

## Audit Scotland briefing: Local Government budgets 2024/25

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**Date of meeting** 14 June 2024

**Date of report** 15 May 2024

### Report by Chief Executive

#### 1. Object of report

To advise the committee on the issue of an Audit Scotland report titled '*Local Government budgets 2024/25*' and outline the key messages and implications for SPT contained therein. Members are reminded that the full report was emailed separately.

#### 2. Background to report

Audit Scotland has published a report titled '*Local Government budgets 2024/25*'.

The report says that Scotland's councils face severe challenges to balance the books. Scotland's councils faced a collective gap of up to £585 million between the money needed to deliver services and the money available when setting their budgets this year. This is estimated to increase to £780 million by 2026/27. Ever tougher decisions must be made to ensure councils are financially sustainable. The report adds that Councils are addressing this most commonly by making ongoing savings, using reserves, and raising money through charging citizens for some services.

The Accounts Commission's latest report on the budgets set by councils for 2024/25 says that a near six per cent increase in Scottish Government revenue funding to councils totalling £13.25 billion masks significant underlying financial challenges and strain. Almost all the increases in funding have been ring-fenced for policies and to cover the costs of pay increases in 2023/24.

The report adds that the full impact of proposed savings by councils on service delivery and communities is unclear. There has been significant public opposition in some council areas to cuts to services, with new and increased charges also affecting people.

The report concludes that Councils must look to the future as they make increasingly difficult decisions to deliver savings, at scale, to address projected budget gaps. Planning and delivering on transformational change are vital if councils are to be financially sustainable.

The Audit Scotland report can be found at:

<https://audit.scot/publications/local-government-budgets-202425>

#### 3. Outline of findings

The report outlines the following key messages:

1. In real terms, the 2024/25 Scottish Budget allocation of total revenue funding to local government has increased by 5.7 per cent, however funding remains constrained as most of the increase is directed funding to deliver Scottish Government priorities and agreed pay deals. Most councils were proposing to increase their budgets by raising council tax rates for 2024/25 but in October 2023 the Scottish Government announced a council tax freeze. Although the Scottish Budget included £144 million to 'fully fund' a five per cent increase in council tax, and an additional £63 million was offered in February 2024, 11 councils said the funding provided would not 'fully fund' the freeze.
2. At the time of setting budgets, councils identified a difference of at least £585 million between their anticipated expenditure and the funding and income they expect to receive (the 'budget gap') for 2024/25, representing an estimated 3.5 per cent of councils' total revenue budget. Councils agreed a range of actions to close these gaps, most commonly the use of recurring savings and reserves. Councils are also budgeting for an increase in the income generated through fees and charges, although overall this is a below inflationary increase.
3. Councils have had to make difficult budget setting decisions for 2024/25, and most worked with their communities to inform or consult on the challenges faced. Some councils changed proposed savings measures in response to public opposition. It will be important for councils to deliver their planned savings in 2024/25 given the significant challenges they face in balancing their budgets in subsequent years. Councils are facing an estimated cumulative budget gap of £780 million by 2026/27 which represents five per cent of councils' revenue budget.
4. Budget setting processes vary across councils, partly reflecting differences in organisational structures and local priorities. However, this makes it difficult to compare information across Scotland. Even within individual councils, the way in which budget papers are presented means that elected members and communities cannot easily determine the impact of budget decisions nor the overall financial position of the council, highlighting a need to improve accessibility and transparency.

The Accounts Commission expectations are:

The Commission recognises that there will continue to be variation in the way that councils present budget information to elected members and the public. This is influenced by political and organisational structure, established custom and practice and the role of decision-making committees and budget scrutiny groups.

However, to enhance accessibility and transparency, the Commission expects councils to present some fundamental information within publicly available budget papers. This will help establish good practice in budget setting, allow for greater comparability between councils and provide auditors with the opportunity to assess the accessibility of the information presented. Information we expect to see set out clearly includes:

- the annual revenue budget, comprising funding and income, prior to savings and other 'bridging' actions;
- the associated budget gap, prior to 'bridging' actions such as savings and use of reserves;
- the savings plan, clearly setting out the split between recurring and non-recurring actions;
- projected revenue budget gaps, both annual and cumulative;
- the assumptions used in calculating projected budget gaps.

Implications from the Audit Scotland report key messages

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

SPT has and continues to face similar challenges as set out in the report.

The SPT revenue budget for 2024/25 was drafted taking account of SPT's and our partners priorities and planned spend to desired outcomes but also the current external environment which all public sector organisations have faced over recent years and into the future. The financial challenges continue and SPT continues to work to maintain a stable, sustainable financial position whilst delivering transport services and developments for the residents and businesses in the west of Scotland.

The impact of the removal in capital funding support from Transport Scotland in 2024/25 and potentially beyond will have a significant impact on SPT's ability to maintain its core assets and infrastructure and potentially delay or stop planned progress on transport initiatives in the SPT area. This could have a potential knock-on effect on SPT's revenue position. Due to this position and until ongoing discussions with Transport Scotland are concluded, SPT's Long Term Financial Strategy and Reverses Policy cannot be finalised at this time. It is proposed that these will be presented to a future Partnership.

SPT revenue budget paper for 2024/25 was presented to the Partnership at its meeting of 15 March 2024: [https://www.spt.co.uk/media/s5eirdma/p150324\\_agenda5.pdf](https://www.spt.co.uk/media/s5eirdma/p150324_agenda5.pdf)

SPT has and will continue to present budget information in accordance with the Accounts Commission expectations.

#### 4. Committee action

The Committee is asked to note the contents of this report and the Audit Scotland report titled '*Local Government budgets 2024/25*'.

#### 5. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>None.</i>
Climate Change, Adaptation & Carbon consequences	<i>None.</i>

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