

Local Government, Housing and Planning Committee
Tuesday 28 October 2025
27th 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—
- [Letter from the Accounts Commission](#)
 - [Letter from the Improvement Service](#)
7. The Committee also wrote to the [Educational Institute of Scotland](#) and [GMB Union](#).
- Letter from the [Educational Institute of Scotland](#)
8. On 9 September, the Committee heard from—
- 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. The Official Report of this meeting is available at the following link:
- [Official Report of Local Government, Housing and Planning Committee meeting 9 September 2025](#)
10. On 16 September, the Committee heard from—
- Derek Yule, Commission Member, Accounts Commission;
 - Andrew Burns, Deputy Chair, Accounts Commission;
 - Blyth Deans, Audit Director, Audit Scotland; and
 - Martin McLauchlan, Senior Manager, Performance Audit and Best Value, Audit Scotland
11. The Official Report of this meeting is available at the following link:
- [Official Report of Local Government, Housing and Planning Committee meeting 16 September 2025](#)

12. On 23 September, the Committee heard from:

- John Mooney, Regional Organiser, UNISON Scotland; and
- Maureen Dickson, Regional Organiser, UNISON Scotland.

The Official Report of this meeting is available at the following link:

- [Official Report of Local Government, Housing and Planning Committee meeting 23 September 2025](#)

This meeting

13. At the meeting on 28 October, the Committee will take evidence from two panels of witnesses:

Panel 1

- Councillor Katie Hagmann, Resources Spokesperson, COSLA;
- Councillor Steven Heddle, Vice President, COSLA;
- Jonathan Belford, Chief Finance Officer, Aberdeen City Council and Chair, Directors of Finance, Chartered Institute of Public Finance and Accountancy (CIPFA); and
- Alan Russell, Chief Executive of Renfrewshire Council, Solace.

Panel 2

- Shona Robison, Cabinet Secretary for Finance and Local Government;
- Andrew Connal, Local Government Pay and Workforce Lead; and
- Ellen Leaver, Acting Director for Local Government, Scottish Government.

14. A SPICe briefing for the meeting is included at **Annexe A**.

Next steps

15. The Committee will present conclusions and recommendations from its pre-budget scrutiny to the Scottish Government.

Clerks to the Committee
September 2025

Annexe – SPICe Briefing



Pre-budget scrutiny 2026-27 –COSLA and Cabinet Secretary for Finance and Local Government

The Committee will hear from two separate panels, the first with COSLA and the second with the Cabinet Secretary for Finance and Local Government.

Key areas of the Committee’s pre-Budget scrutiny

The Committee agreed to explore the following questions and themes during its pre-Budget scrutiny:

- 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?

Members are reminded that 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”. How will the forthcoming Scottish Budget help achieve this ambition?

SPICe compiled [a briefing of recent budget trends and policy developments](#) in September.

Summary of previous sessions

The Committee has held three pre-budget scrutiny sessions so far:

1. Session with 5 council chief executives
2. Session with the Accounts Commission
3. Session with Unison, the largest trade union in local government.

Session with council chief executives

On 9 September, the Committee [heard from five council chief executives](#) representing local authorities from across the country. Some of the key points discussed include the following:

Budget challenges

- Councils such as the Western Isles have seen significant reductions to their revenue budgets over recent years due to the funding formula.
- Indicators used in the funding formula do not fully reflect levels of demand in some local authority areas.
- Funding from the Scottish Government is not flexible (despite reductions in ring-fencing) as there are restrictions on the use of “general” funding.
- This reduces councils’ autonomy and ability to be creative.
- Not having multi-year budgets is a major issue at a time of falling revenues.
- Having single-year allocations does not encourage strategic thinking, it encourages entrenchment and “keeping going”.
- There is a perception that there is no room for investment in prevention because of the financial pressures of social care. Indeed, other services are being cut to pay for increased demands in the area of social care.
- Pressure of social care is the key factor in terms of long-term sustainability.
- Despite Perth & Kinross Council increasing its Integrated Joint Board (IJB) budget by 3%, the council saw an 11% increase in demand for care at home and a 21% increase in the cost of learning disability services over the year.
- Perth & Kinross raised the issue of prioritisation and demand. Councils may not be making decisions which prioritise longer-term aims such as poverty, climate change, public service reform and economic growth.
- There is often no capacity within councils’ finances to invest in prevention and early intervention.
- When it comes to workforce savings, Comhairle nan Eilean Siar reported there is now “no fat” left - “these are the efficiency savings which have gone”.

- There are already considerable pressures in areas of recruitment and retention and an aging workforce.

Transformation

- Public service reform, for example shared services and delivering in a different way, will make a big difference.
- To deliver transformation, councils need a trained, motivated and skilled workforce.
- Many councils are already in “the transformation space” and witnesses described various examples in their authorities.
- Many have been pursuing partnership and collaborative approaches, especially the smaller local authorities.
- Some of the savings arising from IJB efforts benefit the NHS whilst councils often bear the costs. What is the benefit to councils?
- Perth & Kinross highlighted examples of councils working with communities so that they take on, deliver and own services.
- There are opportunities in the digital space, for example through Artificial Intelligence (AI).
- The Chief Executive of Clackmannanshire told the Committee that “at the same times as councils are transforming and reforming, auditors and inspectors need to be in the same space”. Some of the traditional skill sets of auditors might not be relevant in terms of evaluating new and complex models.

Invest to Save Fund

- The Invest to Save Fund has been welcomed by local government. However, it was “very rushed” and “came out of the blue for local government”.
- There was a three-week turnaround and it then took a long time to receive feedback after applications were assessed.
- It seems counter-intuitive to have £6 million ring-fenced for local government when the Scottish Government is looking for genuine public sector reform (which involves the whole public sector).
- A more commissioned approach aligned with the Public Sector Reform Strategy, with more opportunity to work collaboratively, would be welcomed.
- Any future Invest to Save Fund needs to be flexible and agile. There needs to be lots of learning from this first round.

Session with Unison

On the 23 September, the Committee [heard evidence from two regional organisers from Unison](#), the largest local authority trade union. Some of the key points discussed include the following:

Budget issues

- Multiyear funding would be a very welcome way forward for councils, giving local authorities a chance to do a level of strategic planning.
- Councils are “losing services across the country” because of cuts to local government over the years.
- There is a perception that councillors are being elected to make cuts.
- Local government has fallen well behind other areas when it comes to funding.
- Council spending is still very much education and social care based.
- There is a competitive jobs market and people are choosing not to work for local authorities, especially in the lower paid roles, such as in social care.
- Social care is “a ticking time bomb”. The demand for social care will only get greater.
- Councils rely more and more on the third sector to deliver social care.
- We have gone past the point at which we can continue to take money out of local government. The so-called “fat on the bone” in local government has been removed—the back-room services have already been cut.

Public dissatisfaction

- There are high expectations of council services, but the funding isn’t available to allow councils to meet these.
- The general dissatisfaction with council services is “dangerous”.
- It leads to a lack of trust in public services in general and “that plays a part in some of the protests that we have been seeing on our streets in recent weeks”.
- There are low levels of understanding of exactly how council funding works.

Workforce issues

- Sickness absence levels have increased. This is not just due to what is going on in the workplace: external factors such as the cost of living crisis are also having an impact.
- The four-day working week in local government was discussed, with Unison highlighting the positives of trials.
- Local government budgets have been reducing for many years, so there are fewer workers in some service areas but greater service user expectations.
- We need to make jobs in local government attractive to the younger generation.
- Quite often agency staff are used to cover staff shortages in some areas.
- Unison argues that the money paid for agency staff “will prop up a private business somewhere, because the real money that you pay—the real hourly rate—will not go to the practitioner”.

Local and national government relations

- Partnership works better if both sides are equal, and Unison does not think that that has quite been achieved yet.
- Unison negotiates with COSLA during local government pay talks. But they can go only so far in their conversations with COSLA, “because, if it does not have the money, it has to go to the Scottish Government, so the balance is not quite as it should be”.

Public service reform

- “Transformation” to many Unison members means “there is a chance they will be facing cuts, their ability to do their job will be directly impacted”.
- Quite often, “transformation” is looked at suspiciously, “because of what the end result always is”.
- It is rare in local government that transformation is about things getting better for the sake of getting better; instead, it is all about needing to save money.
- Unison is concerned about an overreliance on Artificial Intelligence (AI).
- AI is no substitute for an experienced back-room member of staff who carries out tasks such as reviewing cases and ensuring that people get paid on time.
- People like to communicate and deal with other people, and by using AI, local government might disenfranchise a large section of the population.

- If councils take away some back-room services that enable front-line delivery, those tasks still have to be done, so they get passed to front-line personnel.
- The cost of reform is important to consider. Unison members find it difficult when millions of pounds get spent looking at reform, and what you get is not the right solution.
- All too often in local government, a lot of money is spent on a system but there are then issues and problems for users.
- Witnesses stressed the importance of local government working together with its workforce when transformation is being considered and developed.
- Unison is concerned that they are not always involved in every level of transformation talks.
- Integration and community planning partnerships are not working as was envisaged by the Scottish Parliament.
- Local government as an organisation and the NHS as an organisation may not have “a true understanding of what each other does”.

Recent Accounts Commission reports

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”. Barriers to reform 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”.

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

There are some instances of good practice, for example Dundee City Council which has undertaken a lengthy transformational programme, which is 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”.

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 concerns/frustrations at the pace of change.

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.
- 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.
- 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.
- 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 in this area.
- 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.

Section 102 report on Glasgow City Council

In September, the Commission published its findings on the processes, decisions and actions that enabled five senior Glasgow City Council officers to take significant early retirement and redundancy payouts between 2021 and 2024. They concluded that these “fell short of the behaviour and standards expected of public servants”. The Commission was particularly concerned about the absence of independent scrutiny from councillors:

“The restructure report should have been the subject of elected member input, rather than being approved solely by officers, particularly as the officers who were involved in approving it also benefitted from its terms by being proposed for early retirement/severance packages. No evidence was found [by the Commission] that elected members were asked to approve the report or individual applications for severance/retirement. There was also no evidence that elected members had any knowledge of the details of the departures prior to the publication of the remuneration report as part of the unaudited annual accounts for 2023/24.”

The Scottish Government's Invest to Save Fund

In January, the Cabinet Secretary for Finance and Local Government was asked about public service reform specifically relating to the 2025-26 Budget. She emphasised that “it is for local government to decide how it utilises its resources”

whilst reiterating the Government and COSLA's joint commitment on the need for reform.

The Cabinet Secretary also highlighted the Invest to Save Fund announced in the Budget. This is a £30 million fund supporting efforts “to catalyse efficiency, effectiveness and productivity projects” as part of the Government’s wider public service reform programme. The Cabinet Secretary told the Committee:

“You will be aware that we have established an invest to save fund and have provided up to £30 million for it. I have not said that local government’s share of the fund is £X, but I encourage local government to make proposals. We want proposals that will maximise the return on investment and that represent fundamental game-changing reforms that will make a difference to the way in which local services are provided.”

Around £6 million of the £30 million has been allocated to local government and the fund is initially provided on a one-year basis. The “principal”, i.e. the original amount allocated to a council, will be returned to the Scottish Government to allow further investment in future years. It therefore operates as “a repayable grant”. The funding is only available to support resource improvements and is not to be used for capital projects.

The “principal” will be paid back using the savings made and will create “a cyclical fund for future years”. Full savings may not be generated immediately and so recovering the principal immediately may not be achievable. The Scottish Government therefore proposes that “principals” are paid back in instalments from future savings.

An [FOI was submitted](#) to the Scottish Government on 12 May requesting information on applications made to the Invest to Save fund. The Government’s response contained a list of organisations who have submitted bids, including the following:

- Aberdeen City Council
- Clackmannanshire and Falkirk Council
- Clackmannanshire Council
- Combined Councils bid
- Dumfries and Galloway Council
- Glasgow City Council
- Perth & Kinross Council (6)

Details of proposals were included in a further FOI answered by the Scottish Government in August: [Invest to Save Fund proposals: FOI release - gov.scot](#).

The May FOI response stresses that the final decision on successful bids has not yet been agreed: “this information will be published when this decision has been made”.

An assessment board with a mix of Government and other public sector members have now assessed the bids.

On the 9 July, the Leader of Comhairle nan Eilean Siar [announced that the Council](#) had been awarded £300,000 from the Invest to Save Fund. This will “allow the Comhairle to take forward its work on the Single Authority Model (SAM), to develop working models as to how a SAM would work and to engage on the detail of these models with our Community Planning partners and the wider public”.

Council Tax reform

In the recent Unison session, witnesses spoke about the need for reforming council tax and how it has been discussed for the past 15 years. Unison would welcome reform, “as long as those who can afford to pay more do pay more”.

Members may be interested in following up on the [Committee’s extensive work on Council Tax](#) earlier this year. The [Committee received a response from the Scottish Government](#) to its inquiry report in June.

During an [evidence session in March](#), COSLA and the Scottish Government discussed a joint programme for engagement on council tax. The Scottish Government’s [Fiscal Sustainability Delivery Plan](#), published in June, included the following timetable:

- July to September 2025: IFS Analysis and Modelling (publication is imminent)
- October to December 2025: Consultation launch, Town-halls, Expert roundtables
- January to March 2026: Analysis of engagement

The SG also confirmed that “insights gathered from this work will inform a Scottish Parliament debate scheduled for early 2026, laying the groundwork for reform proposals in the next parliamentary term”.

Publication of the Fiscal Framework document

A [Fiscal Framework between the Scottish Government and local government](#) was published on the 10 October. Both the SG and COSLA agree “that the Framework should be viewed as an evolving document that will develop over time”.

The document sets out provisions relating to:

- Principles
- Roles and scope
- Engagement
- Local Taxation and Fiscal Flexibilities

- Multi-year Allocations
- Forward Work Plan

It is worth noting that the Scottish Government [wrote to the Committee in May](#) expressing some frustration at the slow progress being made towards agreeing a Fiscal Framework, particularly in relation to “a rules-based funding arrangement”:

“It was clear from the outset that such an arrangement would be hugely complex ... Reflecting this complexity, and in the spirit of partnership, I agreed to provide COSLA with specialist Civil Service support from those most familiar with the budget process to progress preliminary exploratory work on a rules-based arrangement on a without-prejudice basis.

Experience gathered alongside those exploratory considerations during the 2025-26 Budget process identified unacceptable financial and operational risks both to Scottish Government and to Local Authorities. As a result, notwithstanding the fact that a rules-based arrangement does not contribute in any way to the principles set down in the ‘robust fiscal framework’ agreed in the Verity House Agreement, I have now instructed my officials to prioritise meaningful budget engagement over further exploration.

I believe that the opportunity cost to meaningful budget engagement of an academic exercise to further explore the operation of a rules-based framework is too great, particularly when the evidence already indicates that such an arrangement would be unworkable and unsustainable”.

There are no details of “rules-based funding arrangements” in the recently published document. Instead, it “codifies current good practice”.

Consultation on a general power of competence

As part of discussions around a fiscal framework, the Scottish Government and COSLA have sought to clarify what additional powers local government would wish to use in the future.

Currently, local authorities in Scotland can only do those things which statute empowers them to do. Anything else could be considered *ultra vires* (i.e. beyond their powers). This is in contrast to the general power of competence (GPC) enjoyed by local authorities in other parts of the UK.

After representations from COSLA and individual councils, [the Scottish Government launched a consultation](#) on a general power of competence (GPC) in January 2025. An [analysis of consultation responses](#) was published in June with Scottish Government officials concluding that “the consultation elicited a wide range of views and did not ultimately deliver a definitive preference for the next steps”.

Those in favour of a GPC, mostly local authorities and some professional stakeholders, argue that the:

“...adherence to the ultra vires principle, that councils may do only what they are specifically permitted to do in law, was frequently highlighted as a barrier to innovation.”

In its submission to the Scottish Government consultation, the [Local Government Information Unit](#) states that legislative restrictions on councils may act as “an obstacle to councils’ ability to deliver innovative services, work across boundaries, deal with inequality, support local communities, address market failure or drive inclusive growth or generate income”.

The [Highland Council in its submission](#) acknowledges that “councils need to transform” and this would be “greatly assisted if permissive and consolidated legislation was enacted to encourage and support potential solutions to the severe challenges to our sustainability”.

Greig Liddell, SPICe Research

23 October 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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