

# Scottish councils warn of bankruptcy and spending cuts

Almost a quarter of councils in Scotland warn of effective bankruptcy, as every single council is planning spending cuts to services, affecting millions of people.

New research out today from Local Government Information Unit (LGIU) Scotland reveals that nearly a quarter of Scottish councils fear they will not be able to balance their budgets in the 2024/25 financial year.

This is despite the fact that every single council in Scotland plans to cut spending on services in the next financial year, with around two-thirds of respondents cutting spending on education, parks and leisure, and business support. Alongside planned cuts, nearly all said that they would be increasing fees and charges, and nine in ten that they would be spending reserves.

The first annual LGIU *State of Local Government Finance in Scotland* survey, found more than three quarters of respondents believe these cuts will be evident to the public. Had it not been for the Scottish Government decision to unilaterally declare a council tax freeze, every council would have raised council tax, most often by a significant amount. The proposed council tax freeze has contributed to an increasingly poor relationship between Scottish Government and local government.

The current state of the economy, manifested in high rates of inflation, affects wages, utilities and food, thus making service provision even more expensive for councils and was considered to be a problem by every respondent who answered. The associated cost of living crisis – which puts additional demand on services – was also considered to be a problem by over 90% of respondents.

There was widespread agreement on the most pressing issues in council finances: in addition to inflation, ring-fencing, staff recruitment, cost of living crisis and pressures linked to demographic change were all considered to be problems by more than 90% of respondents.

Adult social care and children's services were considered the greatest shortest-term pressures on council finances, and adult social care by far the greatest long-term pressure.

Jonathan Carr-West, Chief Executive, LGIU Scotland, said: "Councils in Scotland are raising a red flag that council finances are completely unsustainable. With nearly a quarter of councils warning they may be unable to fulfil their statutory duties, it is only a matter of time before we see the first council in Scotland declare effective bankruptcy.

Councils are pulling every lever available to them to balance their books. Every respondent said they were cutting spending on services, 97% that they would be increasing fees and charges, 89% that they would be spending reserves. But it is not enough. Councils have little to no confidence in local government finance and the issues behind the crisis are not going away.

Scottish Government must work productively with councils to restore trust, remove ring fencing, identify revenue streams and reform core funding for councils to ensure residents, and particularly the most vulnerable in communities, are able to access the services they need and pay for."



© 2023 Martin McAdam