

News release

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Scotland's councils face a financially uncertain future

Scotland's councils have increased reserves over the last year but must address the impacts of an overall reduction in funding and ongoing challenges caused by Covid-19.

An overview of local government finances in Scotland 2020/21, published today by the Accounts Commission, captures the full-year impact of Covid-19. Whilst councils' total funding and income increased by £1.8 billion (10 per cent) in 2020/21, this was mainly the result of additional Scottish Government Covid-19 funding of £1.5 billion. Excluding this councils have seen funding reduce, in real terms, by 4.2 per cent since 2013/14, with increasing amounts of funding ring-fenced to meet Scottish Government priorities.

Whilst council reserves increased considerably, mainly due to late Covid-19 funding from the Scottish Government, this is committed to Covid-19 recovery. Other elements of councils' reserves are earmarked for economic recovery, transformation projects and, in some cases, balancing budgets. This limits councils' flexibility to respond to unforeseen challenges in the future.

The long-term funding position for councils remains uncertain. There are significant challenges ahead as councils continue to respond to the impacts of Covid-19 on services, finances and communities. Councils must also address cost and demand pressures pre-dating Covid-19, as well as develop long-term plans with partners to address complex issues. This includes addressing child poverty, inequalities, improving economic growth and delivering Scotland's net Zero ambitions.

William Moyes, Chair of the Accounts Commission said: "Councils face serious challenges, driven by financial constraints, increasing demands on service and resource. Alongside these longer-term issues are the financial uncertainties caused by the impacts of Covid-19, including loss of income and additional costs.

Now, as we look ahead and beyond council elections in May, councillors must determine how to restart services, deliver differently, save money and empower communities. They must do so alongside focusing on national priorities, including climate change. Whilst councils must address longer-term financial planning, having in place funding certainty, beyond a one-year settlement from the Scottish Government, remains a critical issue."

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Notes to editors

1. All reports by the Accounts Commission and the Auditor General for Scotland 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.

2. The work for this audit was done during the current Covid-19 emergency. The Commission recognises the significant pressures under which local government finds itself in this current situation. Equally the Commission is of the firm view that the principles of sound financial management, good governance, public accountability and transparency remain vital.