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News release

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A long-term view on public spending is needed to protect services

Public bodies have coped well so far with reduced budgets but need to focus more on priorities and develop longer-term financial plans.

Scotland's public finances: Progress in meeting the challenges, published today by the Auditor General for Scotland and the Accounts Commission, provides an update on the financial position in the public sector.

The report is aimed at supporting those leading and managing public services in making increasingly difficult choices about how to make best use of the money that is available. Alongside the report, Audit Scotland has published checklists designed to help non-executive directors and councillors with their crucial role in budget-setting and financial planning.

Faced with considerable and ongoing financial challenges, public bodies' main method of lowering spend was to reduce staff costs but this is not sustainable. Longer-term spending plans focusing on priorities and risks must be created to assess spending needs and options and their implications for affordability.

Increasing demand from an ageing and expanding population will continue to put considerable pressures on public bodies. Rises in energy prices, and a need to maintain 'fit-for-purpose' facilities such as hospitals and schools, also have to be considered against a backdrop of further budget reductions.

Auditor General for Scotland, Caroline Gardner, said: "With further pressures expected and the demand for services increasing, public bodies need to look again at how they set budgets and focus on their priorities.

"There is a clear need for effective longer-term financial plans which identify potential risks and to ensure spending decisions are affordable."

Accounts Commission chair, Douglas Sinclair, said: "Public bodies cannot afford to take a short-term approach to spending if they are going to protect services.

"It's crucial that councillors, and others who approve budgets, get the information they need to make informed decisions about how best to use the money that is available. The checklists aim to help those involved ask key questions about the approach to dealing with continuing financial pressures."

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Notes to editors

1. This report is a follow-up of our 2011 report *Scotland's public finances: Addressing the challenges*. It provides a high-level summary of the main themes arising from local audit work carried out during 2013. The report is aimed at public bodies that include councils, NHS boards and central government bodies such as executive agencies and non-departmental public bodies. The report

does not cover the Scottish Parliamentary process for approving the Scottish Government's overall budget although the messages should be considered by all organisations that are responsible for spending public money.

2. The Scottish budget has fallen nine per cent from £31.9 billion in 2009/10 to £28.9 billion in 2014/15 and is expected to reduce further. Looking ahead, the Scottish Government has outlined spending levels for 2015/16 in its draft budget. The overall Departmental Expenditure Limit budget will fall slightly, by £0.1 billion (0.4 per cent) to £28.8 billion. Within this, the revenue budget will reduce by £0.4 billion (two per cent) to £25.6 billion, whereas the capital budget will increase by ten per cent from £2.9 billion to £3.2 billion.
3. The public sector workforce reduced by 26,600 (whole-time equivalent - seven per cent) to 373,400 between 2009 and 2013/14. In our report, *Scotland's public sector workforce*, we estimated that staff costs across councils, the NHS, and central government, reduced by a total of £1 billion (eight per cent) to £12.7 billion between 2009/10 and 2011/12. This was achieved using voluntary early release schemes and transferring almost 10,000 WTE staff to Arms length external organisations (ALEOs) and organisations outside the public sector.
4. All Audit Scotland reports published since 2000 can be found on Audit Scotland's website www.audit-scotland.gov.uk
5. Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. Audit Scotland has prepared this report jointly for the Auditor General for Scotland and the Accounts Commission for Scotland.
6. The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament.
7. The Accounts Commission is the public spending watchdog for local government. It holds councils and various joint boards and committees in Scotland to account and help them improve. It operates impartially and independently of councils and of the Scottish Government, and meets and reports in public.