

**THIS STATEMENT IS ISSUED ON THE STRICT UNDERSTANDING THAT IT IS NOT FOR PUBLICATION OR BROADCAST BEFORE 00.01 hrs ON 15 DECEMBER 2020**



## ***MEDIA RELEASE***

### **Local Government Auditor's Report 2020**

Reduced resources mean that Northern Ireland's councils face significant challenges to their financial sustainability and capacity to maintain service levels. That warning is among the main conclusions in a report published today (Tuesday 15 December) by the Local Government Auditor, Pamela McCreedy.

Ms McCreedy's report found that the shortfall between councils' income and expenditure reached £106 million in 2018-19, with expenditure having exceeded income in each of the previous five years and increasing notably since 2017-18. The report concludes that this may not be sustainable in the longer-term, as the impact of Covid-19 continues to be felt.

The report finds that councils in Northern Ireland continue to be heavily reliant on income from district rates and fees generated by council facilities, both of which will have reduced significantly during the pandemic. The report concludes that councils will need to consider options to maximise income and reduce costs in the future, through more efficient service delivery.

The report also notes that councils are facing challenges in terms of financial resilience. Although most councils increased their usable reserves in 2018-19, one council's General Fund reserve decreased significantly. In the current economic climate, where councils' income sources have been depleted as a result of the Covid-19 crisis, it is very likely that councils may need to use their reserves in the short term to continue to deliver local services. The report also highlights an increase in both borrowing and capital expenditure and notes that, moving forward, councils will need to carefully consider future plans and commitments. It concludes that robust financial management arrangements will be essential to aid decision making and ensure the most efficient and appropriate use of resources.

Commenting on the report, Ms McCreedy said:

*"Councils and their staff have played a vital role in Northern Ireland's response to Covid-19. They have demonstrated an ability to be agile and innovative, ensuring key services are maintained amid extraordinary circumstances. Resources were already stretched going into this pandemic, and whilst the full scale and impact is unknown at this stage, it is likely to be significant. That's why it is vital that councils capture and build on the experiences that have worked this year, and that they continue to find new and more efficient ways of working."*

*"Going forward, there are also considerable opportunities for councils, with over £1.2 billion committed to City Region and Growth deals to date. Four deals have now been agreed, covering all 11 council areas, and will be more important than ever as councils assist in rebuilding the economy. Councils must maximise these opportunities whilst carefully managing the risks presented by the challenging public sector backdrop."*

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**Notes for Editors**

1. The results of work undertaken by the Local Government Auditor are reported to the Members of Local Councils and local government bodies. Her report on each set of accounts is published with the accounts by the audited body. She also provides an Annual Audit Letter to each body, which is also published by the audited body. In addition, a summary of her key findings at each local council in relation to the improvement audits and assessments will be published in her Annual Improvement Reports.
2. In addition to providing an opinion on the financial statements of the 11 councils, Mrs McCreedy is, as Local Government Auditor, responsible for the audit of the Local Government Staff Commission and the Northern Ireland Local Government Officers' Superannuation Committee, as well as two joint committees formed by councils. In total, she issues audit opinions on 15 sets of financial statements.
3. The Local Government Auditor can also undertake comparative and other studies designed in order to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local government bodies and to publish her results and recommendations.
4. Background briefing can be obtained from the Audit Office by contacting Colette Kane (028 9025 1064) or Suzanne Murphy (028 9025 1125).