

Local Government, Housing and Planning Committee
Tuesday 16 September 2025
23rd Meeting, 2025 (Session 6)

Pre-Budget Scrutiny: Public Service Reform

1. The [Verity House Agreement](#), signed in 2023, sets out the Scottish Government and Local Government's ambition to "work together strategically to advance public service reform".
2. At its meeting on the 24 June, the Committee agreed to explore how the Scottish Budget supports this as the focus of its pre-Budget scrutiny.

Pre-Budget Scrutiny

3. Pre-Budget scrutiny normally takes place in the months leading up to the Scottish Budget. It aims to:
 - influence how the Budget is prepared;
 - improve transparency and increase public awareness of the Budget;
 - consider how the Scottish Government's Budget for 2026-27 should respond to fiscal and wider policy challenges; and
 - lead to better results and outcomes when compared against the Scottish Government's targets and goals.
4. The Finance and Public Administration Committee has published guidance for committees on Budget Scrutiny for 2026-27.
 - [Budget Process 2026-27: Guidance for Committees](#)

Public Service Reform

5. The Local Government, Housing and Planning Committee has agreed to consider the following themes:
 - How local authorities have been reforming public services in recent years.
 - What is preventing councils from achieving "transformative change"?
 - What impacts have efficiency savings had on service users?
 - The support available to councils trying to reform how they deliver services.
 - Local authority engagement with the Scottish Government's Invest to Save fund, a £30 million fund supporting efforts to catalyse efficiency, effectiveness and productivity projects.

- Will the Invest to Save Fund continue and expand in future years?
 - How multi-year funding packages from the Scottish Government could help councils reform.
 - How successful is the partnership between the Scottish Government and local government in delivering public service reform?
6. The Committee wrote to the Improvement Service and the Accounts Commission to seek more details on the public service reform. Their responses can be found under following links—
- a. [Letter from the Accounts Commission](#)
 - b. [Letter from the Improvement Service](#)
7. The Committee also wrote to the [Educational Institute of Scotland](#) and [GMB Union](#).
8. On 9 September, the Committee heard from the first panel of stakeholders—
- Ken Gourlay, Chief Executive, Fife Council;
 - Dr Dawn Roberts, Chief Executive, Dumfries and Galloway Council;
 - Thomas Glen, Chief Executive, Perth & Kinross Council;
 - Nikki Bridle, Chief Executive, Clackmannanshire Council; and
 - Malcolm Burr, Chief Executive, Comhairle nan Eilean Siar.
9. When published, the Official Report of this meeting will be available at the following link:
- a. [Official Report of Local Government, Housing and Planning Committee meetings.](#)
10. A summary of the key points raised by the witnesses is included in the private paper.

This meeting

11. At the meeting on 16 September, the Committee will take evidence from the following witnesses—
- Derek Yule, Commission Member, Accounts Commission
 - Andrew Burns, Deputy Chair, Accounts Commission
 - Blyth Deans, Audit Director, Audit Scotland

- Martin McLauchlan, Senior Manager, Performance Audit and Best Value, Audit Scotland

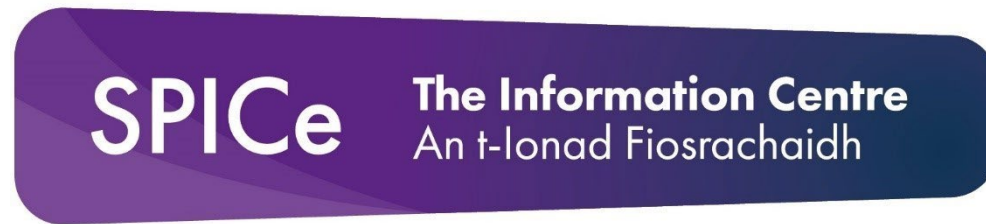
12. A SPICe briefing for the meeting is included at **Annexe A**. A detailed [SPICe briefing on the Pre-Budget scrutiny](#) is included in Papers for the Meeting on 9 September 2025.

Next steps

13. The Committee will take evidence from stakeholders and the Scottish Government.

Clerks to the Committee
September 2025

Annexe A



About the Accounts Commission

The Accounts Commission is Scotland's public spending watchdog for local government. This session provides an opportunity to discuss the Commission's recent reports, with a focus on public service reform in local government. The Commission aims to hold councils in Scotland to account and help them identify and make improvements. It operates independently of councils and of the Scottish Government. The Commission has various responsibilities, including:

- Securing the external audit of local government accounts and the audit of Best Value and community planning;
- Making recommendations to Scottish ministers and local authorities;
- Carrying out or promoting national performance audit work to improve economy, efficiency and effectiveness; and
- Coordinating the scrutiny of local government in Scotland.

Account Commission's Transformation in Councils report

In its [2024 Transformation in Councils](#) report, the Accounts Commission concluded that "councils cannot deliver transformation alone and it is essential that the Scottish Government and Community Planning and third sector partners support the transformation of local services through more effective collaboration".

The section of the report on barriers to reform is particularly relevant to the Committee's pre-budget scrutiny. These include:

- ring-fenced funding and protected services;
- cost of living hardship for some households – leading to additional pressures;
- workforce pressures including skills gaps, vacancies, absences, etc.;
- public push-back on decisions to reduce services;
- increased service demands, including demographic changes;
- preventative approaches not being prioritised;
- unwillingness or lack of capacity to engage in transformative activity;
- lack of co-ordinated decision-making between public bodies;
- low appetite for risk and fear of failure; and
- increasing costs, for example cost of materials in construction projects.

The report concludes that "some of these barriers are external and not within councils' control. Others are internal or partially internal, and councils have at least

some control over how they overcome or remove those barriers and should do all they can to do so”.

In the Minister for Public Finance’s [statement to the Parliament on the Public Service Reform Strategy](#) he highlighted what is needed for reform to take place across the public sector:

“It is key that we join up services and change how we do things to better integrate local services. We need to further develop local partnerships, empower staff and communities, remove duplication and break the cycle of people being passed from pillar to post in order to get help. We will simplify the policy landscape, strengthen community planning partnerships, unlock the potential of the third sector, tackle barriers to data sharing and maximise the use of digital technologies to make services fit for the future. That is exemplified in the whole-family support approach. The Scottish Government is working with local partners to enable greater local decision making and flexibility to support families at risk of poverty. That means that local partners can use resources in the way that they find most effective to support people.”

Accounts Commission’s Best Value audits

The Accounts Commission’s transformation report also mentions its Best Value reporting in 2024-25 which has focussed on transformation, specifically:

- The extent to which councils have clear plans for transformation that link to their priorities and support long term financial sustainability.
- How councils’ programme management arrangements facilitate effective oversight of their transformation plans.
- The extent to which communities and partners are involved in the development and delivery of councils’ plans for transformation.
- The extent to which councils have considered the impact of their transformation activity, including on vulnerable or protected groups.

They conclude that “evidence from our Best Value reporting work shows that transformation activity across Scotland’s 32 councils is varied”.

There are some examples of good practice, for example Dundee City Council which has undertaken a lengthy transformational programme, now integrated in its Council Plan. It has delivered £147 million in savings. The Council has done this by “focusing on large-scale transformative changes including property rationalisation, digital service provision, service re-design, shared services and payments and income generation”.

Other examples of good practice were identified in the Best Value report for East Renfrewshire Council. It has used reduced pension contributions to establish an Investment in the Future reserve:

“The total one-off resource available to the council is estimated at £12.6 million. Clear criteria have been set for the use of the fund, including sustainability, alignment to the overall strategic priorities and projects should support spend to save initiatives

or investment and development of the workforce. A further £2 million has been set aside to support the next phase of the council's transformation."

Likewise, Scottish Borders Council launched its "Fit for 2024" transformation programme in 2019. An evaluation found that the programme had achieved permanent savings of £37 million and met its five aims of reviewing services, enhancing community engagement, making best use of physical assets, investing in digital transformation and improving processes and productivity.

However, the Best Value reports also show that many councils are not pursuing transformation at an adequate pace. Of the 13 [Best Value audits](#) published since February 2024, most reveal some concern/frustration on the part of the Commission at the slow pace of change.

Accounts Commission's workforce challenge report

The Accounts Commission's [Delivering for the future: Responding to the workforce challenge](#) was published in August. Some of the main points raised include:

- Councils are examining the need to make workforce reductions. Further progress with workforce planning is still needed in light of continuing financial and demand pressures.
- Councils need to prioritise workforce planning and development to address existing and future challenges.
- Workforce pressures including recruiting staff from a competitive labour market, employee retention and high sickness absence levels are putting councils under sustained pressure
- Councils are dealing with an ageing workforce, with more than a third of staff over the age of 55. Sickness absence rates are at record high levels.
- Digital solutions are being used to support staff to deliver frontline services, as well as to unlock back-office efficiencies, but more progress is needed.
- Councils like Dundee City, City of Edinburgh and East Lothian are investing in digital tools, training, and infrastructure to enhance service delivery and workforce efficiency.
- Councils have been exploring how best to co-deliver services, including shared service delivery and joint posts.
- Only three councils have reported savings or efficiencies as a result of shared services, however these have not been formally captured or fully quantified.
- Most councils are not actively reporting on the increased use of temporary and agency staff.

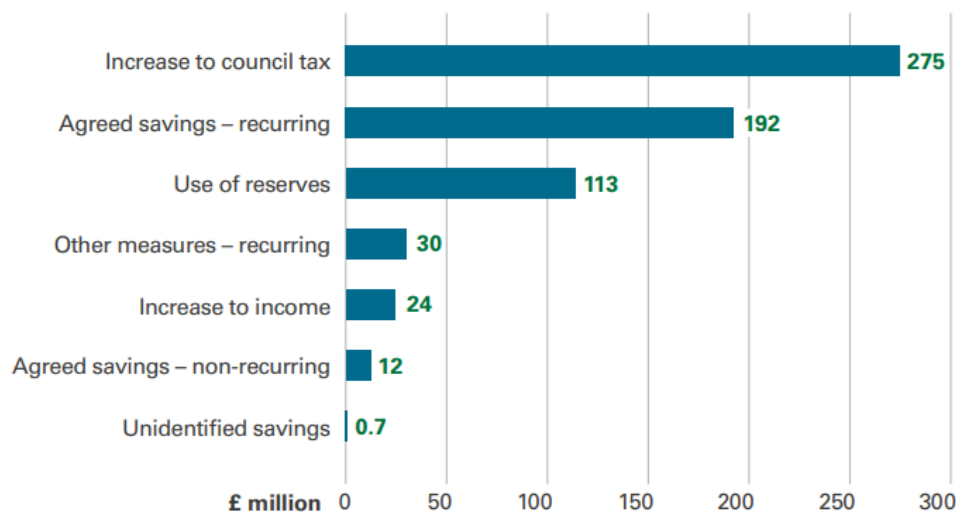
Accounts Commission's local government budgets 2025-26 report

The Commission published its [Local Government Budgets 2025/26 briefing](#) in May. Key points include the following:

- At the time of setting their budgets earlier this year, councils identified a difference of £647 million between anticipated expenditure and the funding and income they receive (the 'budget gap').
- At a council level, budget gaps ranged from £70.3 million in the City of Edinburgh Council to £4.4 million in Eilean Siar.
- It is forecast that the cumulative budget gap could be almost £1 billion between 2026-27 and 2027-28.
- Councils are required to set balanced budgets and have agreed a range of actions to achieve this and close this gap.

Councils' bridging actions to set their 2025/26 budgets

Councils are taking various actions to close their 2025/26 budget gap.



Source: Council data returns

- All councils raised council tax rates, by between 6 and 15.6%, identifying savings, drawing on reserves and increasing or introducing charges for accessing some services.
- The increase in council tax this year means there is greater expectation on the performance of local services.
- All councils received an annual increase in their initial revenue funding allocations from the Scottish Government this year.

- The Scottish Government has moved previously ring-fenced funding into the general grant (GRG).
- COSLA contends that the increase in GRG does not provide councils with greater autonomy or discretion when setting their own budgets.
- This is because much of the increase supports previously announced commitments carried forward into 2025-26 and 'baselined' into GRG.
- Councils continue to make savings across a broad range of services to address financial challenges and have been successful in identifying recurring measures that will help to address underlying pressures.
- Across all councils, most savings are planned within corporate services, followed by children's services. Councils plan to achieve £68 million of savings within corporate services and £58 million of savings in children's services.
- Most councils consulted with residents on their 2025-26 budgets; however more needs to be done.
- There is a lack of transparency in the presentation of financial and budget information. Generally, councils provided limited information on how saving measures will impact on particular groups and communities.
- This means that elected members and communities cannot easily determine the impact of budget decisions.
- Councils also continue to benefit from reduced pension costs.

Improvement Service and SOLACE transformation programme

Over the past few years, the Improvement Service and the Society of Local Authority Chief Executives (SOLACE) have been working on a sector-led Transformation Programme. The Accounts Commission mentions this in its Transformation report, noting the Programme is:

"a positive development representing a radical change to how councils work towards transformation. But the work is at an early stage. More clarity is needed on the timescales for achieving outcomes and there are significant risks around workforce capacity and skills to realise ambitions."

The Committee wrote to the Improvement Service requesting an update on this work, for example how the Programme is progressing the six anchors identified by SOLACE/IS as "key building blocks for transformation":

- Unlock community action.
- Enable a functioning, trusted local and central government relationship.
- Design for people's needs.

- Create digital, design and technology-enabled transformation.
- Tackle inequality and meet the needs of all citizens.
- Lead council and cross-sector partnerships with a focus on outcomes.

The Programme arose from the [Delivering a future for Scottish Local Authorities](#) report published by the Improvement Service in October 2022 and co-written by seven local authority chief executives. The Improvement Service [responded](#) to the Committee's letter on 28 August 2025.

Greig Liddell, SPICe Research
10 September 2025

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.
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