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Better reporting and scrutiny needed for council borrowing

Borrowing is a major source of funding for councils to invest in key services like schools or roads. Councils are meeting professional requirements but need to do more to set out the longer term implications of borrowing and other debt on their finances.

A new Accounts Commission report published today says councils need to make better use of information to clearly set out the impact of borrowing in the longer term to help councillors make informed decisions and undertake their scrutiny roles.

The report says total councils' debt from traditional borrowing now stands at £12.1 billion and has changed little over the last three years. Just over half of councils have increased their borrowing levels over the last decade. Councils have other debt of £2.7 billion from Public Private Partnerships, bringing total debt to £14.8 billion. This report focuses on council borrowing but its messages and recommendations could apply to all debt.

Scotland's 32 councils have developed strategies to suit their own local priorities and needs. Links between capital investment and managing cash flows (treasury management) have been strengthened over recent years. Councils are following the principles of the relevant codes of practice in demonstrating short term affordability, but they are not always highlighting the strategic importance of borrowing and treasury management or providing evidence of long-term affordability and sustainability.

Scrutiny needs to be improved through better training for councillors, cutting out jargon to make reports clearer, and ensuring governance arrangements are solid.

Douglas Sinclair, chair of the Accounts Commission, said: "This is a highly complex technical area. Councillors don't need to know every detail but they do need to know enough to ask the right questions. This is a critical part of council business which requires close and effective scrutiny, particularly in times like this when budgets are so tight.

"We hope this report will help councillors and officers make improvements through clearer information and wider analysis of options so that they can be confident that their borrowing policies deliver best value in the longer term."

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Notes to editors

1. The report, Borrowing and Treasury Management in Councils, is available here ([weblink](#)).
2. Audit Scotland has prepared this report for the Accounts Commission for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

- 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.