



Audit Scotland report:

Local government in Scotland – Financial overview 2017/18

Committee Audit and Standards

Date of meeting 22 February 2019

Date of report 3 December 2018

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the issue of an Audit Scotland report titled '*Local government in Scotland: Financial overview 2017/18*'.

2. Background

Audit Scotland report

In November 2018, Audit Scotland published a report titled '*Local government in Scotland – Financial overview 2017/18*'.

The Accounts Commission says that Scotland's 32 councils have managed budgets well over the last year but face a difficult time ahead.

The report says increasing demand for the wide range of services councils deliver to local communities has to be met against tightening budgets as well as uncertainty from external factors such as EU withdrawal.

The report says that one of the most significant issues for councils continues to be resources. In 2017/18, funding from the Scottish Government reduced by 2.3 per cent in real terms. This reduction was largely offset by increases in council tax and councils' fee income, with most councils applying the maximum three per cent increase to council tax.

The report adds that the forecast trend is for further reductions in funding in the medium term. Pressure therefore remains on councils to make further savings and find ways to meet service demand more efficiently and effectively. The report found that in 2017/18:

- councils used savings and reserves to manage budgeted funding gaps of 4 per cent;
- 24 increased council tax. In the current year (2018/19) all 32 have done this;
- overall rises in spending on education and social work were offset by reductions in other services.

The report and supplement can be found at:

<http://www.audit-scotland.gov.uk/news/councils-holding-up-but-financial-pressures-continue>

3. Outline of findings

Councils in the Partnership area fund SPT's revenue budgets.

Key messages in the Audit Scotland report

The key messages outlined in the Audit Scotland report are:

- Councils depend on Scottish Government funding for a significant part of their income. Scottish Government revenue funding to councils reduced in 2017/18, in cash terms by 0.6 per cent (£0.06 billion) and in real terms, by 2.3 per cent (£0.22 billion). Council tax increases and increased fees and charges were used by councils to increase overall budgets by £0.3 billion (cash terms);
- In 2017/18, councils managed funding gaps of four per cent in their net expenditure budgets of £12 billion, mainly through savings and planned use of reserves. Councils are under pressure to find different ways to fund and deliver services. In 2017/18, 24 councils increased council tax, whereas in 2018/19, all councils increased council tax;
- eighteen councils ended 2017/18 with lower levels of usable reserves than they had at the start of the year. Total usable reserves fell by £18 million, a relatively small amount;
- funding to the Integration Joint Boards (IJBs) increased in 2017/18 by three per cent in cash terms (1.4 per cent in real terms), including additional funding from the NHS. The majority of IJBs have underlying financial sustainability issues, with 20 incurring deficits or dependent on additional ('deficit') funding from their partners;
- the financial outlook is for reductions in Scottish Government revenue funding to councils. This will mean continued and increasing financial pressures on council services, especially those that are not protected;
- the impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks.

4. Conclusions

Councils in the Partnership area fund SPT's revenue budgets.

Audit Scotland published a report titled '*Local government in Scotland: Financial overview 2017/18*'.

5. Committee action

The committee is asked to note the contents of this report and the Audit Scotland report titled '*Local government in Scotland: Financial overview 2017/18*'.

6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Social Inclusion consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>

Name Valerie Davidson

Name Gordon Maclennan

Title **Assistant Chief Executive**

Title **Chief Executive**

For further information, please contact Iain McNicol, Audit and Assurance Manager on 0141 333 3195.