

News release on behalf of the Accounts Commission - reporting independently on the performance of local government in Scotland.

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Financial pressures push councils to make hard decisions about service cuts

Scotland's councils are managing their money effectively, increasing reserves, with longer-term financial plans in place. Whilst no council was at immediate financial risk in 2022/23, there is no certainty this will continue. This makes an agreement between the Scottish Government and councils to secure a sustainable, longer-term funding arrangement to deliver local services all the more urgent.

Effective financial management within councils is crucial as budget gaps increase. Councils continue to rely on savings and reserves to balance budgets. Over half of councils used financial flexibilities in 2022/23. This helps with immediate budget pressures but defers costs to later years and fails to tackle underlying challenges to financial sustainability.

The Accounts Commission's latest report assesses the financial position of Scotland's councils during 2022/23 and the outlook for services beyond this. While councils received more funding and income in cash terms in 2022/23, high inflation means this fell by nearly three per cent in real terms compared to the previous year. A significant and increasing amount of funding continued to be either formally ringfenced or directed towards specific services and national policy objectives – reducing councils' flexibility in using money to meet local needs.

Despite more core funding from the Scottish Government for 2023/24, there was a significant increase in councils' total funding gap, due to pressures including increased demand for services, inflation and the cost-of-living. Capital budgets were also significantly strained, risking knock-on impacts on the maintenance of key public buildings and infrastructure, for example schools, libraries and roads.

Councils recognise the risks ahead, but they need to innovate at pace and make difficult decisions about cuts to services to remain financially sustainable. Some councils have experienced opposition from within their communities when seeking to reduce services to balance budgets. This reinforces the need for frank consultation and engagement with communities when planning change.

Ronnie Hinds, Interim Chair of the Accounts Commission said:

"There is intensifying pressures on council finances and services. Given the funding position for councils, there is increasing reliance on reserves and savings to deliver balanced budgets. This means councils are already making difficult decisions about future service delivery and the level of service they can afford. Having leadership and a workforce with the right skills will be crucial to deliver on this.

"Local government is the second largest area of Scottish Government spending, but despite rising demand for services, the proportion of funding to councils has reduced over the last decade. Urgent progress is needed to agree a funding framework between Scottish and Local Government. This will bring much-needed clarity and certainty of budgets for future years."

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Notes to Editor:

1. Previous Local Government Overview reports can be found on the [Accounts Commission website](#).
2. The Accounts Commission holds councils and local government bodies in Scotland to account and helps them improve. It operates impartially and independently of councils and of the Scottish Government and meets and reports in public.
3. 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.
4. All reports by the Accounts Commission and Auditor Scotland published since 2000 are available on the [Audit Scotland website](#).