

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE - 24 AUGUST 2021

LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL OVERVIEW 2019/20 & OVERVIEW 2021

JOINT REPORT BY IAN LORIMER, DIRECTOR OF FINANCE AND VIVIEN SMITH, DIRECTOR OF STRATEGIC POLICY, TRANSFORMATION & PUBLIC SECTOR REFORM

ABSTRACT

This report covers the Accounts Commission's Local government in Scotland overview reports, financial overview of the financial year 2019/20 and the 2021 Overview. The financial overview provides a high-level independent analysis of the financial performance of councils during 2019/20 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils and IJBs. The 2021 Overview report is the first in a series of reports that will reflect the evolving and long-term nature of the impact of Covid-19 and considers the initial response phase of the pandemic from March 2020. The reports are an important tool to highlight to councillors, officers and the public, the issues councils are most concerned about.

1. RECOMMENDATIONS

1.1 It is recommended that the Scrutiny & Audit Committee:-

- (i) Review the content of the Accounts Commission's 2019/20 Financial Overview report for local government (attached as Appendix A) and provide any commentary considered appropriate at this time; and
- (ii) Review the content of the Accounts Commission's 2021 Overview report for local government (attached as Appendix B) and provide any commentary considered appropriate at this time; and
- (iii) Note that the reports are about Local Government in Scotland as a whole rather than Angus Council specifically.

2. ALIGNMENT TO THE ANGUS COUNCIL PLAN

2.1 This report contributes as a whole to the Council Plan. It provides valuable insight from a national perspective, which will help to inform this Council's approach in order to support delivering the outcomes which focus on the Economy, People, Place and Our Council.

3. BACKGROUND

3.1 Financial Overview 2019/20 (Appendix A)

The Accounts Commission's financial overview report highlights that Councils and Integration Joint Boards (IJBs) play a vital role in supporting Scotland's communities. This has been amplified by the Covid-19 global pandemic. Covid-19 has fundamentally affected local government services and increased the uncertainty of how those services will be provided in the future. The financial impact of the pandemic on our public services is extreme. At the same time, we have seen the strength and resilience of many communities highlighted as they have worked with public service partners to provide invaluable support to those who need it most.

During 2020/21, the pandemic and associated lockdown has affected many aspects of Councils' and IJB's finances and created significant financial uncertainty. Councils face the challenge of meeting additional mobilisation and recovery costs as well as the lost income resulting from closures of leisure facilities and reductions in income from fees and charges. Councils are also administering support schemes on behalf of the Scottish Government. Substantial additional one-off funding for councils has been announced by the Scottish

Government together with some further financial flexibilities, but it is currently unclear whether this will cover all cost pressures faced by councils in 2020/21 and beyond.

3.2 The financial overview report attached as Appendix A covers four areas:-

- Councils' income in 2019/20;
- Councils' financial position in 2019/20;
- Councils' financial outlook;
- Integration Joint Boards;

3.3 The primary source of information are councils' and IJBs' 2019/20 unaudited accounts, including management commentaries and the 2019/20 external annual audit reports, where available. This has been supplemented with data submitted by councils to COSLA as part of their Covid-19 cost collection exercise, and mobilisation plan financial summaries submitted to the Scottish Government by IJBs.

3.4 The rescheduling of audit timetables for the 2019/20 audit meant that audited accounts for all councils were not available for analysis and, as a result, judgements are based on data from unaudited accounts, except where significant audit adjustments have been identified. Audit Scotland note in the report that they are comfortable with this approach, and their analysis of available audited information tells them that the level of change between unaudited and audited accounts has not significantly affected their key judgements. They have reviewed external annual audit reports for 2019/20 that were available at 30 November 2020.

3.5 The key messages in the financial overview report are as follows:-

Councils and pension funds

- 1 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.
- 2 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.
- 3 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.
- 4 More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20.
- 5 Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20).
- 6 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 [the Accounts Commission] 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.
- 7 Councils' auditors reported wider medium-term financial implications of Covid-19.

Integration Joint Boards (IJBs)

- 8 A majority of IJBs (22) struggled to achieve break-even in 2019/20 and many received year-end funding from partners.
- 9 Total mobilisation costs for Health and Social Care Partnerships for 2020/21 due to Covid-19 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all of these costs.
- 10 Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20.

3.6 Overview 2021 (Appendix B)

The Overview 2021 report is the first in a series of reports from the Accounts Commission that will reflect the evolving and long-term nature of the impact of Covid-19. The report considers the initial response phase of the pandemic from March 2020, and includes financial data correct as at the end of February 2021. It also provides case study examples of council responses to new challenges.

The Chair of the Accounts Commission provides an introduction to the report with some key highlights which have been summarised below.

In 2020, Covid-19 changed the world and will have a profound impact on our lives in the years ahead. The public services we all receive and many of us depend on each and every day have adapted, in some cases transformed and will certainly continue to change.

Covid-19 has laid bare and exacerbated existing inequalities such as health, work, income, housing and education across Scotland's communities. The multiple impacts of these inequalities have affected the most vulnerable, minority groups and women.

The recovery from Covid-19 isn't going to be quick, again exacerbating the impact of lives of those already most affected. The recovery plans and priorities need to recognise this. Council's must put robust and realistic plans in place and work alongside partner organisations best placed to help.

This will have to be achieved against an increasingly challenging financial outlook for councils and a complex funding backdrop which will mean that councils must make difficult decisions about the services they deliver, and how these services are delivered.

Covid-19 has also brought into focus the value and importance of partnership working and empowering communities to deliver services that meet very local needs. The Accounts Commission will look to ensure the significant amounts of funding given to councils to deliver and provide support to mitigate the impact of Covid-19 achieved value for money – referenced in the report as 'following the pandemic pound'.

The new ways of working which were swiftly deployed in response to the pandemic, need to be harnessed and consolidated, with lessons learned, shared and improved upon.

3.7 The report is broken down into key characteristics and themes in relation to the response, with key messages in the overview 2021 report as follows:-

Communities and People – community wellbeing and the role of communities in responding to the crisis

- 1 The Covid-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public.
- 2 Relationships with communities have been vital.

Service Delivery and Partnership Working – the adaptation of service provision and working with partners

- 3 Levels of service disruption have varied.
- 4 Some services were delivered virtually.
- 5 The workforce demonstrated the versatility to take on new roles.

Resources and Governance – the financial impact of responding to Covid-19, use of resources and changes to governance arrangements

- 6 There were significant changes in council governance structures and processes.
- 7 Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic.

- 8 The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils.

Generally

- 9 Councils have started to plan for longer term recovery from the crisis.
- 10 There has been some ongoing learning resulting from the emergency response to the pandemic.

4. PROPOSALS

- 4.1 Committee members as part of their Scrutiny & Audit remit now have the opportunity to review and consider the Accounts Commission reports.
- 4.2 Members will be aware of the Council's progress reports throughout the pandemic, covering many of the matters similar to those highlighted in the Overview 2021 report. The most recent report was considered by Council at its meeting on 24 June 2021. That report provided an update on the Council's ongoing response to the pandemic, including the transition into recovery, aligned to the 'Scottish Government Strategic framework Protection Levels' ([Report 208/21 with Appendix 1](#) refers).
- 4.3 [Appendix 2](#) of that report also provided further detail in relation to the Council's 'Recovery & Renew Strategic Framework', setting out the context, the principles and the ethos for recovery, alongside our Council priorities and our transition from response to recovery.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising for the Council from the recommendations contained within this report.

6. EQUALITY IMPACT ASSESSMENT

- 6.1 An Equality Impact Assessment is not required.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

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List of Appendices:

Appendix A – Local government in Scotland: Financial Overview 2019/20

Appendix B – Local government in Scotland: Overview 2021