

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead - Resources****Audit Committee: 20 March 2019**

**Subject: Accounts Commission Report: *Local government in Scotland
Financial overview 2017/18*****1. Purpose**

- 1.1** This report provides Members with information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.

2. Recommendation

- 2.1** It is recommended that Members consider:
- The attached report, along with the scrutiny tool for councillors contained at Appendix 2: and
 - Whether a future Elected Members' development session should take place in relation to this report.

3. Background

- 3.1** This report from the Accounts Commission is one of a series of such reports over the last few years and tells the strategic financial story for local government in Scotland in 2017/18. The report reflects a similar situation to last year as councils face an increasingly complex range of challenges and continuing pressure on finances. Challenges include increasing demand across many of the wide range of services councils deliver to local communities. Demand has to be met against tightening budgets in many service areas along with uncertainty stemming from external factors such as EU withdrawal.

4. Main Issues

- 4.1** This report provides a high-level independent analysis of the financial performance of councils during 2017/18 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils. It is one of two overview reports that the Accounts Commission publishes each year. The second report comments on the wider challenges and performance of councils. It will be published at the end of the financial year, in March 2019.
- 4.2** The report is intended to inform the public and its representatives. It is particularly aimed at elected members and senior council officers, and will be of significant interest to members who joined councils for the first time following the May 2017 elections. While the focus of the report

is on councils, it also provides some early information about Integration Joint Boards (IJBs), which are also local government bodies, following their first full year of operation in supporting health and social integration. A programme of audit work looking in more detail at health and social care integration and IJBs is under way.

4.3 The key messages of the 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;
- Overall increases in spending in Education and Social Work were offset by reductions in other services;
- 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; and
- The impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks.

4.4 Throughout, the report identifies examples of questions that councillors may wish to consider, to help with understanding their council's financial position and to scrutinise financial performance. As noted at paragraph 4 on page 8 of the report, the Accounts Commission encourages councillors to use an appropriate level of scepticism in

scrutiny and ensure they receive sufficient information to answer their questions fully. The questions are also available in Supplement 1: Scrutiny tool for councillors (see Appendix 2 to this report, and on the Audit Scotland website).

5. Personnel Implications

5.1 There are no personnel implications.

6. Financial and Procurement Implications

6.1 There are no direct financial or procurement implications arising from this report.

7. Risk Analysis

7.1 This report from the Accounts Commission provides Elected Members and Officers useful information of a financial nature.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Elected Members and Officers to pursue the five strategic priorities of the Council's Strategic Plan. This report informs the financial governance of the Council.

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Appendices: Appendix 1: Accounts Commission Report: *Local government in Scotland Financial overview 2017/18*
Appendix 2: Scrutiny tool for councillors

Background Papers: None

Wards Affected: N/A