

News release on behalf of the Accounts Commission

Embargoed until 00:01 hours, Thursday, 12 January 2023

Scotland's councils face mounting financial challenges

Councils across Scotland faced significant financial challenges during 2021/22 and are now entering the most difficult budget setting context seen for many years. Increasingly difficult choices about spending priorities will need to be made.

The Accounts Commission, the independent body that holds councils to account, said that even with additional Covid-19 funding during 2021-22, councils had to make significant savings last year to balance their budgets. Many councils have also used reserves to bridge funding gaps and fund vital services. This is expected to be the case in 2022/23. The £570 million of additional funding for 2023/24, announced in the December budget, will help councils address upcoming cost challenges, but further change and reform across all councils is required to ensure longer-term financial sustainability.

When compared to the 2013/14 Scottish Government revenue funding position to local government, 2021-22 represented the first real-terms increase in six years (excluding one-off Covid-19 money). But an increasing amount of council funding is either formally ringfenced or provided on the expectation it will be spent on specific services and national policy objectives. This supports the delivery of key Scottish Government policies yet removes local discretion and flexibility over how these funds can be used by councils.

William Moyes, Chair of the Accounts Commission said: "It's clear the financial situation of councils is increasingly fragile. Councils are having to deal with the effects of inflation, the increasingly desperate cost of living impacts and rising demand for services, whilst at the same time delivering vital day to day services to their communities.

To be financially sustainable, councils must deliver savings and reduce reliance on non-recurring reserves to fill budget gaps. If they are to find a safe path through the difficult times ahead, councils need to focus more on service reform, alongside meaningful engagement with their communities, about what services can be provided given the financial pressures they are facing."

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Notes to Editor:

1. Audit Scotland has prepared this report for the Accounts Commission. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk:

- The Accounts Commission holds councils and other local government bodies in Scotland to account and helps them improve by reporting to the public on their performance. We operate impartially and independently of councils and of the Scottish Government
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.