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ACCOUNTS COMMISSION

19 November 2026

Deputy First Minister Jenny Gilruth MSP
The Scottish Parliament
Edinburgh
EH99 1SP

Via email: DFMCSFLG@gov.scot

Dear Deputy First Minister,

When we met on 23 September, I indicated the Commission's intention to share insights from our audit work on the financial sustainability challenges facing local government and wider public services. I am pleased to enclose two papers drawing together evidence from the Commission's previous audit work, which I hope will assist consideration of public service reform and the long-term sustainability of public services in Scotland:

- Local government financial sustainability
- Social care reform.

The enclosed paper on local government financial sustainability highlights the significant and sustained pressures facing Scotland's councils. Increasing demand, rising costs, constrained funding, growing debt and declining reserves continue to place pressure on councils' ability to maintain services and deliver balanced budgets. While councils have shown resilience in responding to these challenges, our audit evidence indicates that the current position is increasingly difficult to sustain.

A key conclusion from the paper is that structural reform alone is unlikely to resolve these pressures. Successful reform will need to be grounded in financial realism, focus on outcomes rather than organisational structures, support transformation in service delivery, recognise the interdependencies between local government and social care, and fully consider implementation costs, capacity requirements and associated risks.

The second paper draws together insights from more than a decade of the Commission's audit work on social care. It highlights persistent challenges relating to workforce sustainability, financial pressures, increasing demand, inequalities in outcomes, fragmented data and limited progress towards prevention. These issues have remained evident across successive audits and continue to affect the effective delivery of social care services.

The paper concludes that reform presents an opportunity to improve outcomes, but that organisational and governance changes alone are unlikely to be sufficient. Success will depend on clear objectives, strong leadership, effective partnership working, robust governance and accountability, improved information and data, realistic financial and workforce planning, and a sustained focus on improving outcomes for people, families and communities who rely on social care services.

Across our recent reporting, we have consistently highlighted the need for transformational change across local government and its partner bodies. Although councils have made progress, our audit work suggests that greater pace and ambition are still required.

In Transformation in councils (2024), the Commission identified a number of principles that support successful transformation, including a clear vision, effective planning, strong governance, collaboration and innovation. More recently, Delivering for the future: Transformation (2026) found that progress remained mixed and that around half of the councils examined had yet to demonstrate clearly how transformation activity would contribute to future financial sustainability.

Our audit work has identified positive examples of community engagement, decision-making and strategic collaboration through regional arrangements and partnerships. The case study supplement published alongside Delivering for the future includes further examples of innovative and effective practice from across local government.

For the past 25 years, the Commission has examined councils' arrangements for securing Best Value. In 2022, the Controller of Audit commenced the current programme of Best Value reporting. Twenty-four reports have since been published, with the eight remaining to be published over the coming year. The reports provide detailed assessments of financial management, sustainability, leadership, governance, performance and community engagement in individual councils. We then plan an on-going programme of risk-based Best Value audits that will maintain scrutiny and assurance during a period of significant change.

In conclusion, the Commission's audit work provides independent assurance on the stewardship of public funds and on the effectiveness of arrangements for governance, performance and service delivery. As councils and their partners respond to ongoing financial pressures while pursuing reform and transformation, independent scrutiny and public reporting will remain important in supporting transparency, accountability and improvement.

Working independently of Scottish and local government, the Commission’s role is to support informed debate through the evidence, insights and analysis arising from our audit work. While that evidence can help inform discussions about reform, including structural reform, it is not our role to provide policy advice or comment on the merits of particular proposals.

I would be pleased to discuss any of these issues further. Should officials wish to explore any of the matters raised in these papers, please contact Leigh Johnston, ljohnston@audit.scot, in the first instance.

Yours sincerely,



Jo Armstrong

Chair of the Accounts Commission