

# Scotland's local authorities are facing an unprecedented financial crisis

Scotland's local authorities are facing an unprecedented financial crisis, councillors heard this week.

The council's finance chief said the circumstances were "stark" and "severe changes" would have to be made to services provided in West Lothian.

The future will "look very different", warned Patrick Welsh after speaking to councillors on the Audit Committee.

West Lothian council's latest Budget update issued this week confirmed that more savings measures will have to be agreed if the funding being given to councils remains significantly less than is needed.

The council is required – by law – to approve a balanced revenue budget each year.

Insufficient Scottish Government funding combined with increasing costs means the council has a budget gap of £16.6million for 2024/25, and a gap of £38 million from 2024/25 to 2027/28.

By 2028 the council will have had to make budget cuts of almost £200 million, starting in 2007.

The vast majority of the council's budget is provided by the Scottish Government – over 80% with Council Tax making up less than 19% of the council's budget. The Council Tax freeze – announced by the Scottish Government earlier this year – resulted in a further £1.4million of budget savings required in West Lothian in 2024/25, as it was not fully funded by the Government.

The council is facing significant cost pressures due to the increasing costs associated with growing demands and inflation, especially across key areas.

The biggest cost pressures are in these services:-

- Homelessness
- Residential school placements
- Increasing social care costs due to increasing elderly population
- Fleet & vehicle costs
- School transport costs (Additional Support Needs, medical and mainstream transport)

There is great uncertainty and risk around future funding across local government. Current public spending plans are widely acknowledged to result in cuts to unprotected budgets with the Institute of Fiscal Studies believing that a reasonable estimate is that local government budgets face cuts of between 1.9% and 3.5% per year.

Patrick Welsh, the council's Interim Head of Finance and Property Services said: "The situation is stark and it is important to be very upfront and honest with local residents.

"Unless something drastic changes and we are given a significant increase in funding, more severe changes to services will have to be made. Having made £0.2 billion of

savings already, the options available to councils are now becoming increasingly difficult choices.

“To put it bluntly, it may be the case that some services that we are all accustomed to a council providing, are no longer provided, at all, or, at best, will look and operate very different in future. All councils in Scotland are facing this appalling situation.

“The growing financial crisis facing councils is of a magnitude never experienced before. Interventions, such as the Verity House Agreement, have not supported local discretion and flexibility with ringfencing of resources is continuing.”

He added: “It is important to recognise that, based on these circumstances, it is not an option for the council to continue to deliver all existing services as they are currently provided.”

“The council must make savings and/or agree to additional sources of income to enable us to set a balanced budget.

“As well as the legal duty placed on the council, it is important to understand that savings in some areas of service delivery are necessary to ensure the council can continue to meet the costs and deliver the most critical services the community depends on – such as education and social care – where annual cost increases are simply not matched by annual grant funding increases.

“We need to focus on delivering critical services and reduce spending in other areas, which will be extremely difficult for us and the communities we serve. If we don’t, and we don’t reduce spending in some areas, we will not be able to deliver the most critical services – such as education and social care.

“It is in this increasingly challenging financial context, that the council has agreed for officers to undertake a review

of the council's operating model to ensure it aligns with agreed priorities and statutory obligations, whilst identifying savings. It has further been agreed that additional saving measures for the remaining years of the revenue budget strategy should be subject to public consultation and that a consultation with the public will take place in Spring 2025 on council priorities and identified saving options".

Council officers are considering options to balance the budget gap and identify additional budget savings for 2025/26 to 2027/28. Scottish Government funding for West Lothian will become clear at the end of this year ahead of new budget decisions in the opening months of 2025.

By Stuart Sommerville, Local Democracy Reporter