

**To:            Audit, Risk and Scrutiny Board**

**On:            22 March 2021**

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**Report by:   Director of Finance & Resources**

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**Heading:    Local Government in Scotland Financial Overview 2019/20**

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## **1.        Summary**

- 1.1        Audit Scotland published its 'Local Government in Scotland Financial Overview 2019/20' report in January 2021. A copy of the report is attached at Appendix 2.
- 1.2        The report provides a high-level independent analysis of the financial performance of councils and Integrated Joint Boards during 2019/20 and the financial position at the end of that year.
- 1.3        The report outlines ten key messages, with more detail provided in four sections, covering:
- Councils' income in 2019/20;
  - Councils' financial position in 2019/20;
  - Councils' financial outlook; and
  - Integration Joint Boards
- 1.4        The key findings of Audit Scotland are highlighted on page 9 of the report. The key messages, alongside the associated Renfrewshire position, are attached for information at Appendix 1.
- 1.5        The report highlights that most councils increased their net debt in 2019/20, by a median increase of 4.3%. The report highlights that Renfrewshire incurred the most significant increase in net debt, but that this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire still has the lowest level of net debt relative to its annual revenue.

## **2        Recommendations**

- 2.1        Members are asked to note the contents of this report in the context of Renfrewshire Council.

## Implications of this report

1. **Financial** – the Audit Scotland report highlights the reliance of local government on Scottish Government grant funding and the need for the development of robust medium and longer-term financial plans to address anticipated funding gaps. The impact of the COVID-19 pandemic has still to be determined and will impact on the financial position of the Council.

Renfrewshire Council develops medium-term financial plans on a three-year rolling basis, with Council approving the most recent Financial Outlook report on 24 September 2020.

The challenging position of Integration Joint Boards (IJBs) is noted and while this is a matter for IJBs, it is of interest to the Council as a key funding partner.

2. **HR and Organisational Development** – none
3. **Community/Council Planning** – none
4. **Legal** – none
5. **Property/Assets** – none
6. **Information Technology** – none
7. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health and Safety** – none
9. **Procurement** – none
10. **Risk** – none
11. **Privacy Impact** – none
12. **Cosla Policy Position** – none
13. **Climate Risk** – none

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List of background papers: Local Government in Scotland Financial Overview 2019/20 Report  
[Audit Scotland Report](#)

## Appendix 1

Reference	Key Message	Renfrewshire Council Position
<b>Councils and pension funds</b>		
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.	The council continues to incorporate prudent estimates of future grant settlements into its medium term financial plans.
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.	The grant funding reflected within the base budget as agreed by council is adjusted to reflect those elements which are specific to Scottish Government priorities and cannot be utilised to address other council spending and investment priorities.
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.	The Right for Renfrewshire programme has been heavily disrupted by the capacity of the Council being diverted to support the COVID19 response and this is expected to remain a significant constraint on the programme well into 2021. The current financial planning assumption is that the R4R programme will not provide any further delivery of savings in 2021/22 over and above those linked to the reprofiled savings from the tranche 1 service redesigns. Further, it is anticipated that the delivery of the R4R programme is now likely to extend into a 4 year programme (to 2023/24) as opposed to the 3 year programme (to 2022/23) previously planned
4.	More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20.	General fund unallocated reserves as at the end of 2019/20 reduced from £7.1m to £6.6m. As approved by Council in September, unallocated reserves will be replenished to £10 million moving into 2021/22, funded from the application of the financial flexibilities available to the Council.
5.	Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year.	Not applicable
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 estimate that funding announced in November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain.	The financial outlook report to Council in September outlined an expectation that - excluding education, early learning and childcare hubs – the net additional costs expected to be incurred in relation to COVID19 were in the region of £20- £22 million. This position has not changed markedly, with the range of costs potentially reducing marginally to £19 million - £21 million. The position continues to be closely monitored, both in relation to expenditure and distributed grant funding.

7.	Councils' auditors reported wider medium-term financial implications of COVID-19.	<p>Like other councils listed by Audit Scotland, Renfrewshire has reported on the wider medium-term financial implications to Council and Policy Boards.</p> <p>In addition, to reporting on the financial implications of COVID-19, work has also been progressed to identify, address, and support the wider economic and community impact that COVID-19 has had on Renfrewshire.</p>
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## Local government in Scotland

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# Financial Overview 2019/20



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## Audit team

The core audit team consisted of: Blyth Deans, Lisa Duthie, Chris Lewis and Lucy Ros, under the direction of Brian Howarth.

## Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

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# Chair's introduction

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.

In 2019/20, before the pandemic really took hold in Scotland, the financial impact of Covid-19 was limited. This report notes that more councils added to their usable revenue reserves than in previous years. Reserves play an important role in effective financial management and provide a cushion for future unexpected events. I think that the emergence of the global pandemic and resultant UK lockdown from 23 March 2020 could be described as a once-in-a-lifetime event and Council reserves can be a key tool to manage the medium-term financial impacts of Covid-19.

Scottish Government funding accounts for the majority of council income. After several years of reductions in funding, there has been a real terms increase in 2019/20. It is important to note though that around 40 per cent of the increase was intended to meet the Scottish Government's policy of expanding early learning and childcare provision. As we have reported before, councils have limited flexibility over how they use this type of additional funding. It is also important to recognise that although funding in 2019/20 improved, reductions in local government funding over the past six years are still larger than in other areas of the Scottish Government budget.

Capital funding had experienced significant increases in the past three years by 33 per cent between 2017/18 to 2019/20. But Scottish Government capital funding in 2020/21 is now decreasing by 30 per cent in real terms. This will have an impact on councils' future investment plans.


In IJBs, the bodies set-up to deliver local health and social care services, the financial pressures are significant, with many needing additional funding from councils and health board partners to break-even in 2019/20. We also continue to see a high turnover in leadership in many IJBs, at a time when they are tackling both the impact of Covid-19 along with the ongoing and longer-term pressures of increased demand.

2020 presented significant challenges to the preparation and audit of councils', pension funds' and IJBs' annual accounts. However, 92 per cent of annual accounts were signed off by the revised audit deadlines due to the dedication of local government finance staff and of our auditors in these challenging circumstances. I am grateful for everyone's hard work and diligence to achieve this outcome.

During 2020/21, the pandemic and associated lockdown has affected many aspects of Councils' and IJBS 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 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.

2020/21 also saw a large shift in the way that public services and communities worked together to support those most in need. Many communities and individuals stepped in to provide much needed local services and were empowered and encouraged to do so by councils, IJBs and their partners. We have heard of much good practice and hope that this continues.

The Accounts Commission's future reporting, together with the Auditor General for Scotland, will be refocused on the significant impact of Covid-19 across all public services. This report highlights the emerging and developing financial challenges due to Covid-19, but future financial overview reports will be better able to assess the full year impact in 2020/21, based on financial reporting to 31 March 2021. Our Local Government Overview 2021 report, due to publish in May, will consider the initial response phase of the pandemic.

Audit Scotland has published a [Guide for audit and risk committees](#)  to support effective scrutiny of how public bodies have responded to Covid-19. This covers key areas, including internal controls and assurance, financial management and reporting, governance and risk management. Good governance, strong financial management and transparency of decision making will be critical for local government bodies in dealing with the implications and fallout from the pandemic.

**Elma Murray**

Interim Chair of the Accounts Commission



# Key messages

## 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 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
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- 10 Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20.
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## About this report

1. This report provides a high-level independent analysis of the financial performance of councils and IJBs 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. It is one of two overview reports that the Accounts Commission publishes each year. The second report, commenting on councils' initial response to the Covid-19 pandemic, will be published in May 2021.
2. Our primary sources of information for the financial overview are councils' and IJBs' 2019/20 unaudited accounts, including management commentaries and the 2019/20 external annual audit reports, where available. We have supplemented this 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. COSLA returns were requested and obtained from auditors. We received 29 returns, with 3 outstanding. The COSLA returns are not subject to audit review.
3. The Covid-19 pandemic has created new challenges which have affected the preparation of this report. The rescheduling of audit timetables 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. We are comfortable with this approach, and our analysis of available audited information tells us that the level of change between unaudited and audited accounts has not significantly affected our key judgements. We have reviewed external annual audit reports for 2019/20 that were available at 30 November 2020.
4. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2019/20 prices, adjusted for inflation so that they are comparable. Similarly, where 2020/21 comparisons are made, we have adjusted for inflation to 2019/20 prices. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

# Key Facts

	2019/20 £ billion	2018/19 £ billion	Movement
 <b>Councils' funding and income</b>	<b>£18.5</b>	£17.7	4.5%
 <b>Scottish Government revenue funding</b>	<b>£10.3</b>	£9.8	5.4%
 <b>Councils' capital spending</b>	<b>£3.6</b>	£2.8	29.0%
 <b>Councils' usable revenue reserves</b>	<b>£2.0</b>	£1.9	3.4%
 <b>IJBs' spending</b>	<b>£9.2</b>	£8.6	7.0%
 <b>Additional estimated cost in councils and IJBs due to Covid-19 in 2020/21</b>	<b>£1.2 billion</b>		

# Councils' income in 2019/20

## Key messages

- 1** Councils' funding and income increased by £0.8 billion in 2019/20
  - 2** The cash increase in Scottish Government 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
  - 3** Nearly half of the increase in Scottish Government funding in 2019/20 was to fund the expansion in early learning and childcare
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## Total revenue funding and income

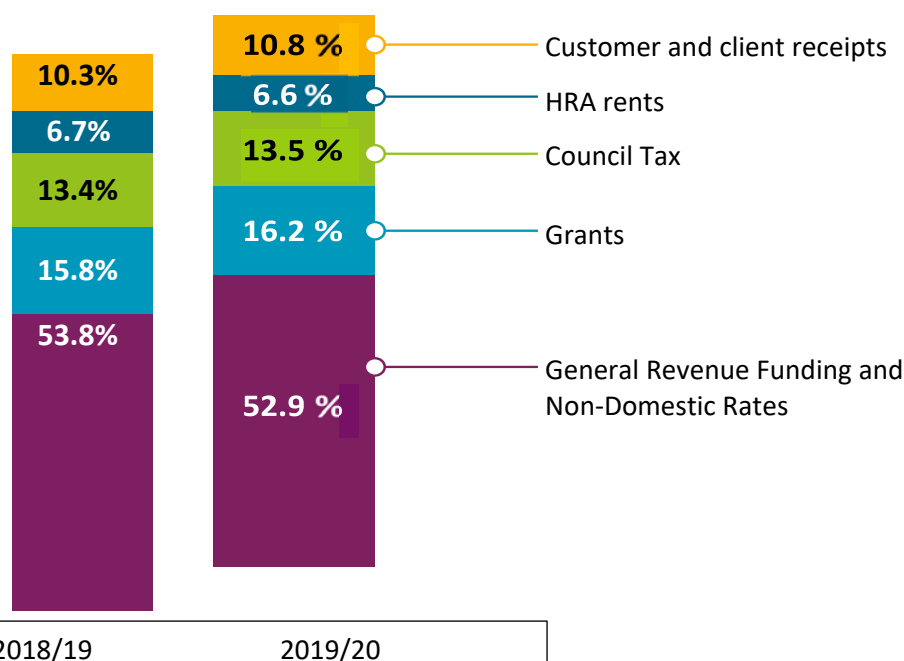
Councils' funding and income increased by £0.8 billion in 2019/20

5. Total revenue funding and income received by councils was £18.5 billion in 2019/20, representing an increase of £0.8 billion (or five per cent) on the previous year. A comparison between years ([Exhibit 1](#)) shows that most of the funding comes from the Scottish Government and the relative value of specific grant income to councils has increased.

### Exhibit 1

Sources of funding and income, 2018/19 and 2019/20

The majority of funding for councils comes from the Scottish Government.



Source: Unaudited financial statements 2019/20 (audited financial statements 2018/19)

6. Grant income includes housing benefit and Scottish Government specific grants (eg Early Learning and Childcare and Criminal Justice Social Work), which are treated as service income by councils generally. Scottish Government direct grants increased by £0.2 billion in 2019/20. There were also increases in grants from other sources. For example, Aberdeen City Council received £0.1 billion from Transport Scotland for the Aberdeen Western Peripheral Route.

7. Council tax income has increased by £0.1 billion (or 5 per cent) mainly as the Scottish Government raised the cap on council tax rate increases to 4.8 per cent. Twelve councils took the decision to increase the council tax rate by the full amount.

## Scottish Government funding

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20

8. In 2019/20, the total revenue funding from the Scottish Government increased by 5.4 per cent in cash terms and increased by 3.4 per cent in real terms ([Exhibit 2](#)). Total revenue funding of £10.3 billion consists of the general revenue grant funding of £7.0 billion; Non-Domestic Rates distribution (NDR) £2.8 billion and specific grants of £0.5 billion.

## Exhibit 2

### Changes in Scottish Government revenue funding in 2019/20

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20.

	2018/19	2019/20	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,521	9,811	3.0%	1.1%
Specific Revenue Grants	274	508	85.5%	82.0%
<b>Total revenue funding</b>	<b>9,795</b>	<b>10,319</b>	<b>5.4%</b>	<b>3.4%</b>
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	<b>10,150</b>	<b>10,674</b>	<b>5.2%</b>	<b>3.2%</b>

Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

### Funding in 2019/20 improved relative to others, but an historic difference still exists

**9.** Funding from the Scottish Government to local government between 2013/14 and 2019/20 decreased by 4.7 per cent, in real terms ([Exhibit 3, page 12](#)). The increased funding in 2019/20 improved the position that existed last year (2018/19), when the total reduction was 7.6 per cent. Scottish Government funding to other areas of the total Scottish budget decreased by 0.8 per cent between 2013/14 and 2019/20, demonstrating that local government funding has still undergone a larger reduction than the rest of the Scottish Government budget over this period.

### Nearly half of the increased funding in 2019/20 was to fund the expansion in Early Learning and Childcare

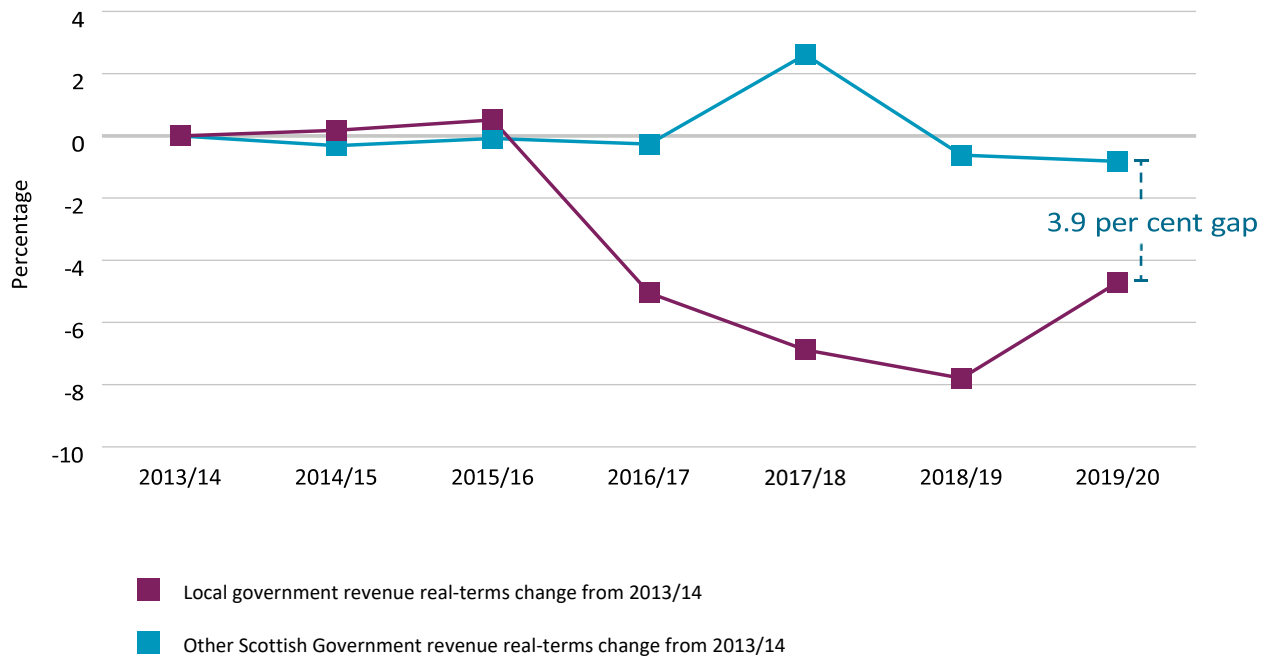
**10.** There is an element of the revenue settlement for funding that is linked to specific ongoing policy initiatives and expectations.

**11.** Specific revenue grants increased in cash terms by £234 million in 2019/20, growing from 2.8 per cent of total revenue funding to 4.9 per cent. This represented 45 per cent of the increase in revenue funding in cash terms between 2018/19 and 2019/20. The majority of this increase could be attributed to an additional £210 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 from 600 hours by 2020 for all three- and four-year-olds and eligible two-year-olds.

### Exhibit 3

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas

Over the last six years local government revenue funding from the Scottish Government fell by 4.7 per cent, while other Scottish Government revenue funding fell by 0.8 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)



# Councils' financial position in 2019/20

## Key messages

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

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## Council budgets and outturn 2019/20

In 2019/20 budget gaps were to be addressed by planned savings

**12.** In 2019/20, councils identified budgeted net expenditure of £12.6 billion. The initial budget gap in 2019/20 was £0.5 billion (three per cent). In 2018/19, the initial budget gap was similar at £0.4 billion. Planned savings were the most common way of addressing funding gaps in 2019/20.

Councils appear to have delivered 2019/20 savings plans, but with significant variation

**13.** A sample analysis of 14 councils identified that 84 per cent of the planned savings were delivered.

However, there was significant variation in how individual councils performed against their savings targets:

- East Lothian Council, which planned savings of £5.2 million, and Stirling Council, which planned savings of £7.3 million, reported achieving 100 per cent of their targets.
- Comhairle nan Eilean Siar planned to deliver savings of £2.6 million but achieved savings of £0.8 million or just 31 per cent of its target.

## Impact of Covid-19

**The effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets**

**14.** Covid-19 restrictions began in March 2020 and the financial effect on councils (excluding social care – see paragraph 70) in 2019/20 was limited to between £20 million and £25 million. Councils reported that lost income and unachieved savings accounted for two-thirds of identified financial impacts. The remaining costs were mainly associated with mobilising support services for vulnerable groups and the wider community.

**15.** There were no additional Covid-19-related funding allocations from the Scottish Government in 2019/20. Our review of available annual audit reports confirms that Covid-19 did not have a significant impact on councils' outturn, and costs were mostly managed within existing available budgets. Additional Covid-19-related funding allocations to councils were not received until 2020/21.

**In 2019/20, councils' auditors reported wider financial consequences of Covid-19 in their annual reports**

- **Delays in growth deals:** Dumfries and Galloway Council. The impact of Covid-19 has delayed some of the progress in establishing governance structures and formal sign off of the Borderlands' Collaboration Agreement as part of the Borderlands growth deal.
- **Additional borrowing:** East Lothian Council and Inverclyde Council both took out additional loans towards the end of March 2020 to ensure sufficient liquid funds to address the expected consequences of Covid-19.
- **Planned savings proposals:** East Lothian Council identified that many of the plans related to savings have effectively been placed on hold to enable the council to focus its attention and support on responding to Covid-19. East Dunbartonshire Council anticipated that transformation programme savings for 2020/21 were unachievable due to the impact of the pandemic.
- **Medium term financial planning:** West Lothian Council reported that early planning arrangements for its next medium-term financial plan have been deferred to 2021/22 as management focuses on the more immediate impact and actions arising from the impact of Covid-19.
- **Capital programmes:** Aberdeenshire Council identified that the capital programme was suspended for around three months with a phased restart thereafter. In Inverclyde Council officers have reviewed the phasing of the 2020–23 Capital Programme in light of Covid-19 and have estimated the slippage for 2020/21 as 47 per cent. An initial additional budget of £2.7 million has been agreed to cover the potential cost pressures resulting from the site working requirements, increases in the price of materials and general cost increases generated by Covid-19.
- **Delays in bad debt collection:** Aberdeenshire Council reported that elements of the debt recovery processes had been suspended for several months owing to Covid-19 and recognised the potential for bad debts to increase.
- **Expected capital receipts:** West Dunbartonshire Council identified that expected capital receipts of £9 million from the sale of sites were subject to greater uncertainty due to Covid-19 effects on asset values.
- **Going concern issues in subsidiary/joint venture partners:** Some auditors of group component bodies, including those arms-length external organisations (ALEOs) and partners that provide housing repair and leisure services, drew attention to the additional going concern uncertainty due to the financial impact of the Covid-19 pandemic.

## Reserves

**More councils (22) added to their usable revenue reserves, but most of the total relates to Glasgow City Council**

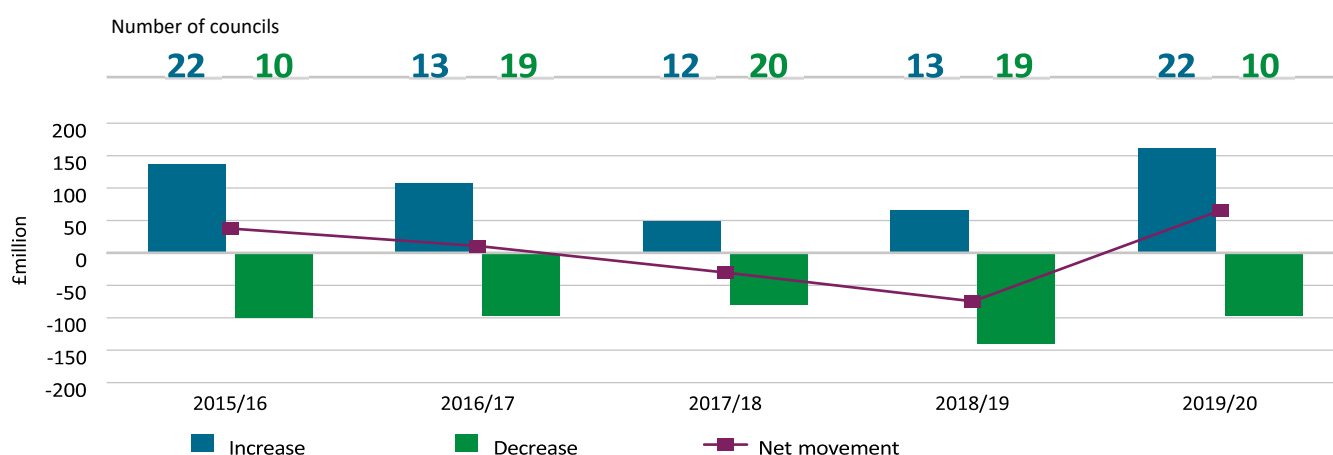
**16.** Last year we reported that councils were increasingly using up revenue reserves to balance their budgets. This trend did not continue into 2019/20 ([Exhibit 4, page 16](#)). Twenty-two councils reported increases in their revenue reserves balance (13 last year) with a net increase of £65 million (or 3 per cent) across all councils.

**17.** The most significant increase was Glasgow City Council, where usable revenue reserves went up by £87 million (or 80 per cent) mainly due to the equal pay funding strategy that was implemented in the year ([paragraph 28](#)).

**18.** Highland Council also experienced a significant increase in its usable revenue reserves of £15 million (or 47 per cent). Contributing factors include spending constraints on recruitment and discretionary spend and £22 million of delivered savings and additional income.

## Exhibit 4

Movement in usable revenue reserves over the past five years [More](#)  
councils added to their usable revenue reserves in 2019/20.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2015/16 to 2018/19

### There is variation in whether councils have been adding to or using up general fund reserves

**19.** Councils have different strategies for managing their financial position and reserves position over time, so we would expect to see variation in the movements and balances held. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, as well as enabling funds to be built up for known future commitments.

**20.** [Exhibit 5 \(page 17\)](#) shows the annual average rate of general fund use at 31 March 2020, based on the last three years. It indicates how long it would take for a council to run out of its general fund reserve if the pattern of use (over the last three years) were to continue. An amount less than minus 25 per cent would indicate reserves would be depleted in less than four years.

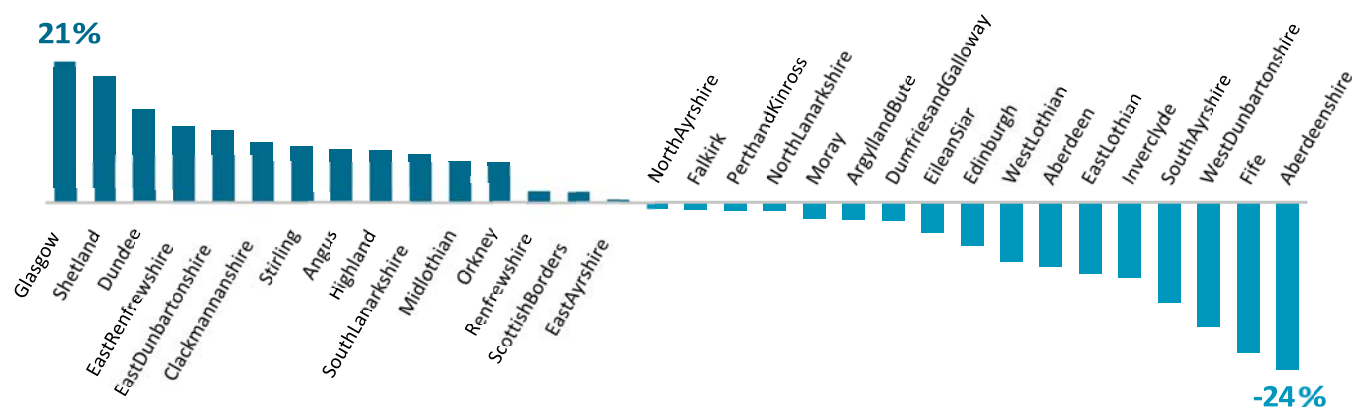
### Moray Council sustainability has improved with a significant surplus in 2019/20

**21.** In our 2018/19 report, we highlighted Moray Council as being at risk of depleting its reserves within five years. In 2019/20, the council's financial position improved, with the general fund increasing by £7 million. This was in contrast to a budgeted reduction of £5 million in the general fund. The turnaround was largely due to better than expected funding and income, including council tax income, Business Rates Incentivisation

Scheme (BRIS) retention, a one-off VAT refund and insurance settlement and additional general revenue grant funding. The council also exceeded its savings target and delivered £13 million of savings in year.

## Exhibit 5


Average annual movement in the general fund (including HRA) over the last three years The movement on councils' general fund reserves varies significantly.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2018/19 and 2017/18

## Two councils are now at risk of running out of general fund reserves in the medium term if current trends continue

**22.** Fife and Aberdeenshire Council are now at risk of running down their general fund balance within four to five years if their current trend of using these continues ([Exhibit 5](#)). Neither council planned to use general fund balances as part of their 2020/21 initial budget, but the unusual circumstances of Covid-19 may now affect this.

**23.** Local auditors report that Aberdeenshire Council regularly reviews reserves as part of its medium-term financial strategy. The recent [Best Value Assurance Report](#)  (October 2020) identified that reserves have largely decreased due to planned use. However, this also includes some unplanned use, including additional contributions of £5.5 million to the Aberdeenshire Integration Joint Board (IJB), to meet the council's share of IJB revenue budget overspends. The Report notes that the remaining balance is low relative to other councils.

**24.** Fife Council has been drawing on its reserves over the last few years, particularly the planned use of committed balances. However, the council's medium-term financial strategy forecasts the level of general fund will continue to deteriorate over the next three years and will be insufficient to fully mitigate against the financial impact of Covid-19.

## Capital

### Councils recorded the highest level of capital expenditure over the last five years

**25.** Capital expenditure increased by £0.8 billion (or 29 per cent) to £3.6 billion in 2019/20. Glasgow City Council's sale and leaseback transactions, as part of the equal pay funding strategy, make up £0.5 billion of the increase ([paragraph 28](#)). Excluding this, capital expenditure is still the highest level recorded by councils over the last five years. This is aligned with a peak in Scottish Government capital funding ([Exhibit 12, page 29](#)).

### Some councils had significant increases in their capital investment:

- City of Edinburgh Council: £0.15 billion (or 49 per cent) increase. New or additional investment across several areas including the Trams to Newhaven Project, creation and expansion of educational properties, investment in council houses, sports facilities and road infrastructure.
- Moray Council: £0.04 billion (or 87 per cent) increase. Investment in schools and early learning and childcare facilities, council houses and waste management facilities. This includes a joint venture with Aberdeen City and Aberdeenshire Councils to build an energy from waste plant.

### The main sources of capital financing are still government grants and internal loans fund repayments from council services

**26.** Government grants continued to provide the main source of capital finance. The effect of the sale and leaseback arrangements at Glasgow City Council significantly increased the element of funding generated from capital receipts in 2019/20 ([Exhibit 6](#)).



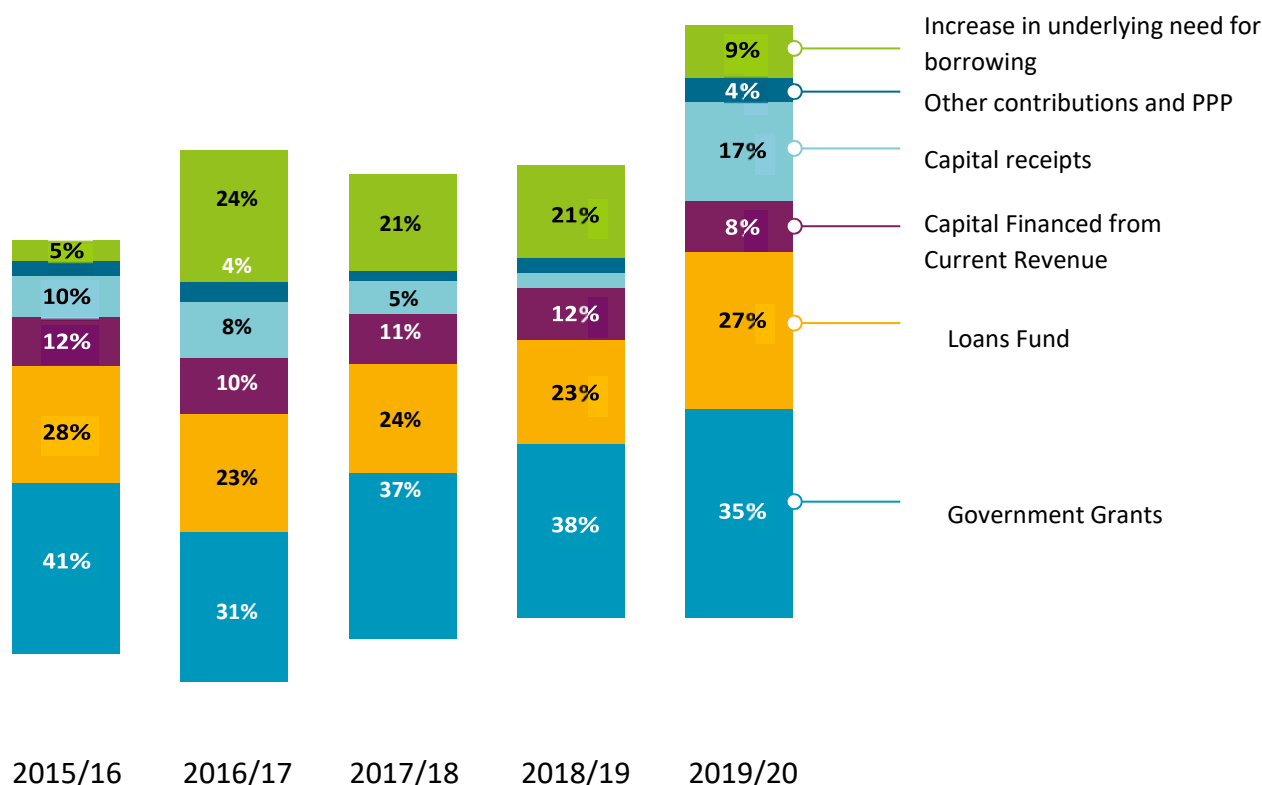
Best Value Assurance  
Report: Aberdeenshire  
Council

October 2020 

## Exhibit 6

Capital expenditure analysed by source of finance 2015/16 to 2019/20

Sixty-two per cent of capital expenditure was financed by government grants or internal loans fund repayments.



Source: Unaudited financial statements 2019/20 and audited financial statements 2015/16–2018/19

## Debt

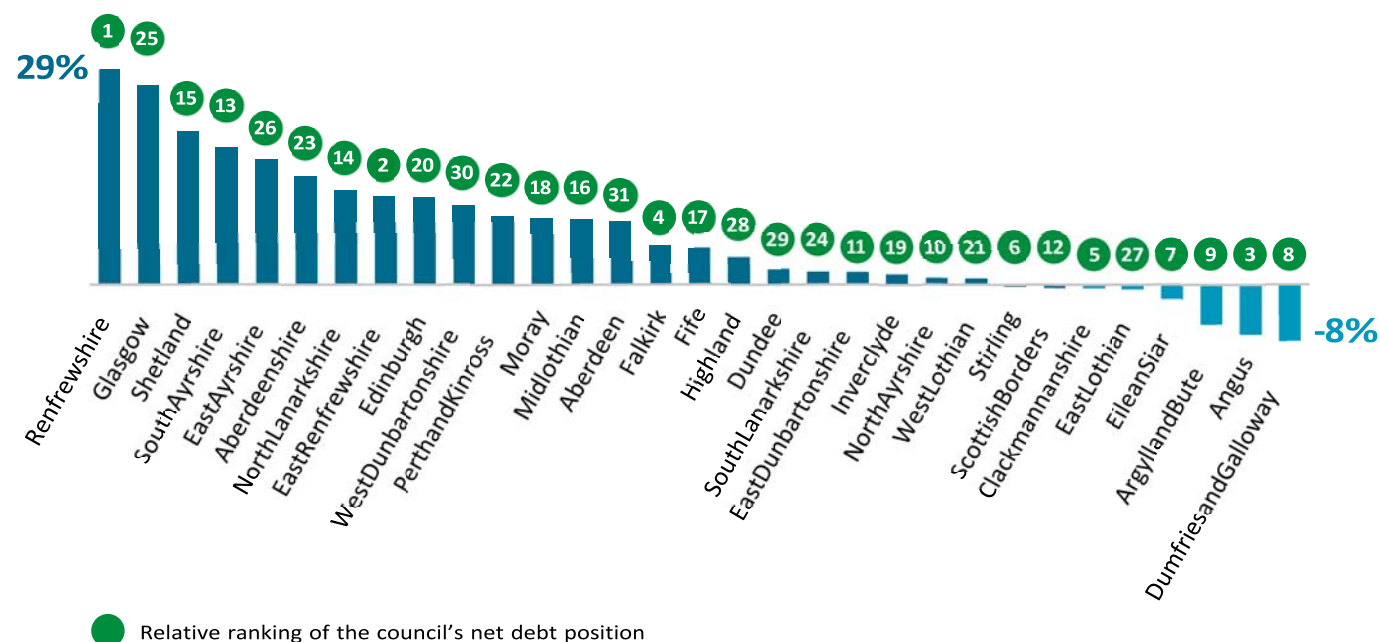
**Most councils increased their net debt, typically by 4 per cent or more in 2019/20**

**27.** Total net debt (total debt<sup>2</sup> less cash and investments) across councils has increased by £1.4 billion, or nine per cent, to £17 billion. [Exhibit 7](#) shows the relative movement in net debt between 2018/19 and 2019/20 for each council. The median movement is 4.3 per cent. Renfrewshire Council incurred the most significant increase, but this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire Council still has the lowest level of net debt relative to its annual revenue. As noted earlier in this report, the Glasgow City Council sale and leaseback of council properties ([paragraph 28](#)) also contributed to a significant increase in its net debt position.

## Exhibit 7

Percentage movement in net debt between 2018/19 and 2019/20 at council level with relative ranking of total net debt

Most councils increased their net debt by 4 per cent or more.



Note: Orkney has been excluded as it has net investments.

The rankings (1 to 31) indicate the net debt position of the council relative to others, with 1 being the lowest. Net debt is shown as a proportion of net annual revenue.

Source: Unaudited financial statements 2019/20.

### Equal pay settlements at Glasgow City Council were financed through sale and leaseback

**28.** Glasgow City Council included a provision for equal pay costs in 2018/19 and during 2019/20 settled the majority of outstanding equal pay claims. The £600 million cost of settlement was met by a funding strategy that raised £549 million. This included the refinancing of a City Property loan arrangement (the Council's Arm's Length Organisation or ALEO) and the sale and leaseback of 11 council properties to City Property. As the income from the funding strategy exceeded the cost of settlement, the council has earmarked £70 million to support any future equal pay liability arising from the implementation of a new pay and grading system. This accounts for the majority of the net increase of £84 million in the general fund balance held by the council (paragraph 17).

**29.** The arrangement is represented in non-current assets and by a deferred liability. This contributed £453 million to the total Scottish debt. The total annual rent payable to City Property by the Council is now £20.4 million and is subject to annual inflation of 2.75 per cent.

### Audit of 2019/20 annual accounts

#### Auditors drew attention to material uncertainty in property valuations relating to Covid-19

**30.** Most councils' auditors reported a material valuation uncertainty in council property valuations related to the potential impact of Covid-19. An 'emphasis of matter' paragraph was included in the independent auditor's reports to draw attention to this matter.

## Local Government Pension Funds

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19

**31.** The eleven main Scottish Local Government Pension Funds experienced negative investment returns as a result of the impacts of Covid-19 on global markets in the last quarter of 2019/20. The annual return was between -1.9 per cent and -8.3 per cent in individual funds, based on the average assets position ([Exhibit 8](#)).

### Exhibit 8

Investment returns based on average assets in Scottish Pension Funds 2019/20 2019/20  
investment returns were adversely affected by Covid-19.



Source: Audited accounts of the Pension Funds 2019/20

### Funds still tended to outperform their benchmarks

**32.** In the majority of funds, the overall investment returns still outperformed their individual annual benchmarks to 31 March 2020. Since then there has been a partial recovery in global markets. The auditors of Tayside Pension Fund report that net assets fell by 16 per cent due to Covid-19 in the last quarter of 2019/20 but had recovered over two-thirds of these losses by the end of June 2020.

### Some elements of pension investments were more uncertain as result of Covid-19

**33.** A number of pension fund auditors drew attention to the levels of greater uncertainty attached to 'level 3' investments, by including an 'emphasis of matter' paragraph in their auditors' reports. In Fife Pension Fund, level 3 investments include investments in property, infrastructure and private equity. These make up around £270 million or 11 per cent of the fund's total investment at 31 March 2020. As there is no market data to support the valuation these are based on judgements by investment funds. These valuations included material valuation uncertainty disclosures this year due to Covid-19.



**The next triennial valuations of Scottish Local Government Pension Funds is due to be completed in March 2021**

**34.** Triennial valuations of Scottish Local Government Pension Funds are due to be completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

# Councils' financial outlook

## Key messages

- 1 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
  - 2 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
  - 3 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
  - 4 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
  - 5 Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms
  - 6 Councils need to review and revise their medium-term financial plans due to Covid-19
- 

## Budget gap 2020/21

Initially councils identified a total budget gap of £0.5 billion in 2020/21 and again plan to address these through savings targets

35. Councils original 2020/21 budgets were set before the Covid-19 pandemic emerged in Scotland. Councils set net expenditure budgets after taking into account projections of local income from fees and charges. Councils approved net expenditure budgets of £13.5 billion for 2020/21 including a budget gap of £0.5 billion (or three per cent). The budget gap is shown before action such as savings, council tax rate increases and use of reserves. There is still some inconsistency in how councils present their own budget gaps. For example, whether it is stated before or after the council tax increase. The relative size of the budget gap was consistent with the two previous years. Savings plans were the main way councils planned to bridge the budget gap, contributing 55 per cent with council tax increases contributing a further 23 per cent.

**36.** Eighteen councils approved a council tax rate increase in line with the 4.84 per cent cap set by Scottish Government in 2020/21. Six councils increased their council tax rate by three per cent and the remaining eight councils approved an increase of between 3.95 per cent and 4.8 per cent.

#### More councils presented multi-year indicative budgets in 2020/21

**37.** A new development was for more councils to set multi-year indicative budgets, as part of the 2020/21 budget setting process. Fifteen councils presented multi-year indicative budgets. In four councils (Aberdeen, Aberdeenshire, Scottish Borders and Stirling) budgets covered the next five years, with the others covering three years.

## 2020/21 funding settlement

Prior to additional Covid-19 related funding, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms

**38.** The Local Government revenue settlement from the Scottish Government in 2020/21, before taking into account changes due to Covid-19, increased by 3.4 per cent (cash terms) from 2019/20 to £10.7 billion. This was a real terms increase of 1.4 per cent ([Exhibit 9](#)).

## Exhibit 9

Changes in Scottish Government revenue funding in 2020/21 (excluding Covid-19 funding) Scottish Government revenue funding increased by 1.4 per cent in real terms in 2020/21.

	2019/20	2020/21	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,811	9,958	1.5%	-0.5%
Specific Revenue Grants	508	710	39.8%	37.1%
<b>Total revenue funding</b>	<b>10,319</b>	<b>10,668</b>	<b>3.4%</b>	<b>1.4%</b>
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	<b>10,674</b>	<b>11,023</b>	<b>3.3%</b>	<b>1.3%</b>

Source: Finance Circulars 04/2020 and Scottish Government budget documents

**The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million<sup>3</sup>**

**40.** As noted above, initial budgets and funding settlements did not reflect the changed environment and financial effects of Covid-19. During the early phases of Covid-19, the Convention of Scottish Local Authorities (COSLA) worked with councils to summarise the expected financial effects of Covid-19 on local government. This was summarised by COSLA in their *Cost Collection Exercise: Analysis and Narrative – 3rd Iteration (Full Year Figures)*, (July 2020) and the financial impact of Covid-19 in 2020/21 is estimated to total £767 million (excluding Education and Early Learning and Childcare costs). The projected amount covers the full financial year and includes gross additional costs of £855 million, offset by savings of £88 million (from lower property costs and school meal costs). £86 million of the gross additional cost figure relates to projected capital costs.

**41.** This estimate does not include additional social care costs which are covered in [paragraph 70](#) as part of Health and Social Care Partnership costs.

**Lost income accounts for over half of Covid-19 costs in councils**

**42.** Loss of income accounts for over half of the forecast additional costs. Loss of income from fees and charges was projected to result in a loss of £161 million. The most significant proportion of these losses related to the anticipated reduction in parking fee income ([Exhibit 10, page 25](#)). All councils projected a loss of income from sports and leisure facilities at July 2020, totalling £75 million. Mobilisation costs and the costs arising from reconfiguring services (recovery costs) made up the remaining Covid-19 costs.

**43.** Several larger urban councils have ALEOs that were set up to manage commercial activities and provide income back to councils. This includes conference facilities and transportation services. The projected loss of income for councils from these was £39 million. This included Lothian Buses, Edinburgh Trams, Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

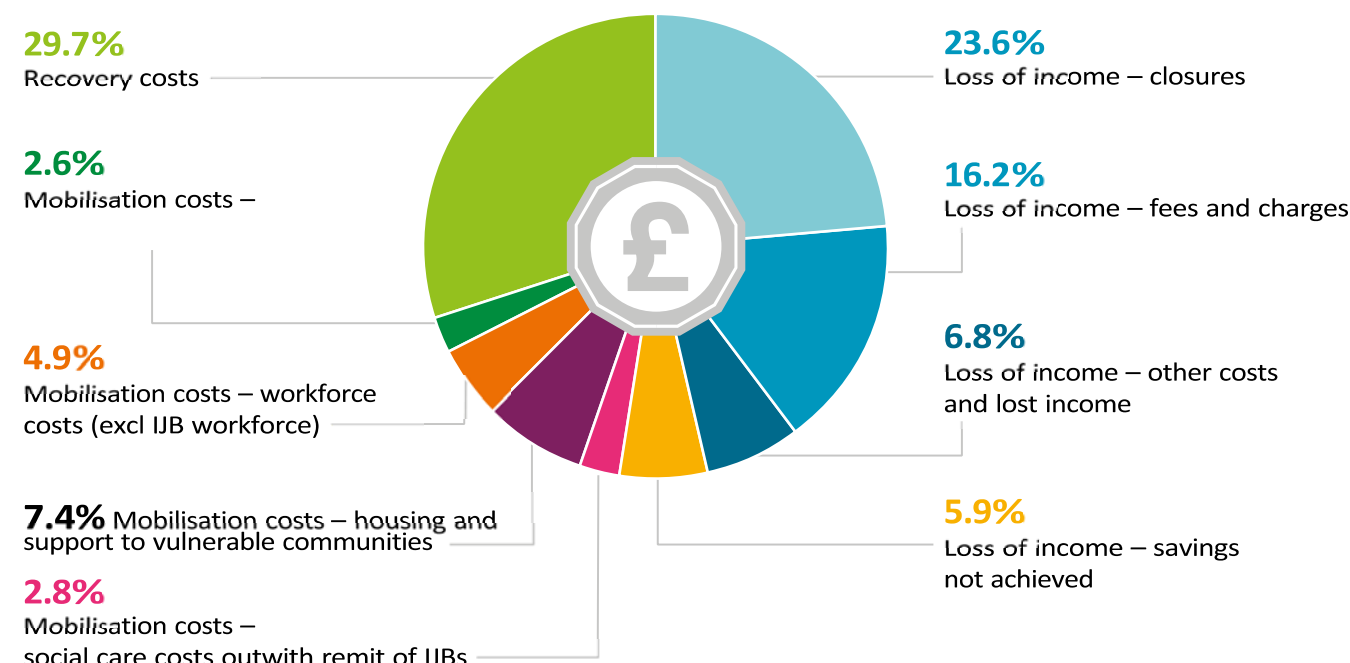
**44.** Loss of income from harbour and ferry activities is another area that has been projected to be significantly impacted. Four councils projected a loss of income totalling £11 million.

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million. Over half of this relates to lost income.

## Exhibit 10

### 2020/21 Projected Covid-19 related expenditure/lost income

Loss of income accounts for over half of the forecast additional costs. non-workforce costs



Source: COSLA summary (full year returns) (July 2020) and COSLA council returns. Proportions based on returns from 25 councils.

## Scottish Government support for Covid-19 pressures

### The proportion of NDR and General Revenue Grant funding was adjusted

**45.** In March 2020, the Scottish Government made a £972 million reduction to the distributable amount of Non-Domestic Rates (NDR) in 2020/21 together with a corresponding increase in the General Revenue Grant (GRG). This reflected measures arising from The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020 which included 1.6 per cent of Universal Relief, 100 per cent relief for Retail, Hospitality and Leisure and 100 per cent relief for Airports and Baggage Handlers.

**46.** The change reflected a recognition that NDR income collected by councils would be lower than anticipated due to Covid-19. As the Scottish Government guarantee each council's formula share of GRG plus NDR, the change resulted in no overall impact on council's total revenue funding.

### Councils have administered funding of over £1 billion as part of the Covid-19 Business Support Fund Grant Scheme

**47.** In March 2020, the Scottish Government announced that businesses could apply for grants to help them deal with the impact of Covid-19.<sup>4</sup> These grants would be administered by councils on behalf of the Scottish Government, with funding made available to councils to finance the costs incurred. Councils received a grant of £950 million in 2020/21 providing an initial advance of the estimated costs projected by the Scottish Government, based on the number of businesses eligible for relief within each council area. The remaining amount will be disbursed as necessary up to a maximum collective limit of £1.2 billion.

**48.** Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by September 2020.

**Further funding of £936 million has been announced by November 2020** [49](#). As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced ([Exhibit 11, page 27](#)). This is made up of the following:

- £723 million of revenue support, including £90 million (estimated) from the loss of income compensation scheme
- £150 million of NHS funding to be passed on to Health and Social Care Partnerships
- £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, school transport support and digital inclusion funding

**We estimate that funding announced by November 2020 meets 60 to 70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain**

[50](#). In [paragraph 40](#), we noted estimated council cost pressures of £767 million, split between revenue cost projections of £681 million and capital cost projections of £86 million. Not all the announced additional funding can be matched to these costs. Of the total £936 million announced, £234 million has been provided to benefit third parties or did not form part of the council's original cost submission.

[51](#). The funding for the Scottish Welfare Fund (£45 million), council tax reduction scheme (£50 million) and discretionary housing payments (£5 million) are administered by the councils but will benefit individuals and businesses within the community.

[52](#). The additional educational recovery funding (£134 million) is a consequence of the decision to re-open schools and early years establishments full-time from 11 August 2020. The necessary social distancing and cleaning measures result in additional costs to councils to be met from this funding. These were not envisaged in the councils' initial cost collection exercise, which predated decisions to return to school on a full-time basis.

[53](#). The funding of £150 million to be passed to Health and Social Care Partnerships did not form part of the councils' estimated costs as these form part of the IJB mobilisation costs. These are described at [paragraph 70](#).

[54](#). After taking into account the above issues, we estimate that the beneficial announcements of revenue funding to councils meet 60 to 70 per cent of the estimated revenue costs at July 2020. However, some of this funding is ringfenced, with £236 million being allocated for specific purposes. For example, £65 million for the food fund and for free school meals. Councils may have cost pressures in other separate areas, which may not be met by this specific funding.

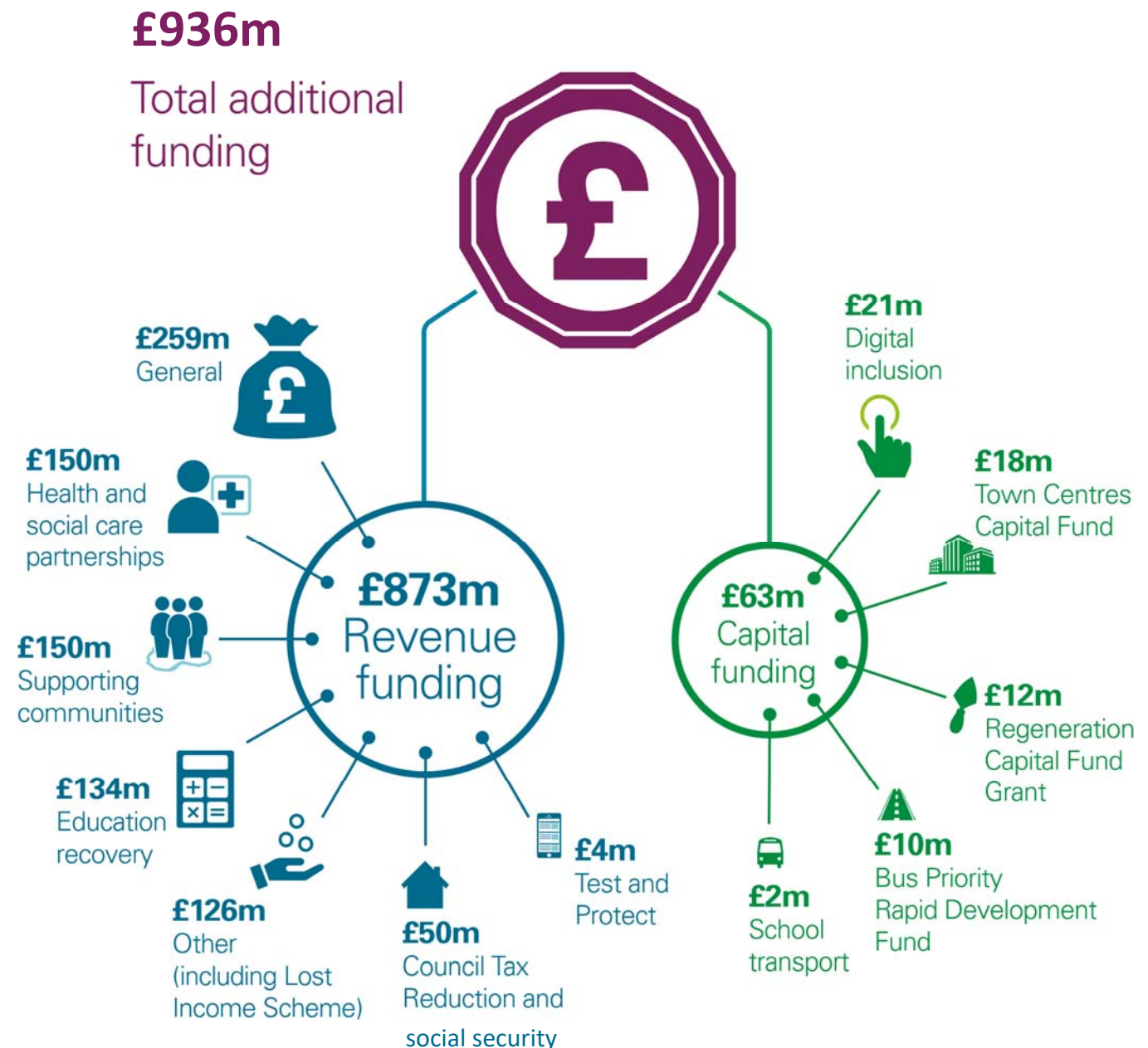
[55](#). The effects of the Covid-19 pandemic continue to develop, as do projections of associated costs and funding.

As at  
November  
2020, £936  
million of  
Scottish  
Government  
Covid-19  
support for  
councils had  
been either  
allocated or  
announced.

## Exhibit 11

Scottish Government Covid-19 funding in 2020/21

Councils were allocated £936 million of additional Covid-19 funding in 2020/21 (November 2020).



Source: Scottish Government funding announcements and COSLA report

**The Scottish Government has given councils additional financial flexibility to respond to the Covid-19 crisis**

**56.** Councils have been given an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million.<sup>5</sup> This figure will apply if all councils are able to use all the new flexibilities, however COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the effects of Covid-19 may impact on some areas, for example expected capital receipts. The new funding levers open to councils apply to Covid-19-related pressures only and apply to this and the next financial year. Additional spending powers include the following:

- enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs
- extending debt repayment periods over the life of the asset rather than the contract period
- allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.

**57.** In addition to these measures, the Scottish Government has provided flexibility around the guidance for using the following specific funding:<sup>6</sup>

- Pupil Equity Funding
- Challenge Authority and Schools' Programme funding
- funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be repurposed to the Covid-19 response, and
- deploy early learning and childcare funding flexibly to deliver critical provision for children and families.

**58.** The extent of how these individual flexibilities may be used by each council, is yet unclear. Judgements will be required by each council and this may depend on the extent of unavoidable commitments already existing, for example in early learning contract commitments to parents.

## Medium and long-term financial planning

**The financial changes due to Covid-19 mean that councils need to review and revise their medium-term financial plans**

**59.** Auditors have reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium-term financial plans will now require revision at all councils to take into account additional financial pressures and updated funding arrangements, as well as consideration of updated savings requirements and financial assumptions.

## Capital Funding

**Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms**

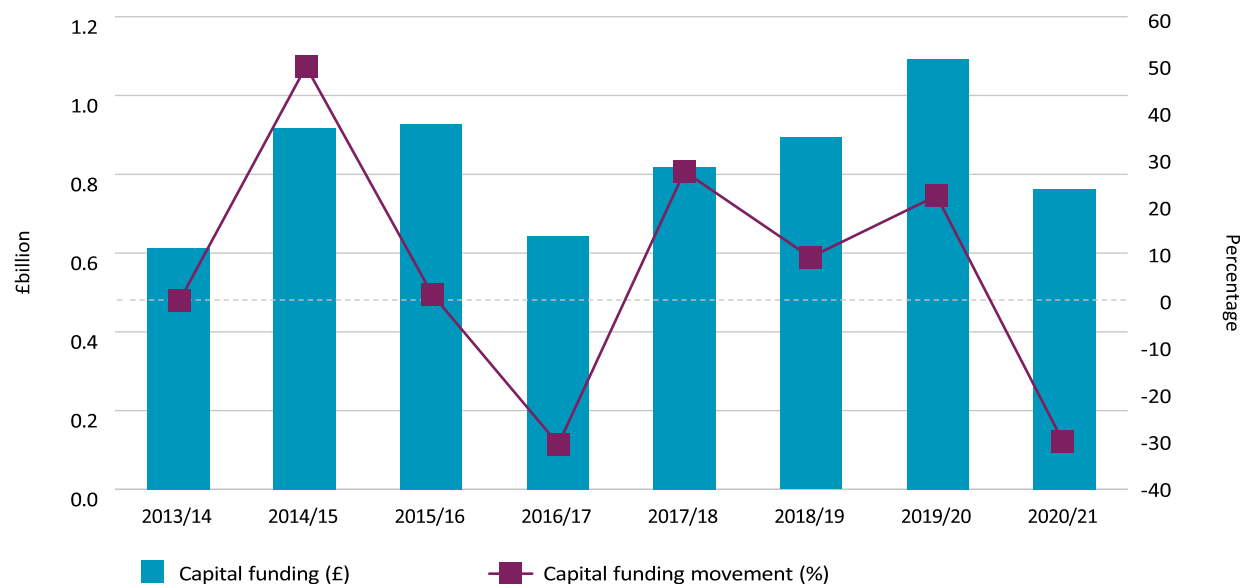
**60.** The Local Government capital settlement in 2020/21 decreased from £1.1 billion in 2019/20 to £0.8 billion. Capital funding had experienced significant increases in the past three years (33 per cent increase between 2017/18 to 2019/20). Total capital funding has now returned to levels more similar to those in 2017/18, in real terms ([Exhibit 12, page 29](#)). This could have a significant impact on councils' future investment plans.



## Exhibit 12

Real terms capital funding between 2013/14 and 2020/21 (excluding Covid-19 funding)

Scottish Government capital funding in 2020/21 (excluding Covid-19 funding) is decreasing by 30 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents

# Integration Joint Boards

## Key messages

- 1** A majority of IJBs (22 of 30) struggled to achieve break-even in 2019/20 or recorded deficits
  - 2** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all these costs
  - 3** Revisions will be required to medium-term financial plans to reflect the impact of Covid-19
  - 4** There were changes in chief officer at 12 IJBs in 2019/20
-

## Funding and expenditure

### In 2019/20 overall funding to IJBs increased by six per cent

**61.** Overall funding to IJBs, in 2019/20, increased by £0.5 billion (or six per cent) to £9.1 billion. Most of this increase is in health board contributions to the IJB.

### Sixteen IJBs recorded deficits

**62.** Sixteen of the thirty IJBs reported a total deficit of £32 million in 2019/20, compared with only eight IJBs reporting a deficit of £11 million in 2018/19. Of the remaining IJBs, 13 reported a total surplus of £17 million and one reported a breakeven position.

### A further six IJBs needed additional funding to achieve surplus or breakeven

**63.** Six of the IJBs that reported a surplus or breakeven position would not have achieved this without additional funding from partners. A total of thirteen IJBs had extra financial support from partners of £50 million. Without this, 22 IJBs would have reported a total deficit of £77 million (19 IJBs with a deficit of £58 million in 2018/19).


### IJBs reported mixed performance against the achievement of savings targets in 2019/20

**64.** We reported last year that of the £208 million projected budget gap for 2019/20, 59 per cent of this was anticipated to be met by identified savings and 30 per cent by unidentified savings plans. Comparing this to actual performance and based on a sample of 22 IJBs, only four delivered 100 per cent of planned savings in 2019/20. Generally, there was significant variation in how IJBs performed against savings targets, with savings achieved ranging from 37 per cent at Aberdeen City IJB to 100 per cent at Inverclyde IJB.

### IJB reserves have decreased in 2019/20

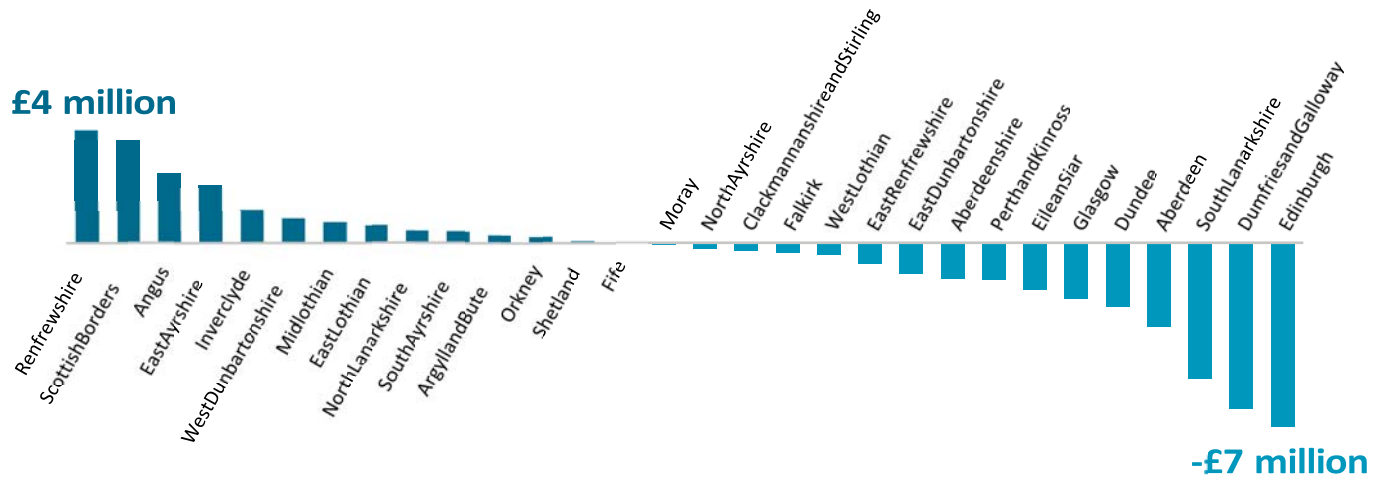
**65.** The IJBs' total reserves decreased by £15 million (9 per cent), to £143 million. This contrasts with a £34 million increase in reserves in 2018/19. Last year we reported that some of the increase in reserves was a result of IJBs holding unspent earmarked funding from the NHS, including those associated with Primary Care Improvement Fund and the Mental Health Strategy. The Scottish Government has advised health boards and IJBs that it expects these earmarked balances to be used before further funds are drawn down. Part of the decrease in reserves this year relates to the use of these specific funds ([Exhibit 13, page 32](#)).

**66.** Some of the more significant reductions include:

- Edinburgh IJB used reserves of £7 million to address a budget gap, as outlined in the recent Edinburgh City Council [Best Value Assurance Report](#)  (November 2020).
- Dumfries and Galloway and South Lanarkshire IJBs used up a significant element of specific reserves, including Primary Care Transformation and Mental Health programmes of work.

## Exhibit 13

Individual movements in general fund reserves between 2018/19 and 2019/20 Sixteen IJBs reported a decrease in the general fund balance.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified

## Financial planning

**More IJBs agreed budgets with partners before the start of the financial year**

**67.** Previously we reported that eleven IJBs failed to agree a budget with their partners at the start of the 2019/20 financial year. This position improved for 2020/21, when only six IJBs had not agreed their budgets by 1 April. Auditors identified the main reasons for this as the impact of Covid-19 and the timing of partner bodies setting their budgets.

**Prior to Covid-19 costs, the projected budget gap was £185 million for 2020/21**

**68.** Auditors identified a total estimated budget gap of £185 million for 2020/21, representing 2 per cent of total projected net expenditure. This is an improvement in comparison to 2019/20 (£208 million). The 2020/21 budget gap as a proportion of total projected net expenditure varied between 0.6 and 5.7 per cent.

**69.** Of the £185 million budget gap, 62 per cent (59 per cent in 2019/20) was anticipated to be met by identified savings and 25 per cent (30 per cent in 2019/20) by unidentified savings plans. Five IJBs planned to cover part of the estimated funding gap from reserves.

## Covid-19 related costs

**As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million**

**70.** Financial data, provided to the Scottish Government by NHS Boards, shows estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships of £422 million for 2020/21. This projected total covers the full financial year and is based on returns submitted to NHS Boards by IJBs in the period June to September 2020. The main contributory factors to this are:

- additional costs for externally provided services, including PPE (£113 million)
- additional payments to Family Health Services contractors (£18 million) and prescribing (£15 million)
- additional temporary staff (£27 million)
- additional care home beds (£21 million)
- additional staff overtime and enhancement (£20 million)
- cost associated with Community Hubs (£27 million)
- homeless and criminal justice services (£10 million)
- mental health services (£10 million)
- expected underachievement of savings (£72 million), and
- loss of income (£24 million)

**It is not yet clear if the Scottish Government will provide financial support to IJBs for the full impact of the pandemic**

**71.** Several IJBs have included an assumption within budget papers and monitoring reports that the Scottish Government will provide financial support to cover all 'reasonable' expenditure included in cost submissions. However, there remains uncertainty around the extent to which the Scottish Government will fund these costs. Uncertainty of funding in care elements of the IJB has a significant impact on councils too, as the impact of costs and funding has been assumed to be neutral or excluded from council estimates.

**72.** At September 2020, the Scottish Government confirmed that £2.6 billion received in consequentials will be passed on for health and social care. This amount should be sufficient to cover the projected Covid-19-related revenue costs of £1.62 billion for health (£1.2 billion) and social care (£0.42 billion) for 2020/21.

**73.** In late September 2020, the Scottish Government announced additional funding of £1.1 billion to support the health and social care sector in dealing with Covid-19 related pressures. The funding will be allocated to NHS Boards and Health and Social Care Partnerships across Scotland to meet the costs of additional staffing or sickness

**As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million**

expenditure, enhanced infection prevention and control measures, and the purchase of PPE. However, the basis for allocation to individual partnerships is not yet clear.<sup>7</sup>

### **Revisions will be required to medium-term financial plans**

**74.** More IJBs developed medium-term financial plans in 2019/20. Auditors reported that 26 had a medium-term financial plan in place. The impacts of Covid-19 could be significant for individual IJBs and medium-term financial plans will need to be revised to reflect this.

## **Wider governance issues**

### **There were changes in chief officer at 12 IJBs in 2019/20 and instability of leadership continues to be a challenge**

**75.** Auditors continued to identify significant changes in senior officers of IJBs. In 2019/20 there were changes in the chief officer at 12 of the 30 IJBs. Two-thirds of the chief officers who resigned left for a new role, either at another IJB (three chief officers) or elsewhere (five chief officers). There were also changes in chief finance officer at two of the IJBs. At Western Isles IJB (Curam is Slainte nan Eilean Siar) the absence of a chief officer has contributed to delays in strategic planning and issues with workforce planning.

### **Some IJBs did not review their integration scheme due to Covid-19**

**76.** The Public Bodies (Joint Working) (Scotland) Act 2014 sets out that IJBs have a statutory duty to review their integration scheme within a five-year period. Auditors reported that six IJBs had not reviewed their integration scheme within the required timeframe. In all cases, Covid-19 was noted as a reason for the delay.

Instability of leadership continues to be a challenge for IJBs.

# Endnotes

- 1 COSLA returns (3 month and full year returns) – based on 29 councils. Cost projection ranges were derived for the missing councils. Please note that this also includes the loss of the £6 million dividend from Lothian Buses.
- 2 Debt is total outstanding borrowing and other liabilities, including assets acquired through Private Finance Initiative (PFI), Public Private Partnership (PPP) and Non-Profit Distributing (NPD) models.
- 3 Excludes additional costs due to the decision to re-open schools and early years establishments full-time from 11 August 2020, as the cost collection exercise was conducted prior to this.
- 4 Scottish Government announcement (<https://www.gov.scot/news/gbp-1-billion-business-support-fund-opens/>)
- 5 Scottish Government announcement (<https://www.gov.scot/news/supporting-local-government-recovery>)
- 6 Scottish Government announcement (<https://www.gov.scot/publications/coronavirus-covid-19-letter-to-localauthorities-regarding-education-and-early-learning-and-childcare-funding-flexibility>)
- 7 The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Health and Social Care Partnerships are the partnerships that deliver services based on decisions made by the IJB.

## Local government in Scotland

# Financial overview 2019/20

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