

**Audit Scotland report:****Local government in Scotland – Financial overview 2019/20****Committee**      Audit and Standards**Date of meeting**    19 February 2021**Date of report**    26 January 2021**Report by Assistant Chief Executive****1. Object of report**

To advise the committee of the issue of an Audit Scotland report titled '*Local government in Scotland – Financial overview 2019/20*'.

**2. Background**

On 26 January 2021, Audit Scotland published a report titled '*Local government in Scotland Financial overview 2019/20*'. The report states that councils received higher revenue and capital funding in 2019/20 than in previous years and many were able to increase their financial reserves. However, the report also identifies that much of the additional funding councils received from the Scottish Government is earmarked for specific purposes, including over £200 million for expanding early learning and childcare. While reporting on the 2019/20 position, the report also highlights that capital finance funding for local authorities was reduced by 30 per cent in 2020/2021.

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

The report adds that looking ahead Scotland's councils face significant additional pressures due to Covid-19. This includes substantial and on-going reductions in income, increased costs and the administration of business support grants as well as other measures of support to their communities during the pandemic.

The report, circulated separately to members, can be found at:

<https://www.audit-scotland.gov.uk/report/local-government-in-scotland-financial-overview-201920>

### 3. Outline of findings

The key messages outlined in the '*Local government in Scotland – Financial overview 2019/20*' report on councils and pension funds are:

- Councils' funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget;
- Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare;
- Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings. More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20;
- Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20);
- The financial cost of Covid-19 on councils in 2020/2021 is estimated to be £767 million, with just over half due to lost income. Audit Scotland estimate that funding announced by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain;
- Councils' auditors reported wider medium-term financial implications of Covid-19.

#### SPT's response to the Audit Scotland report

Local authorities in the Partnership area fund SPT's revenue budgets, and therefore any financial stresses and pressures also impact on SPT.

SPT is a member of, and contributes to, the Strathclyde Pension Fund.

A report to the Partnership SPT has incurred substantial and on-going reductions of income due to the pandemic. This will have an impact on the financial stability of SPT.

**Note:** Capital programme, financial forecasts and revenue monitoring reports are presented to the Strategy & Programmes committee.

### 4. Conclusions

The Audit Scotland report titled '*Local government in Scotland – Financial overview 2019/20*' outlines an external view of the financial stability of local government in the SPT area and beyond. The financial stability of local government has implications for the continued delivery of services in the SPT area as the key funders. These financial pressures will continue throughout the pandemic and are reported separately to the Partnership.

## 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 2019/20*'.

## 6. 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>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.