

News release

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Council finances increased in 2019/20, but Covid-19 will intensify pressures

Funding received by councils from the Scottish Government increased by £500 million in 2019/20. But Covid-19 will drive large rises in costs and spending, combined with falling income.

Local councils have, however, seen greater reductions in funding over the last seven years than other areas of the Scottish Government budget.

An overview of local government finances in Scotland, published today by the Accounts Commission, reports that councils received higher revenue and capital funding than in previous years and many were able to increase their financial reserves. However much of the additional funding councils received from the Scottish Government must be used for specific purposes, including over £200 million for expanding early learning and childcare. And capital finance funding will drop by 30 per cent in 2020/21.

Looking ahead, Scotland's councils face significant additional pressures due to Covid-19. This includes substantial and ongoing reductions in income, increased costs and the administration of business support grants and other measures of support to their communities during Covid-19.

The Commission has also repeated its serious concerns about the financial stability and leadership of Integration Joint Boards (IJBs), the bodies set-up to manage local health and social care services. Most IJBs couldn't deliver services within their budgets and needed extra money from health boards and councils. There were also changes of chief officer in 12 IJBs, and this leadership instability makes it harder to manage both finances and the major changes needed in health and social care.

Elma Murray, Interim Chair of the Accounts Commission, said: "Councils and Integration Joint Boards play a vital role in supporting Scotland's communities. Even before Covid-19 the pressures and demands on council services had intensified. At the same time reductions in local government funding over the past seven years have been greater than in other areas of the Scottish Government budget.

"Covid-19 has fundamentally affected local government services, increasing their reliance on working with their partners and communities. The financial impact of the pandemic on our public services is extreme and creates increased uncertainty of how those services will be provided in the future. Good governance, strong financial management and transparency of decision making will be critical as councils and IJBs deal with the impact and consequences of the pandemic."

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Notes to editors

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 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
- 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.