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Press release

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Improvements welcomed but tough times may be ahead for councils

The Accounts Commission has welcomed a number of improvements by Scotland's local authorities but warns that major challenges lie ahead.

The Commission notes that all councils now have policies setting out their position on reserves; council tax collection has exceeded 93% for the first time; at 24.7%, waste recycling has almost hit its target of 25%; and there is a general picture of improved performance.

However today's *Overview of the 2006 local authority audits* report also points to possible changes following the local government elections in May and risks to the pace of improvement. And the report warns of substantial financial pressures, including the cost of equal pay settlements and implementing the single status agreement. This is reflected in the fall in reserves – the first downward move in recent years.

Alastair MacNish, Chair of the Accounts Commission said: "We welcome the fact that services are getting better. But councils face significant challenges and need to deal effectively with rising costs, falling reserves and the changes the May 2007 local government elections will bring.

"They urgently need to consider how they will conduct day to day business after the local government elections, particularly focussing on training and support for the newly elected councillors. The drive for Best Value continues and much more work is needed to develop effective performance management regimes."

Today's report ties together key messages from the 2006 local authority audits and signals emerging trends in performance, governance and the management of resources. It highlights:

- Significant and steadily increasing financial costs, such as equal pay settlements, implementing the single status agreement and rising energy costs. These costs are reflected in accounts as at 31 March 2006, which show a 14% drop in the total level of reserves, the first downward move in recent years. General funds, used for day to day expenditure, dropped by more than a third.
- Up to a third of current councillors are expected to stand down before the May elections and there may be changes at senior officer level. The new voting system could result in changes in political balance and the new multi-member wards are likely to change the way in which council business is conducted.
- Councils face many other pressures too. As Scotland's age profile changes, services will have to adapt to different needs. Public sector reform, efficiencies, working with other agencies and sustainability requirements are also high on the agenda.
- Despite the pressures, council services are improving overall and financial stewardship remains generally sound. There is a strong commitment to engaging with communities to plan services and early evidence of progress in sharing services, although this work does need to be developed.
- Although services are getting better overall, councils need to develop far more robust methods and tools for driving improvements and measuring performance, such as improving the links between policy-making and financial planning, better performance information and enhanced service scrutiny by elected members.

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Notes to Editors:

1. The report *Overview of the 2006 local authority audits* is based on figures for the financial year 2005/06 and can be viewed at www.audit-scotland.gov.uk from Thursday 15 February.

2. The Accounts Commission for Scotland was set up in 1975 and is independent of both central and local government. The Commission considers whether local authorities, fire & rescue services and police forces spend nearly £16 billion of public money properly and effectively.

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.

The Audit Commission operates only in England.

3. Councils spend around £16 billion a year, use assets worth about £22 billion and employ around 262,000 full-time equivalent staff

4. The level of balances and reserves is referred to on pages 24,25 and 26 of the report.

5. This report incorporates data from the 05/06 Statutory Performance Indicators (SPIs), including indicators on topics such as council tax collection, recycling, rent collection and crime rates. SPI data alone cannot provide a comprehensive picture of performance, although it can contribute to this. To view SPI data go to: <http://www.audit-scotland.gov.uk/performance>

6. Audit Scotland also carries out financial and Best Value audits on individual councils. These reports are available at <http://www.audit-scotland.gov.uk/publications/index.htm> and <http://www.audit-scotland.gov.uk/publications/auditreports.htm>