

Ariane Burgess MSP
Convenor, Local Government, Housing and Planning Committee
By email: localgov.committee@parliament.scot

16 January 2026

Dear Ariane,

Thank you for your letter on 14 November 2025 that set out the committee's pre-budget scrutiny that focused on how the 2026-27 Scottish Budget can support collaboration between the Scottish Government and Local Government to advance public service reform at a local, regional and national level in Scotland to improve the quality of public services and reduce costs. The Scottish Government considered the views and recommendations of all committees in the development of the 2026-27 Scottish Budget and I wish to express my appreciation for the work of committee members and witnesses. I have responded below to the specific points raised in your letter.

Collaboration on reform

I am pleased that the committee welcomed progress towards reform that has been made in recent years and recognised that the Scottish Government's Public Service Reform Strategy, published in June 2025, complements Local Government's own Transformation Programme which is led by SOLACE and supported by the Improvement Service. The Scottish Government will continue to deliver reform, including through supporting collaborative leadership, improving a shared accountability landscape, empowering local communities through the Local Governance Review, supporting workforce reform and increasing the flexibility of funding available for local services.

Collaboration between the Scottish Government and Local Government is critical to achieving our collective ambitions to deliver meaningful reform and improve outcomes for communities across Scotland. Leaders from COSLA and SOLACE – as well as from the third sector, private sector and public bodies – are members of the Public Service Reform Board. This board is co-chaired by the Minister for Public Finance and the Scottish Government's Director General for Exchequer, Strategy and Performance. Further, Scottish Government officials meet regularly with COSLA and Local Government officers to share knowledge and experience of reform and explore further opportunities for collaboration.

Invest to Save funding

In line with the committee's recommendation for the Invest to Save Fund to continue, the 2026-27 Scottish Budget provides £30 million to support delivery of efficiencies and reform. The Scottish Government will continue to work with Local Government and other partners across the public sector to maximise the impact of funding that specifically supports reform activity and will learn from the approach introduced in 2025-26.

Local Government funding

As recognised by the committee, the Scottish Government has delivered real-terms growth in the Local Government Settlement and a decrease in formal ring-fencing in recent years. The 2026-27 Scottish Budget continues this approach to supporting Local Government by providing a real-terms increase in the Local Government Settlement to almost £15.7 billion and baselining over £770 million in 2026-27, taking the total funding baselined to over £2 billion since the Verity House Agreement was signed. Following extensive engagement with COSLA and councils throughout the year, the Budget honours the commitments made to support the Local Government pay deals, provides additional funding for the Real Living Wage in commissioned services across social care and childcare and makes available further support to promote sustainable inter-island connectivity.

I welcome that the committee noted that, within the context of the Verity House Agreement and Fiscal Framework, collaboration between the Scottish Government and COSLA has supported the development of the 2026-27 Scottish Budget. Meaningful and early budget engagement with COSLA and Local Government continues to be a core element of budget preparations. The Fiscal Framework between the Scottish Government and Local Government was published in October 2025 and commits to providing multi-year certainty to support strategic planning and investment wherever possible. The Scottish Spending Review which was published alongside the Scottish Budget provides resource spending plans up to 2028-29 and capital spending plans up to 2029-30.

Local Government Funding Formula

The Local Government Finance Funding Formula provides a complex but objective assessment of need and uses the most up-to-date information for the full range of indicators including factors such as population, rurality, road data and deprivation. The needs-based formula is used to distribute the quantum of funding available for Local Government is kept under constant review and is agreed each year with COSLA on behalf of all 32 councils.

The Scottish Government is always open to suggestions on ways to improve the funding formula, although it is entirely plausible that every council could make a credible argument as to how the formula does not fully and accurately reflect their unique circumstances. It is for this reason that any proposals for changing the formula are raised through COSLA in the first instance.

General Power of Competence

In November 2025, the Scottish Government announced its intention to take forward more immediate actions to enhance the ability of councils to innovate and invest in areas such as renewable energy, tourism, regeneration, social care services, transport services and waste management services.

A consultation was launched to seek views from Local Government and other partners on proposed secondary legislation to be laid in Parliament in December 2025 to allow a council to provide goods and services to any person or body, up to a statutory limit, without requiring Ministerial consent or first establishing and arm's

length body. Local Government leaders subsequently requested more time to respond to the consultation and the Scottish Government has agreed to defer the introduction of the Scottish Statutory Instrument (SSI) until 2026-27.

Further secondary legislation is also planned for 2026-27 to clarify and broaden the existing 'power to advance wellbeing' contained in the Local Government in Scotland Act 2003. The Scottish Government will work with COSLA to establish a working group to facilitate the development of robust legislative amendments that deliver the ambitions of Local Government, while ensuring that there are appropriate checks and balances on use of fiscal powers to assure the public.

Demand on council services

The Scottish Government recognises these challenges and is committed to working collaboratively with Local Government and other partners to develop a sustainable health and social care system that ensures people get the right care, at the right time, in the right place. While budget setting and delivery are the responsibility of councils and health and social care partnerships, the Scottish Government continues to work closely with them to support sustainable solutions that protect services and meet local needs. Decisions on how best to deliver local services are for integration authorities to make, but we are clear that they should be made in consultation with local communities.

The 2026-27 Scottish Budget will provide almost £22.5 billion to deliver and reform the health and social care services we all rely on and invest over £2.3 billion from the Health and Social Care portfolio in social care, providing an uplift to adult social care pay and delivering improvements for workers. In addition, councils have autonomy to determine how best to use the vast majority of funding provided through the Local Government Settlement, including £253 million of fully flexible new money to be provided in 2026-27, as well as all locally-raised income to respond to local priorities.

Integration Joint Boards

The integration of health and social care has been a significant reform aimed at improving outcomes for individuals and it is important to recognise COSLA's reflections on the overall success of health boards and councils working together. However, the Scottish Government understands that there is always room for improvement, and we continue to work closely with local partners to bring about the conditions for change.

The Scottish Government recognises the importance of modernising the technology and infrastructure that is in use across the health and care sector to support integration. The Care Reform (Scotland) Act 2025 places a duty on Scottish Ministers to introduce a Digital Health and Care record. This will ensure that health and social care information can be shared securely and efficiently amongst providers of health and social care services to support better delivery of integrated care and improve outcomes for people.

In addition to modernising technology, it is key to improve the quality and interoperability of the data held within systems to achieve better integration of services. The Act also allows Ministers to mandate information standards and

establish an information sharing scheme for health and social care. The introduction of mandatory data standards will improve interoperability of data across the sector to ensure that information can be shared and made available to those who need it when they need it in a seamless manner.

Further, it is right that people with lived experience can provide their insights into the challenges and opportunities that should be considered during Integration Joint Board planning. Regulations laid by the Minister for Social Care and Mental Wellbeing on 19 December will extend voting rights to unpaid carers, service users and third sector representatives from September 2026. The Scottish Government expects this to support more inclusive and collaborative decision-making.

Public engagement

The Scottish Government recognises the importance of increasing public understanding of the financial situation and is committed to supporting the participation of communities in local decision-making. We are working closely with partners in Local Government through the Local Governance Review to identify ways that people can be engaged more effectively in decisions that matter most to them, including in public spending decisions.

The Scottish Government also continues to work with COSLA to help councils reach the target of having at least 1% of their budget subject to participatory budgeting and to move towards applying participatory approaches to setting of mainstream budgets. Since 2020/21 over £550 million of council funding has been spent through participatory processes, with over 450,000 people participating. More widely, through the Democracy Matters process, we will publish a blueprint for community decision-making before the end of the parliament.

Further, while it remains the responsibility of each individual council to determine how best to engage with local communities, the Scottish Government is supporting Fife Council and the Electoral Reform Society's citizens' assembly pilot in Dunfermline. This will help us to better understand how to practically implement approaches that build knowledge and understanding within communities of local democratic processes.

I hope that you find this response helpful and I look forward to further engagement with the committee on these important issues.

Yours sincerely,

SHONA ROBISON
Cabinet Secretary for Finance and Local Government