

## Local Government Auditor's Report 2021

While the short-term financial impact of the Covid-19 pandemic on local councils has been offset by additional central government funding, there will be long-term challenges for council services and finances. These are among the key findings of a report published today (Tuesday 21 December) by the Local Government Auditor, Colette Kane.

Ms Kane's report notes that, by 31 March 2021, councils had received £117 million from the Department for Communities to support their financial recovery from the pandemic. This included over £85 million to mitigate councils' projected losses as a result of the pandemic. Councils have been heavily reliant on this financial support from central government to maintain services during the pandemic, but today's report warns that challenges will extend into the foreseeable future. Even though many of councils' revenue generating services have reopened, their ability to generate income continues to be affected by social distancing requirements, and potentially less demand as a result of the impact of the pandemic on disposable incomes.

The report adds that financial reserves will be an important resource in supporting recovery. From 2019-20 to 2020-21, total usable reserves increased by £139 million to £405 million, mainly due to the funding received from central government. Most councils have set up specific reserves to aid their recovery from the pandemic, but the report cautions that these will need to be managed carefully. The report also includes examples of support councils have provided to local communities in response to Covid-19.

Commenting on the report, Ms Kane said:

*"Councils had to adapt quickly to the challenges of Covid-19. I have heard many examples of how they responded in terms of innovation and collaboration to support local people, communities and businesses. It is vital that lessons learned from the response to the pandemic are shared and built upon as recovery continues. Robust financial planning and management will also be essential to aid decision-making and ensure continued financial resilience."*

Ms Kane reports that all 15 local government audit opinions for the 2019-20 financial statements were unqualified. The financial statements show that councils' expenditure continued to exceed income in 2019-20, with the shortfall reaching £85 million. The report shows that the vast majority of councils' income continued to come from district rates. Ms Kane also notes the continued reliance on temporary staff and the ongoing cost and number of exit packages in some councils.

*"As staff will play such a key role in councils' recovery from the pandemic, I strongly encourage councils to focus on stabilising their staffing structures and ensuring they have the capacity and skills to assist with continued recovery."*

ENDS

## 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, Ms Kane 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. In addition to the £117 million from the Department for Communities, central government funding to councils to support recovery from the pandemic also included £12.5 million from the Department of Agriculture, Environment and Rural Affairs (DAERA), provided to help cover higher costs for waste collection, treatment and disposal. Additional funding was also received from DAERA (£2.3 million) and the Department for Infrastructure (£5 million) towards the Recovery Revitalisation Fund.
5. Work is ongoing in relation to the Causeway Coast and Glens extraordinary audit and the report on the Planning System in Northern Ireland (the latter report will be published in collaboration with the Comptroller & Auditor General).
6. Background briefing can be obtained from the Audit Office by contacting Colette Kane (028 9025 1064) or Suzanne Murphy (028 9025 1125).