

## **New report says council funding “completely unsustainable” Dec 23**

It warns of a risk that some Scottish councils could effectively go bankrupt.

The Local Government Information Unit [report](#) details anonymous survey responses from senior council officers across more than 75% of the 32 councils in Scotland. Their concerns starkly confirm UNISON’s longstanding warnings about the threats to vital council services from unsustainable local government financing - with a council tax freeze ([which we oppose](#)) adding to the funding pressures. It is the first annual LGIU report on [the state of local government finance in Scotland](#). Key points include:

- Local government finances in Scotland are in a critically poor state
- Respondents from eight councils said that there was a danger financial constraints could leave them unable to fulfil their statutory duties, unable to set a balanced budget and effectively meaning their council would go bankrupt
- Without significant changes to funding, councils risk falling into the same cycle of declining service quality, rising costs for taxpayers & eventual effective bankruptcies that has been the operating model across English councils for several years
- A total of 73% had planned to raise council tax by between 5 and 10%, and 11% had planned to raise it by more than 10% - the 2024/25 council tax freeze was widely condemned – the claimed ‘full funding’ seems very unlikely to match those plans
- Respondents said the freeze took away one of the most important local controls over their finances & that it would erode financial sustainability in the long term by reducing the council tax base
- There was widespread agreement on the most pressing issues: inflation, ring-fencing, staff recruitment, the cost of living crisis and demographic change
- All respondents said their councils were making cuts to services: 97% increasing fees and charges and 89% would be spending reserves. “Even the less popular measures – increasing commercial activity and increasing borrowing – both of which are heavily regulated in Scotland, are being pursued by 67% and 45% of councils.”

The report lists some of the key issues and funding pressures, and dissatisfaction with the Scottish Government and COSLA [Verity House Agreement](#) (VHA), intended to improve joint work and relations, but totally ignored by the First Minister’s council tax freeze decision.

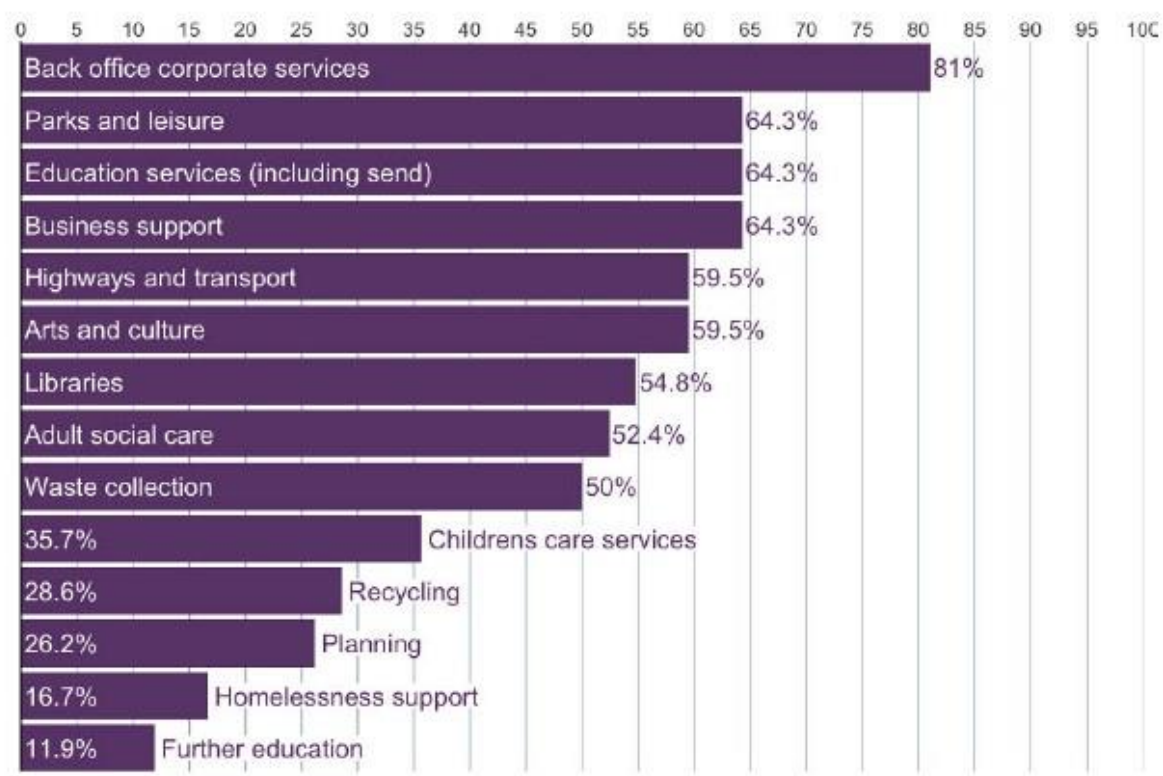
Dr Jonathan Carr-West, LGIU Chief Executive, says in the introduction that the 2023 survey of English council officers produced “terrifying” results about the state of finances there.

He’d hoped the picture might be better in Scotland, but: “Unfortunately, nothing could be further from the truth. Senior council figures across Scottish local government are calling out for change. After years of backbreaking work during the pandemic and in the face of rising service pressures, exhausted councils have found themselves in an unsustainable financial position, forced to cut services, spend their reserves and planning to raise council tax by unprecedented levels, until that option was taken away. Crucially, senior council figures are not confident that Scottish Government will change anything.”

Among the reasons for opposing the council tax freeze is that freezing it for one year lowers the council tax base year-on-year. The report explains that this means “there is a lost year where council could not increase, and it will be harder to catch up without an even more drastic increase in council tax in future years.”

The LGIU survey, by its [Local Democracy Research Centre](#), went to council leaders, chief executives and directors of finance. The report does not address pay or job cuts but does highlight difficulties recruiting the staff necessary for key services: “This raises serious questions about the provision of essential services - without a sustainable supply of workers, no service can function effectively.”

Most councils are making cuts to a range of services; table from report, p12.



The report found 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.

The pressures on and increasing demand for adult social care were identified as “especially concerning as the Accounts Commission has identified the adult social care sector as already being in crisis. This crisis will worsen without significant change to how social care is funded or delivered.”

The public will recognise the details in the cuts table above - borne out by the further cuts to services on top of damaging cuts in previous years, causing heartbreak and outrage around the country. Sweeping cuts to leisure services and libraries in North Lanarkshire hit the headlines and plans were reversed during the Rutherglen by-election, but the council still faces the budget pressures. Politicians might like to use council tax freezes and other populist measures to win votes at election times, but they are dishonest and running down local government if they don't address the damage caused to services, creating real crisis.

Earlier in December, COSLA launched its '[Councils are Key](#)' campaign, saying Scottish local government needs £14.4 billion just to stand still. In England, Birmingham and Nottingham councils declared themselves effectively bankrupt this year. COSLA warned that there is a risk to Scottish councils “if the funding by Scottish Government does not match growing cost pressures.”\*

The campaign highlights the importance of council services, particularly in the three VHA priority areas of tackling poverty, just transition to net zero and sustainable public services. COSLA has been issuing further calls for funding support for areas including [social care](#) and [climate action](#), as well as commenting on the [LGIU report](#).

\*See the last section of this [BBC report](#) for a short explanation of what might happen if a Scottish council 'runs out of money'.

### **Actions for branches**

Continue campaigns for funding for quality local government services and against cuts to services and jobs, arguing why a council tax freeze is wrong. Campaign for the council tax to be replaced by a fair property tax.

Support calls for investment in public services, including [UNISON](#) and [STUC proposals](#) for raising income, including through progressive tax measures. Keep us updated, via your regional organiser, on local council budget pressures, proposed cuts and your campaigns.

UNISON will be producing further briefings on council funding, available in due course on the website. See also briefings on the May 23 [Accounts Commission](#) Local Government Overview Report and the Feb 23 E Briefing on [Local Gov Finance](#) provisional allocations.

For further information please contact

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