothian Council had a net overspend of £4.8 million in the first quarter of 2026/27 according to a council report that also showed cuts to home-to-school transport will save £1 million this year.
- North Ayrshire IJB is still facing an overspend of £4.3 million in 2026/27 despite cutting support packages earlier this year.

Policy area updates

Child poverty

13. The Joseph Rowntree Foundation's (JRF's) Poverty in Scotland 2026 report said Scotland is on course to miss legally-binding targets to cut child poverty "by a wide margin". The report says:

- Twenty-one per cent of children and 17 per cent of the overall population live in poverty, with progress limited in recent years; the UK child poverty rate is 28 per cent.
- "The Scottish Government needs a bolder and properly funded plan to reduce poverty in Scotland", while "local government needs to play a bigger role in poverty reduction, both in its delivery and in a healthier relationship with the Scottish Government". It also warns of the risk of "bandwidth" being taken up with structural change.
- Councils should: prioritise poverty prevention across a range of services including employability, housing, childcare and schools; improve partnership working and use of data to enable more joined-up support for families; and improve engagement with the public, particularly those with lived experience of poverty.

14. Meanwhile it was reported that teachers are witnessing rising levels of poverty in their classrooms but only one in three are confident the Scottish Government's child poverty targets will be met. A survey commissioned by a children's charity found 74 per cent of teachers have seen an increase in children affected by poverty-related challenges such as hunger, financial stress and a lack of resources over the last decade.

Education, children and young people

15. Education Secretary Mairi McAllan has said there is still no costing for the pledge to cut teachers' class contact time. However, Ms McAllan told the Education Committee that a COSLA estimate of £300 million is "not accurate and not affordable". Leaders of representative bodies and trade unions told the committee of their concerns about teachers' workloads,

saying some are working up to 80 hours a week, and reducing class contact time "will not be a panacea" for all the problems in schools.

16. Aberdeenshire Council says its current school estate is 'unsustainable' due to falling rolls and ageing buildings, and has unveiled a new learning estate strategy that could see a number of rural schools closed. Primary school pupil numbers have fallen by 500 in the last year with a similar drop expected for 2027/28. Dozens of schools are operating at half capacity or less, and the strategy sets out proposals for merging or closing schools.

Health and social care

17. Health Secretary Angela Constance has warned Scotland faces a "difficult" winter as she pledged that the "status quo" on delayed discharge must end and accepted that corridor care should be formally measured. Figures showed the number of patients waiting more than four hours in A&E reached its highest total on record in August with more than 50,000 people not dealt with in the target time.

Housing and homelessness

18. The latest official housebuilding statistics showed:

- The number of homes being built in Scotland was at its lowest level in around a decade in the year to June 2026, with 15,543 homes started and 17,057 new homes completed. The latter figure is down by 11 per cent compared to the previous year.

- Edinburgh, the Lothians and Fife accounted for 39.5 per cent of all new-build completions in Scotland in the year to June, according to analysis by a property firm.

19. Scottish councils failed to fulfil their statutory obligation to provide shelter for homeless people a record 21,800 times in 2025/26, up by 32 per cent from 16,460 in 2024/25, according to analysis of council returns. Scottish Labour analysis of official figures showed 1,350 families have spent more than two years in temporary accommodation.

20. More than 3,000 homes are to be built over 30 years across nearly 600 acres south of Stirling to create a new village of Durieshill, which will have its own schools, shops, parks and other facilities.

21. Councillors in Dundee have approved a £21 million remediation programme for hundreds of homes affected by reinforced autoclaved aerated concrete. The works will involve installing new structures below affected roofs in council-owned properties. The council is to ask the UK and Scottish Governments for funding support for private homeowners.

Transport and infrastructure

22. Angus Council is working together with Dundee, Perth & Kinross and Stirling councils on a £6 million joint programme to upgrade bus shelters across the four council areas. Meanwhile the three Ayrshire councils have

joined forces with each other and a private operator to deliver more than 600 electric vehicle chargers at 300 locations across the region.

23. Buses in Scotland will be brought under public control by 2031, the First Minister has announced. It is understood the change will give regional transport partnerships more control over routes and fares. Meanwhile the Highland Council is taking over the operation of bus services in Wick and Thurso from Stagecoach, including school transport and private hires.

24. Bridges and tunnels could transform the economies of Scotland's islands, according to a report by Westminster's Scottish Affairs Committee, which says the ageing and "unreliable" ferry network is placing "intolerable limitations" on island communities. The Committee chair says local people must have the right to decide whether fixed links are worth the potential risks to island identity and pressure from increased visitor numbers.

Other updates

25. Aberdeen City Council has appointed Andy MacDonald as its new Chief Executive, replacing Angela Scott, who left to join the University of Dundee. Mr MacDonald was previously Executive Director for Corporate Services and had been interim Chief Executive since Ms Scott's departure.

26. 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 (SG):
  - SPICe: History of fiscal devolution: taxes, reliefs and policy issues for Session 7
  - SG: Re-thinking trust in Scotland: from theory to practice
  - Prosper: "Scotland faces hard truths and tough choices"
- Scottish local government:
  - Centre for Public Policy and Fraser of Allander Institute: Policy Insights: Reforming Scotland's local government
  - BBC: Scotcast – "Is your council about to be abolished?" *podcast episode with Cllr Kelly Parry and Cllr Owen O'Donnell*
  - LGIU (Local Government Information Unit): Scottish local government reform: do the councillor numbers add up?
  - LGIU: How to run an effective council budget consultation
  - COSLA: Statement on the European Charter of Local Self-Government being incorporated into Scots law
  - COSLA: Comment on the Prime Minister's speech on devolution
- English local government (all LGIU):

  - Rewiring the state: unlocking local government's role
  - Autumn 2026: what to expect in English local government
  - Party conference season: what it means for local government
- Health and social care:
  - SG: Health and care reform: overview
  - COSLA: Landmark report on reducing health inequalities (*'A Fairer, Healthier Scotland' by the Institute for Health Equity)*
  - SPICe: NHS and social care workforce in Scotland
- Auditor General reports:
  - Renewable energy: The Scottish Government's Offshore Wind Investment Programme

Further information

27. 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.