Local government policy update

Item 6

Policy Manager for the Accounts Commission

Meeting date:
13 August 2026

Purpose

1. This regular report provides an overview of significant recent activity relating to the Accounts Commission and local government. This report complements the weekly news updates by highlighting key issues. A version of each monthly report is shared directly with local government stakeholders for information and posted on the Commission's website.

Recommendations

2. The Commission is invited to note this report and consider any implications for its work programme.

Recent publications

3. Media coverage and engagement for recent publications is as follows:

- **Local government budgets 2026/27** *(11 June)*
  - *Coverage:* Widespread coverage across all local and national news media including interactive data tool on the BBC News website. Interviews with BBC, STV, ITV Border and local radio.
  - *Engagement:* 1,300 downloads in June (relatively high). Social media: 2,000 views, 1,200 video views, 175 engagements, 80 link clicks; 8.7 per cent engagement rate. Less engagement than the Transformation report, possibly due to familiar messages. Posts/shares by COSLA and some councils.
- **The 2023/24 audit of Clackmannanshire Council: Continued late reporting of audited accounts** *(01 July)*
  - *Coverage:* Very little coverage – STV and local and specialist news media only, some of it at the time of the meeting.
  - *Engagement:* 440 downloads in July. Social media: 1,600 views, 95 engagements, 50 link clicks, 6 per cent engagement rate. As expected given the nature and timing. Good activity on LinkedIn.
- **Best Value: Inverclyde Council** *(09 July)*
  - *Coverage:* Relatively high, including BBC News website and local and specialist news media. No broadcast coverage.

– *Engagement:* 290 downloads in July. Social media: 1,800 views, 60 engagements, 10 link clicks, 3.2 per cent engagement rate. Unsurprisingly low given the timing. Shared by the council.

Media and Parliamentary monitoring

4. The Local Government Information Unit (LGIU) published an article by Jennifer Henderson: Accounts Commission: building financial sustainability through service redesign. Linked to the Transformation thematic report, the article highlights the need for ambitious transformation, collaboration and community engagement to deliver sustainable services, and explores how councils can learn from each other to improve outcomes and efficiency.

5. The Commission was mentioned twice in Parliament in June:

- During Portfolio Questions on Health and Care, Cabinet Secretary Angela Constance was asked what action is being taken to protect services in light of a projected £457 million funding gap. Ms Constance referred to increased funding, and cited austerity, Brexit and the cost-of-living crisis as causes of increased costs.

- In First Minister's Questions from backbench MSPs, Iris Duane (Green) highlighted Glasgow City Council's budget shortfall of £86.7m. John Swinney noted a real-terms increase in funding for local government, competing budget priorities and planned engagement as part of the upcoming budget-setting process.

6. The Commission and its reports have been mentioned in a handful of recent written Parliamentary questions (all of which have been answered or will be before the Commission meeting), on the following subjects:

- Ring-fenced or otherwise directed funding

- Addressing large budget gaps

- The Inverclyde Council Best Value report (two questions)

- The Clackmannanshire Council section 102 report.

7. Other recent mentions of the Commission include the following:

- The Additional support for learning report was cited in a series of articles in the Herald, including on dozens of schools reporting ASN rates over 70 per cent, analysis by James McEnaney on the impact on schools, and charities calling for increased investment.

- The Tackling digital exclusion report was cited in the Scottish Government's Equality Impact Assessment of MyCare.scot (Background and Key Findings sections).

Scottish Government and Parliament updates

8. Cabinet Secretary for Public Service Reform, Ivan McKee, reiterated the Scottish Government's intention to reduce the number of public bodies and the size of the civil service as part of its reform plans. Mr McKee also highlighted a need to modernise systems and processes and reduce duplication. The SNP manifesto pledged to:

- move Transport Scotland's functions into the Scottish Government
- amalgamate a number of Commissioners following the previous Finance Committee's report on Scotland's Commissioner landscape
- "explore" bringing together Registers of Scotland and National Records of Scotland
- bring forward a Public Service Renewal Bill in the first year of the Parliament; outline plans are expected soon after the end of recess.

9. The Scottish Government has opened a consultation on its proposals for two new Council Tax bands for high-value properties – a so-called 'mansion tax'. Ministers say the proposed new rates will:

- take effect from April 2028
- affect an estimated 15,000 properties – 1 per cent of housing stock
- raise £12-16 million a year – up to 0.45 per cent of current Scotland-wide Council Tax revenue
- generate revenue that will be distributed between local authorities in a way that is to be agreed with COSLA.

10. The Scottish Government has commissioned an independent review into "anomalous" business rates increases after a revaluation saw large rises for some. The review will also look at the role of assessors and seek to increase the capacity for appeals. Meanwhile, an ongoing review of the valuation of licensed hospitality premises appears to have stalled after the Chair, BJ Gill KC, resigned after being appointed Solicitor General.

11. The Scottish Parliament elected conveners and agreed other members of all of its committees. The Social Justice, Housing and Local Government Committee consists of the members listed below. Our media monitoring partner DeHavilland produced this helpful guide *(PDF link)*.

- Craig Hoy (Convener; Conservatives)
- Thomas Kerr (Deputy Convener; Reform)
- Steven Bonnar, Gary Bouse, Kate Campbell (SNP)
- Mark Griffin (Labour)
- Morven-May McCallum (Liberal Democrats).

12. The Finance and Public Administration Committee and the new Public Service Reform Committee each opened calls for views as part of their respective pre-budget scrutiny for 2027/28. Audit Scotland responses to both were being drafted at the time of writing this report (with Commission support team input) and the deadline for both is Friday 14 August. The responses will be published via the Scottish Parliament website soon.

UK Government and English local government updates

13. Andy Burnham became Prime Minister having vowed to decentralise power in Scotland as part of broader plans to enhance devolution across the UK. This was echoed by Douglas Alexander, Secretary of State for Scotland, who also said he was "very open" to the concept of regional mayors. BBC News looked at whether Glasgow could be the first area in Scotland to have an elected mayor.

14. On 31 July, the Cabinet Office published a major policy paper on Rewiring the State, which appears to put the broad policy intent into action in England. This analysis by the LGIU looks at the proposals in detail. The statement proposes the following, with more specific details to be provided in a full white paper alongside the UK Budget in late October:

- Every area in England to be covered by a Strategic Authority (SA) by the end of 2027 (there are currently 20 SAs – covering two thirds of the population – of which 18 have mayors).
- Boundaries to be aligned (one-to-one or one-to-many) between SAs, regional police forces, fire services and Integrated Care Boards, and local police units to align with council boundaries, by July 2029, to support a “single coherent system” of public services.
- All regional mayors in England to retain a share of income tax and business rates revenue from April 2028, and more local councils and SAs to retain a greater share of locally-generated business rates from April 2027 (some areas already have full retention).
- More powers for regional mayors – including over local public transport, housing and planning, employment and training support for young people, and local economic development – as well as deputy mayor roles with responsibility for key public services.
- Chief Executives of mayoral SAs to become Local Accounting Officers, with a strengthened role for the Local Audit Office.

15. Meanwhile the next phase of local government reorganisation in England was announced. A total of 134 district and county councils will be replaced with 38 unitary authorities across 14 areas in England. The new authorities are due to be up and running by 2028. However, there are concerns about the pressure this – and the wider reforms outlined above – will place on already-stretched councils and the impact on services and outcomes for residents. LGIU has analysed the changes in detail.

Local government finance issues

16. Councillors who do not return after the 2027 elections will not receive severance payments as had been proposed. Cabinet Secretary for Finance and Local Government, Jenny Gilruth, said a severance scheme introduced next year would be “rushed” and more time is needed to develop it. The scheme was recommended by the Scottish Local Authorities Remuneration Committee in 2024 and would bring councillors in line with what is already available for MPs and MSPs. COSLA said it was “profoundly disappointed” by the decision, which it said is a departure from efforts to remove barriers to elected office and increase diversity.

17. The cost of some much-needed school replacements has more than doubled, with the Learning Estate Investment Programme (LEIP) now set to cost councils a collective £650 million more than originally estimated. Under the LEIP, councils fund the building of new schools and are reimbursed by the Scottish Government over a 25-year period if they meet set criteria. Rising costs and delays together with changes in scope or other complications are cited as contributing factors. Meanwhile, some rural and island school projects are subject to cost increases of up to £2 million a year due to a ‘regional multiplier effect’.

18. There have been various stories in recent weeks relating to council tax collection and arrears. For example:

- The latest official Council Tax Collection Statistics reveal a very slight dip in the in-year collection rates, from 95.5 per cent to 95.2 per cent, with £3.227 billion collected out of £3.389 billion billed. Scotland-wide collection rates have remained steady at between 95 and 96 per cent for the past decade except during the pandemic.

- Glasgow City Council is owed more than £45 million in unpaid council tax for the last two years while East Lothian Council is owed more than £860,000 in unpaid council tax from its own employees.

- East Lothian and South Lanarkshire councils wrote off over £1 million and almost £500,000 respectively in bad debts, largely due to debtors having died, gone bankrupt or ceased trading.

- Owners of long-term empty homes in Perth and Kinross – including the council itself – face a 300 per cent charge on their council tax effective from 1 July.

19. There were several further updates in relation to the visitor levy:

- The levy came into effect in Edinburgh, with five per cent being added to the cost of stays (up to the first five nights) from 24 July. The council has set out the range of initiatives it intends to invest the revenue into, including housing, infrastructure and events.

- Argyll and Bute Council agreed to open a consultation on a flat-rate levy, less than a year after it halted plans for a percentage charge. Meanwhile Highland Council, which had also put plans on hold, says it will work with the tourism industry to “co-design” a scheme.
- East Lothian Council opened a consultation on proposals for a five per cent visitor levy on stays in its area, while Perth and Kinross Council also voted to consult residents later this year.
- However, East Dunbartonshire Council unanimously decided against the introduction of a visitor levy.

20. Other council-specific finance stories in recent weeks included:

- Highland Council has agreed plans to establish a Highland Wealth Fund to create a lasting legacy from renewable energy development and support long-term benefits for communities across the region. Meanwhile the council was criticised for spending Whole Family Wellbeing funding on operational costs, or not spending it at all.
- Shetland Islands Council has agreed a financial plan for the next five years with an annual savings target of £11 million. Meanwhile the council made £47 million from its investments in 2025/26 – but needed to draw the same amount from reserves for spending.
- North Lanarkshire Council is considering legal action against the Scottish Government after the decision to halt the replacement of Monklands Hospital, as it has incurred “considerable costs” on land assembly and planning for a £185 million link road.
- Angus Council is using almost £1 million of its reserves to bring in temporary staff to speed up priority projects, as part of a three-year reserves strategy agreed alongside its 2026/27 budget.
- City of Edinburgh Council recorded a £32 million underspend in its unaudited accounts for 2025/26, boosted by £25 million in legal settlement income likely to be related to the trams project; £6 million of a £9.28 million service underspend was set aside to create a homelessness services-related risk contingency.
- North Ayrshire Council agreed to use a £1.5 million underspend to deliver additional investment in street cleaning – after a proposal to provide a £25 council tax rebate to each household was dropped.

Other updates

21. It was reported that the Forth Valley's three local authorities are to work together in areas such as roads and housing in a bid to save money and protect services. Stirling Council has agreed to join up with Falkirk and Clackmannanshire, and they are in the early stages of several projects.

22. South Ayrshire Council has decided not to join a new shared economic development service being created by East Ayrshire and North Ayrshire councils, despite continuing wider discussions on shared services across Ayrshire. But the three Ayrshire councils are joining forces with the local tourism sector on a project to strengthen the area's visitor economy.

23. There have been a few developments regarding council chief executives over the summer:

- The chief executive of Aberdeen City Council, Angela Scott, has been appointed as the new principal and vice-chancellor of the University of Dundee, and will take up post in October.

- There has been further reporting regarding the absence of Orkney Islands Council's chief executive, Oliver Reid. Four directors are currently covering the role on a monthly rotational basis.

- East Ayrshire Council announced that its chief executive, Eddie Fraser, has retired due to family commitments. Joe McLachlan, former Director of Finance and Digital, has assumed the role until October 2027, while David Mitchell has become Depute Chief Executive in place of Richard Grieveson, who had become unavailable alongside Mr Fraser at the end of May.

24. Recent publications and updates of possible interest to members (besides those referenced earlier in this report) are listed below:

- Scottish Government:
  - Scottish Parliament Information Centre (SPICe): Public Service Reform: an overview
  - Scottish Government: Scottish Budget - piloting an approach to identifying preventative spend: pilot results
  - Fraser of Allander Institute: Preventative spending in Scotland: The results of the Scottish Government budget tagging pilot
  - Scottish Government: Scottish Social Attitudes Survey 2025 – key points
- Scottish local government:
  - Improvement Service (IS): Modelling demand for local government services *(summary of a full report)*
  - LGIU: Rethinking the intermediate tier in Scotland
  - LGIU: Why local government and the voluntary sector need stronger partnerships *(by Anna Fowlie, Chief Executive, SCVO)*
  - LGIU: Interview with Pippa Milne, Chief Executive of Argyll and Bute Council
  - IS: Transformation programme progress report April 2026

  - COSLA: Local democracy and why it matters *(by Cllr Steven Heddle, COSLA Vice President)*
- Poverty and inequality:
  - SPICe: New Scottish constituency-level child poverty dashboard
  - University of Glasgow: Scottish Child Payment is reducing child poverty - but more investment is needed to help children thrive
  - LGIU: Public Health Scotland's partnership approach to reducing health inequalities *(by Michael Kellet, Public Health Scotland)*
  - IS: New briefing: Place and wellbeing outcomes and child poverty in Scotland
  - IS: New briefings highlight Glasgow's pioneering work to tackle child poverty through public service reform
  - Scottish Government: The cost of remoteness: Reflecting higher living costs in remote rural Scotland when measuring fuel poverty
  - Joseph Rowntree Foundation: Pride in Place: the scale of the challenge in Scotland
- Other service areas:
  - Scottish Government: Scottish National [Climate] Adaptation Plan: annual report 2025 to 2026
  - LGIU: Preventing homelessness in Scotland: can Ask & Act help address the housing emergency?
  - LGIU: Planning for more homes: what are the options for Scotland?
  - LGIU: Explainer: Adult social care in local government
  - LGIU: Explainer: Children's services in local government
  - SPICe: Promoting healthy ageing in Scotland
  - Auditor General: Post-school education and skills reform
- Local government in England:
  - LGIU: No government can deliver long-term growth without ambitious fiscal devolution *(report from an inquiry run by a Westminster All-Party Parliamentary Group)*

Conclusion

25. The Commission is invited to note this report and consider any implications for its work programme.