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## News release on behalf of the Accounts Commission

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# Involving communities is vital as councils face financial strain

**Scotland's councils continue to face severe financial pressures. The need to consult with communities, clearly communicate the impact on local services, whilst working together to shape and deliver urgently needed transformation, is more important than ever.**

Councils closed a budget gap of £759 million during 2023/24, but this required them to make further and deeper savings. Reflecting on the state of council finances in that financial year, the Accounts Commission reports many councils made savings or used reserves to deliver services within budget and offset a 3.3% real-terms reduction in revenue and income. Using reserves to routinely balance budgets isn't sustainable and risks financial sustainability.

Despite an overall increase in funding in 2024/25 and a further funding increase announced for the year ahead, intensifying demand for services, greater borrowing and depleting reserves pose ongoing challenges.

In 2023/24 councils borrowed more to invest in buildings and infrastructure, whilst Scottish Government money to support capital investment continued to decline. Council borrowing increased by over £400 million and almost all councils now face higher levels of debt and annual interest costs. This investment is vital, however, in supporting spending on key areas including new schools and housing projects, whilst reducing the risk of buildings becoming unusable and impacting services still further.

### **Jo Armstrong, Chair of the Accounts Commission, said:**

“Scotland's councils face a challenging future, with significant financial risks and uncertainties. This has been compounded by pressures out with their control, including ever-increasing demand on services and inflation. An expected increase in funding for the year ahead doesn't cancel out the urgent need for transformation, at a pace and depth we've not yet seen.

“With services already being impacted, councils must be clear with communities the scale of financial challenge being faced. Working with communities to deliver differently is vital.”

For further information contact Joanna Mansell Tel: 07970331858  
[jmansell@audit-scotland.gov.uk](mailto:jmansell@audit-scotland.gov.uk) or [media@audit-scotland.gov.uk](mailto:media@audit-scotland.gov.uk)

**Notes to Editor:**

- 1.** The Accounts Commission's next [Local government in Scotland publication](#) will examine the steps that Scotland's councils take as they set their budgets for 2025/26. This will detail the finalised funding settlement from the Scottish Government, decisions taken in setting council tax and the steps they intend to take to fund and transform services.
- 2.** In 2024 the Accounts Commission published a report on [Transformation in councils](#). This emphasised councils and key partners must significantly increase the pace and scale of major changes if they are to protect vital public services.
- 3.** All reports by the Accounts Commission and Auditor General published since 2000 are available at [www.audit.scot](http://www.audit.scot)
  - The Accounts Commission is the public spending watchdog for local government. It holds councils and various joint boards and committees in Scotland to account and help them improve. It operates impartially and independently of councils and of the Scottish Government, and meets and reports in public.
  - Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.

**ENDS**