

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

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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.

Councils are addressing this most commonly by making ongoing savings, using reserves and raising money through charging citizens for some services.

An Accounts Commission 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.

Whilst councils received £147 million of government funding to mitigate the impacts of this year's council tax freeze, there are longer-term financial consequences as future rises will provide less income for councils. Also, a third of councils say the government funding does not fully-fund the freeze.

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. We will continue to monitor this area closely, as councils must meet savings in full this year. Failing to do so will intensify and exacerbate the impacts on services in future years, as further savings will be needed.

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.

Derek Yule, Member of the Accounts Commission said:

"It's getting harder for councils to do more with less. They have to find and then deliver significant levels of savings to address budget gaps. Fully engaging with local people and being clear about the different and difficult budget choices is vital, whilst understanding the impacts on the most vulnerable.

"Councils need to improve the way in which they present financial information, and do this in a clear, consistent and accessible way. The Accounts Commission calls on councils to increase the accessibility and transparency of publicly available budget information. This will allow for

improved comparison between councils, particularly around key information including actions to tackle existing and future budget gaps, as well as savings plans.”

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Notes to Editor:

1. In January 2024 the Accounts Commission [published a report on the finances of Scottish councils in 2022/23](#), alongside consideration of the future budget position of councils.
2. In the 2024/25 Scottish budget, £144 million was allocated to compensate councils for the council tax freeze. This was later uplifted to £147 million. An additional £62.7 million was provided to councils following discussions between the Deputy First Minister and COSLA in February 2024. The extra funding comprises £45 million of Barnett consequential arisings from the UK Government providing additional funding for adult social care in England, with the remaining £17.7 million added to councils' general revenue grant by the Scottish Government.
3. Previous Local Government Overview reports can be found on the [Accounts Commission website](#).
4. 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.
5. 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.
6. All reports by the Accounts Commission and Auditor Scotland published since 2000 are available on the [Audit Scotland website](#).