

Local government policy update

Item 6

Meeting date:
12 June 2025

Policy Manager to the Commission

Purpose

1. This regular report provides an overview of significant recent activity relating to the Accounts Commission and local government. More news updates are provided via the [weekly digest](#).

Recommendations

2. The Commission is invited to:

- Note this report and consider any implications for its work programme.

Recent publications

3. Below are details of media coverage and engagement for recent Commission publications:

- [Local government budgets 2025/26](#) (22 May 2025)
 - *Broadcast:* Interview on BBC Good Morning Scotland, feature on Radio Scotland Drivetime, interviews on local radio, mentions on BBC Reporting Scotland, STV News
 - *Online:* BBC, STV, all national and many local newspaper websites, Holyrood, LocalGov, The MJ and more.
 - Coverage focused on £647 million budget gap in 2025/26 and £997 million cumulative gap to 2027/28.
 - *Downloads:* 790 in first 10 days.
 - *Social media:* 15,600 views, 5,550 video views, 2,550 engagements, 125 link clicks. Notable shares by Jane O'Donnell, Jim Savege, Improvement Service, Aberdeenshire Council, West Lothian Council and a number of councillors.
 - Very large social media engagement driven by shares by councils using the report to explain budget challenges.
- **Best Value: Renfrewshire Council** (5 June 2025)
 - *Published after this report was produced; details provided via email in the interim and included in next month's report.*

Local and Scottish government finance issues

4. Cabinet Secretary for Finance and Local Government, Shona Robison, has provided [an update on various issues to the Local Government, Housing and Planning \(LGHP\) Committee](#), as requested by the Committee. These include the Fiscal Framework, General Power of Competence, single authority model, and actions following the review of aspects of the Community Empowerment (Scotland) Act.

5. On the Fiscal Framework, Ms Robison explains a ‘difference of perspective’ between the Scottish Government and COSLA about the priority given to exploring a “rules-based funding arrangement”, the impact of this on “meaningful budget engagement”, and whether a framework can still be agreed in the interim. In respect of accountability and assurance arrangements, Ms Robison acknowledges the delay and says she hopes to have a monitoring framework agreed by the autumn.

6. The Herald reported that the Scottish Government has [failed to issue expected guidance to councils](#) as to whether mitigating factors such as falling school rolls and funding pressures would be taken into account in the enforcement of an agreement with COSLA to restore teacher numbers to 2023 levels for the 2025/26 school year. Councils had been advised that Education Secretary Jenny Gilruth would set out her position regarding decisions on accepting mitigating factors by the end of April.

7. Aberdeen City Council has [dropped its threat to effectively ‘fire and rehire’ staff](#) after reaching an agreement with unions. The dispute centred on the council’s plan to cut £5 million from its wage bill by freezing pay and reducing the working week from 37 to 35 hours. Under the new deal, workers will receive a buyout payment rather than a wage freeze, as well as enhanced overtime rates from next year, and pension protection.

8. The Aberdeen City Council worker who embezzled £1.1 million in the council tax refunds fraud case has been [ordered to pay £104,000 to the council as compensation](#). Prosecutors have raised a proceeds of crime action against Michael Paterson – who remained in significant debt despite the embezzlement – and a total of almost £168,000 will be seized, which he was expected to raise through the sale of his home.

9. Conclusions in Glasgow City Council’s annual audit report for 2023/24 on equal pay and a new pay and grading structure were reported online.

9.1. EY found [the council is paying £32.1 million a year](#), plus inflation uprating, in rent on the 17 properties it sold and leased back to fund its equal pay settlement.

9.2. The auditors also said the council must set a new date for the [delayed implementation of a new pay and grading structure](#), to provide certainty to staff and facilitate effective planning.

10. Orkney Islands and Highland councils are both said to be considering seeking a Venice-style version of the visitor levy. Authorities and business leaders in Orkney are advocating for a [point-of-entry tax on all visitors](#) – cruise passengers, motorhome tourists, and overnight guests – instead of the overnight stay tax being introduced elsewhere, while Highland is considering the same for the Isle of Skye.

11. The Highlands and Islands could secure [£100 billion of investment and tens of thousands of jobs](#), according to new research commissioned by Highlands and Islands Enterprise and the Highlands and Islands Regional Economic Partnership. The report outlines 250 planned projects, including renewable energy initiatives and infrastructure upgrades, which could create 34,000 jobs. However, the report has been criticised for overlooking the perspectives of residents affected by these developments and the need for local engagement in decision-making.

12. Glasgow's Low Emission Zone (LEZ) raised 23 per cent less revenue in 2024/25 than in its previous ten months of enforcement. [The council collected £757,000 in fines last year](#), compared to £982,000 between June 2023 and March 2024. Similarly, the City of Edinburgh Council says the number of fines it issued for breaches of its LEZ fell by 56% between June 2024 and January 2025, while [there has been a small but notable shift towards active travel and public transport](#). The reductions indicate some success in deterring polluting vehicles from the city centres, at the expense of council income and funding for environmental initiatives.

Policy area updates

13. The Scottish Government's [Programme for Government 2025/26](#), published on 6 May, provided few new measures in areas relating to local government, partly because it comes after the Scottish budget has already been set for the year. Announcements included:

- a pilot expansion of free school meals to S1-3 pupils in receipt of Scottish Child Payment, in eight local authority areas from August
- £1 million for local authorities to deliver holiday playschemes and activity provision for disabled children, and expansion of existing breakfast, after school and holiday provision
- abolition of peak rail fares to encourage more people to travel by train and reduce car journeys
- restatement of existing pledges to deliver more affordable homes, tackle long-term empty homes and implement policies and legislation aimed at preventing homelessness
- references to previously initiated legislation on Community Wealth Building, Education, Heat in Buildings, Housing and The Promise.

14. The First Minister’s statement to Parliament included a commitment to “keep Council Tax bills, already over 30% lower on average in Scotland, substantially lower than elsewhere in the UK”. However, this is not in the Programme itself, which only makes this pledge in relation to water bills.

Climate change

15. The Climate Change Committee (CCC) has warned that the Scottish Government will need to undertake [“immediate action at pace and scale”](#) to meet its target of reaching net zero by 2045. The CCC said this includes increasing the proportion of fully electric vehicles on Scotland’s roads from the current level of three per cent to 60 per cent by 2035, and rapidly accelerating annual heat pump installations in existing homes to around 35,000 by 2030. [The CCC proposed new targets](#), to cut emissions by 57 per cent over the next five years and by 69 per cent to 2035, compared to 1990 levels. The Scottish Government says it will consider the report carefully but is expected to adopt the targets in the coming weeks.

16. Highland, Aberdeen City, Aberdeenshire and Moray councils have [jointly agreed a 20-year, £300 million contract](#) with a private provider to install 570 electric vehicle charging points across the combined area. The deal will see the number of EV chargers in the region more than double in the next three years. The company – EasyGo – will also be responsible for maintaining the area’s new and existing charging points. It’s the first time several councils have come together on a deal of this kind.

Communities and infrastructure

17. Two councils secured multi-million pound funding from the UK Government’s Levelling Up fund.

17.1. [Dumfries and Galloway Council](#) is to receive £13.8 million this year to support three projects aimed at making green transport more accessible to residents and visitors. The projects include transport hubs, and improvements to facilities for buses and to cycle routes and infrastructure.

17.2. [South Ayrshire Council](#) has been awarded £16 million to spend on regenerating Ayr town centre, including transforming Burns Statue Square, improving shopfronts, and developing an active travel route linking the town with Prestwick Airport. The council will consult on its plans, with construction to start in 2026.

18. Several Scottish councils are utilising [Starlink technology to enhance internet connectivity](#) in rural areas, according to a national investigation. In 2024, Starlink connections surged to 87,000, primarily in remote locations, more than doubling from 42,000 in 2023. Pilot projects, supported by the Scottish Government, are being implemented by councils including Argyll and Bute, Comhairle nan Eilean Siar and Falkirk.

Early learning and childcare

19. Scottish Borders Council [issued an apology to parents](#) while agreeing to “set aside” its previous decision to move towards closing a number of under-capacity nurseries. Five affected nurseries will remain open for the 2025/26 academic year, while the status of another three will be reviewed. The council will now form a working group to develop a mothballing policy, taking into account the views of parents.

Education

20. West Lothian Council confirmed that “personal or sensitive data” was stolen in a [ransomware attack on its education network](#), as well as operational information. Confidential pupil records, financial data and social work records are stored on different systems, but officials said they could not rule out each of these being stolen. The education network was quickly isolated from other council systems, and the council said there was no evidence these other systems were affected.

21. Around the same time, City of Edinburgh Council detected and halted an attempted cyber-attack on its education network, in the form of phishing emails. [Students’ passwords were reset as a precaution](#), temporarily cutting off their access to revision resources ahead of exams, while some networks were immediately shut down, but the council says its systems have not been compromised.

Health and social care

22. Concerns have been raised that above-inflation pay rises for NHS staff are drawing workers away from care homes. The latest NHS pay deal includes an 8% pay rise over two years and reduced working hours without loss of salary, boosting NHS support worker pay to £16.71 an hour by next April. In contrast, many care home roles are advertised at £12.21 an hour, with limited progression opportunities. Sector leaders warn the disparity risks undermining the value and sustainability of social care roles.

23. The Times reported that Scotland is spending over [£1.3 billion annually on disability benefits](#) for mental and behavioural conditions – matching the additional revenue raised from higher income tax rates, and equivalent to the budget of Police Scotland. Mental health issues account for more than half of Adult Disability Payment claims among under-45s. Critics say this welfare bill highlights systemic gaps in mental health care.

Housing and homelessness

24. A new research report, ‘Key Worker Homes in the South of Scotland’, has found that a shortage of housing is making a [significant contribution to shortages of key workers](#) in sectors including health and social care and education. The report was based on research carried out in partnership with Dumfries and Galloway Council, Scottish Borders Council, the Scottish Futures Trust and South of Scotland Enterprise.

25. Residents in Aberdeen affected by reinforced autoclaved aerated concrete (RAAC) will now be [offered alternative options to demolition](#). The council had previously decided to demolish and rebuild more than 500 council- and privately-owned homes, at a cost of £150 million. However, following disputes over valuations, residents will be able to explore other options such as sharing remedial costs between everyone in a block.

26. A large new residential-led development [next to the former Granton gasholder in Edinburgh](#) has been given final approval. The site will see 847 new homes, including 387 affordable homes, along with a primary school, community facilities and commercial space. The approval comes after the council agreed in principle in December to a [major new neighbourhood at West Town](#) comprising 7,000 homes, and approved an adjacent [3,000-home development on a former airport runway](#).

Council leadership changes

27. Independent councillor Brian Connolly has been elected as the new leader of South Ayrshire Council, succeeding Cllr Martin Dowey who was forced to resign after being recorded criticising officers and appearing to suggest he can help award contracts to friends. Fellow independent Cllr Alec Clark was elected as deputy leader, succeeding Cllr Bob Pollock who had been removed from his position. Cllr Iain Campbell was re-appointed as Provost, having resigned in the wake of the upheaval.

28. The leader of Aberdeenshire Council, Cllr Gillian Owen, resigned as Conservative group leader after sending derogatory messages about her party colleagues in a group chat. Ms Owen has been replaced as group leader by Stewart Adams, but will remain as leader of the ruling coalition until a council meeting on 26 June. Her outburst came after three Tory councillors defected to Reform UK, while another, Independent member remains in the administration despite becoming a Reform party member.

Other updates

29. The UK Ministry of Housing, Communities and Local Government (MHCLG) has issued a [timeline for establishment of a Local Audit Office \(LAO\)](#). The MHCLG plans to introduce legislation in mid-2025, and for the LAO to be legally established by autumn 2026 before assuming its responsibilities during 2027/28. The letter also sets out the department's approach to identifying local authorities under financial pressure and consequences for failing to publish audited accounts on time.

30. The Economy and Fair Work Committee published a report following its [inquiry into Scotland's City and Regional Growth Deals](#). The committee concluded that Growth Deals have provided long-term funding certainty which has catalysed projects across Scotland, and enabled collaborative working across local boundaries. It highlights improvements in how Deals are managed and delivered, but also comments on complex governance structures and a need for more flexibility and transparency.

31. The Local Government, Housing and Planning (LGHP) Committee published its [report on its inquiry into housing](#). The committee says a national action plan must be developed to tackle the housing emergency, with clear milestones and outcomes, to avoid the risk the crisis “drifts on indefinitely”. Meanwhile, the Scottish Parliament Information Centre (SPICe) [published a blog](#) looking at what has happened since the Parliament agreed to declare a national housing emergency in May 2024.

32. Stage 2 consideration of the [Housing Bill](#) by the LGHP Committee was completed on 3 June. Meanwhile Stage 3 of the [Care Reform Bill](#) – previously the National Care Service Bill – was scheduled for 10 June.

33. Other recent publications of relevance and interest are listed below:

- Local Government Information Unit (LGIU): [How shared services can be a gamechanger: An interview with Keith McNamara](#)
- LGIU: [Plan for Neighbourhoods: The offer for local authorities](#)
- LGIU: [How to build trust and a great profile](#)
- SPICe: [The Final Countdown to election 2026: Programme for Government 2025-26](#)
- SPICe: [The Scottish Government’s financial strategy – navigating uncertain fiscal waters](#)
- SPICe: [Updated forecasts set the context for pre-budget scrutiny](#)
- SPICe: [Second homes in Scotland – facts, figures and policy](#)
- SPICe: [Drouthy days: is Scotland prepared for drought?](#)
- SPICe: [Community Wealth Building \(Scotland\) Bill](#) (full briefing)
- Improvement Service (IS): [Exploring community wealth building and public service](#)

Updates on previous queries

34. We received an update from COSLA regarding work on reform of council tax. The work is being taken forward through the joint working group with the Scottish Government, and the Institute for Fiscal Studies has been commissioned to do detailed modelling and analysis which will allow for consultation and engagement starting in late summer on options around reform. The plan is for this to have been done by early next year, to allow time for a Parliamentary debate before the election, with the hope of commitments also being included in party manifestos.

35. Regarding the ‘funding model’ for integration joint boards (IJBs) – this is covered in legislation. Section 14 of the [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#) states that where an IJB is established between a local authority and a health board, each must make payments to the IJB in respect of the functions delegated to it, calculated using a method set out in the agreed integration scheme – with equivalent provision in the Act for cases where a ‘lead agency’ model is adopted.

36. The [Programme for Government](#) (PfG) did not contain a commitment of £100 million for wrap-around childcare and holiday provision for children with additional support needs. It did, however, include provision of £1 million to local authorities to deliver holiday playschemes and activities for disabled children, alongside expanding the 'Extra Time' programme of funded breakfast and out-of-school clubs. The [SPICe briefing on the PfG](#), meanwhile, highlights there was “no mention” of a previously-promised delivery plan for wraparound childcare for school-age children.

37. Regarding future use of the sheltered housing accommodation being considered for closure by Aberdeenshire Council, no proposals for re-purposing the buildings have been made, but the council has said that as the landlord it would still be responsible for maintenance and security of buildings that cease to be used for sheltered housing, and that their future use must deliver best value through the Housing Revenue Account that funds all council housing services.

Consultations

38. There are no updates regarding consultations. The Policy Manager will advise verbally of any changes.