

## WEST DUNBARTONSHIRE COUNCIL

### Report by Chief Officer - Resources

#### Audit and Performance Review Committee: 10 March 2021

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**Subject: The Accounts Commission Report: Financial Overview 2019/20**

#### **1. Purpose**

- 1.1 The report is to provide Members with information regarding a report recently published by the Accounts Commission.
- 1.2 The report provides the Accounts Commission's perspective on local government finances in Scotland

#### **2. Recommendations**

- 2.1 Members are asked to consider the report and issues identified therein.

#### **3. Background**

- 3.1 The Accounts Commission is interested in the impact of various pressures on local government and in how Councils are dealing with these pressures.
- 3.2 A key issue for local government in Scotland is financial pressures and governance arrangements, particularly when in periods of change and financial constraint.
- 3.3 The Accounts Commission has provided a report "*The Accounts Commission Report: Financial Overview 2019/20*" – which is appended to this report for Members' information. The report provides key messages and more detailed consideration on a range of financial issues through reviewing Councils' funding and finances in 2019/20.

#### **4. Main Issues**

- 4.1 The report highlights a number of key messages as follows:

##### **4.1.1 Council income in 2019/20**

- Councils' funding and income increased by £0.8 billion in 2019/20;
- The cash increase in Scottish Government (SG) funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget; and
- Nearly half of the increase in SG funding in 2019/20 was to fund the expansion in early learning and childcare.

A key issue for Councils is the make-up of their funding sources and the majority of funding comes from the SG through General Support Grants and

Specific Grants – which is why the Scottish Government settlement is a key issue each financial year. The report highlights that in real-terms local government revenue funding has reduced over the last 6 years by 4.7% while other SG revenue funding fell by 0.8%.

#### **4.1.2 Councils' Financial Position in 2019/20**

- On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils;
- In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19;
- More councils added to their usable revenue reserves in the year totalling £65 million (net);
- Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue;
- Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year;
- Councils had the highest level of capital expenditure of the last five years;
- Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19; and
- Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks.

For WDC – savings targets for 2019/20 were £2.739m and budgetary control reports to Council advised that £2.244m (approx. 82%) was achieved. In 2019/20 usable reserves decreased from £10.998m to £9.395m (General Fund) mainly due to decreased earmarked funds for specific purposes and the use of reserves aligned to the Loans Fund Review changes in treatment. WDC has experienced high levels of capital investment over the last 5 years as part of the capital investment to regenerate and upgrade the Council area and the key assets used by the Council in delivering services.

#### **4.1.3 Councils' Financial Outlook**

- 2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets;
- Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms, but this is to fund the expansion in Early Learning and Childcare;
- The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income;
- We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils through COSLA's cost-gathering exercise, although total costs and funding are still uncertain;
- Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms; and

- Councils need to review and revise their medium-term financial plans due to Covid-19.

For WDC management adjustments were implemented in 2020/21 of £2.309m however following the financial settlement there was no savings options were agreed by Council in setting the 2020/21 revenue budget. The financial cost of COVID-19 is regularly reported to Council and Council has considered the impact of COVID-19 through the update of the Long Term Finance Strategy which has the expectation that any future costs/financial implications will be managed through either additional SG funding and/or SG allowed fiscal flexibilities. SG announced £259m and a further £275m of COVID-19 funding for Councils for 2021/22.

**4.2** The report also provides analysis on financial issues for Integration Joint Boards.

## **5. People Implications**

**5.1** There are no personnel issues.

## **6. Financial Implications**

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

## **7. Risk Analysis**

**7.1** The report from the Accounts Commission highlights a number of key issues for local government in Scotland. There are no specific risks arising from this report, though the report highlights aspects that Members will wish to consider and monitor in future years.

## **8. Equalities Impact Assessment (EIA)**

**8.1** There are no issues.

## **9. Consultation**

**9.1** This report has been subject to consultation with Legal Services and Regeneration Services have been consulted and have raised no concerns in the relation to this report.

## **10. Strategic Assessment**

**10.1** This report relates to strong corporate governance and financial sustainability.

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**Date: 10 March 2021**

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**Appendix:** The Accounts Commission Report: Financial Overview 2019/20

**Background Papers:** None

**Wards Affected:** All