

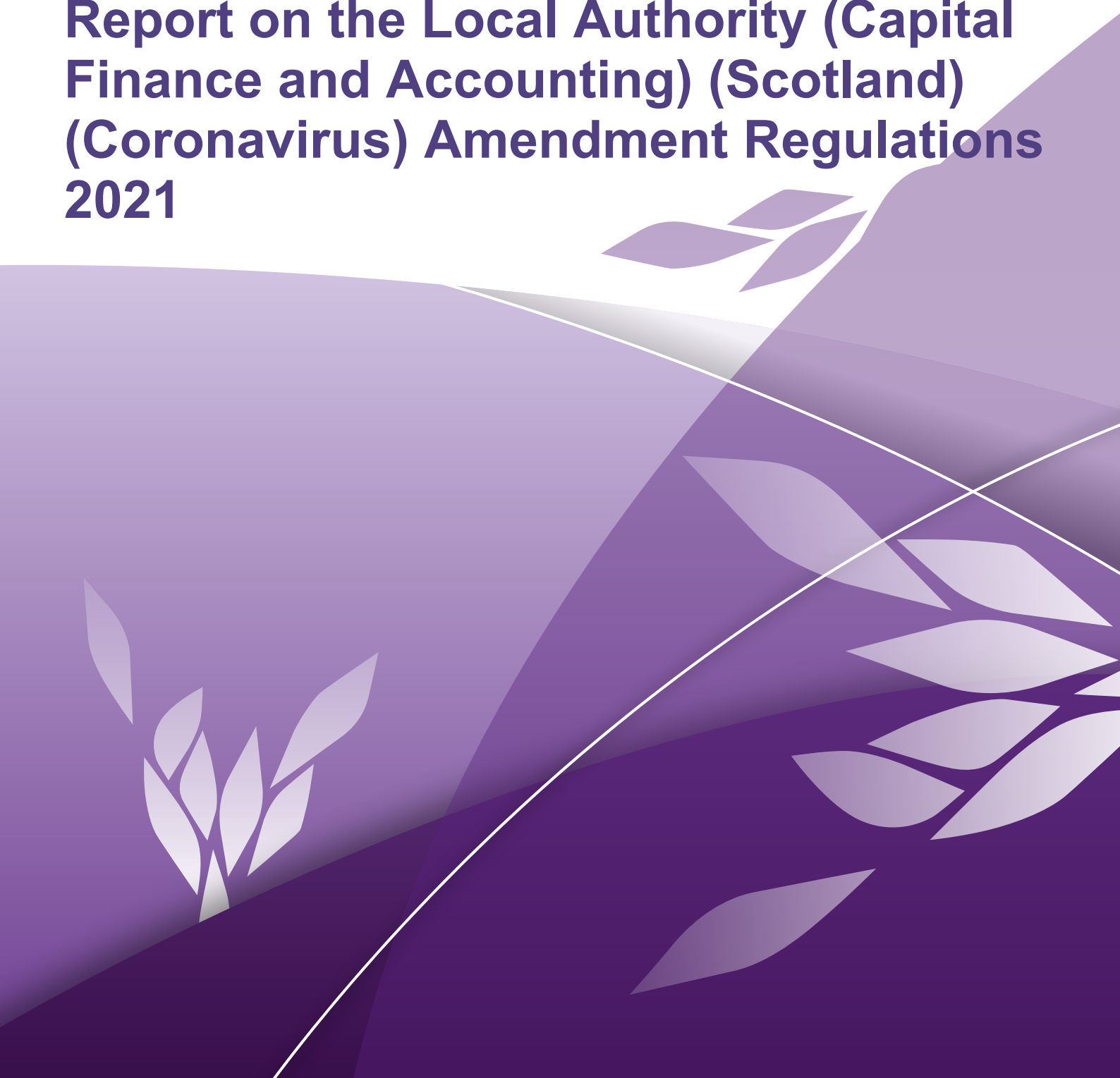


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Local Government and Communities Committee Comataidh Riaghaltas Ionadail is Coimhearsnachdan

Report on the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021



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Local Government and Communities Committee

To consider and report on communities, housing, local government, measures against poverty, planning and regeneration matters falling within the responsibility of the Cabinet Secretary for Communities and Local Government.



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Introduction

1. The [Local Authority \(Capital Finance and Accounting\) \(Scotland\) \(Coronavirus\) Amendment Regulations 2021](#) amends the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (the “2016 Regulations”) and the Local Authority Accounts (Scotland) Regulations 2014 (the “2014 Regulations”).
2. The [policy note](#) accompanying this instrument explains that as a result of the Coronavirus Pandemic there are unmet funding pressures for local authorities as they move into the recovery phase. The Scottish Government worked jointly with the Convention of Scottish Local Authorities (COSLA) to identify a package of financial flexibilities for local authorities to address the funding pressures. This instrument puts in place these measures, which are summarised as follows:
 - To make a time limited amendment to The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, to allow a local authority to reduce the statutory repayment of loans fund advances that would have been due to be repaid in either the financial year 2020-21 or 2021-22, but not both. The reduced amounts must be repaid in future financial years.
 - To delay deadlines for completion of audit of local authority accounts for the 2020-21 financial year.
 - To provide that, longer term, the way local authorities determine repayment provision is to be based more fully on proper accounting practice.
3. Part 1 of the instrument (regulations 1 to 5) will come into force on the day after the day on which instrument is made. Part 2 of the instrument (regulation 6) will come into force on 1 April 2022.

Committee Consideration

4. The Delegated Powers and Law Reform Committee considered this instrument at its meeting on [26 January 2021](#) and [determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit](#).
5. At its [meeting on 17 February 2021](#) the Local Government and Communities Committee took evidence on the instrument from:
 - Kate Forbes, Minister for Public Finance and Digital Economy, and Hazel Black, Head of Local Authority Accounting, Scottish Government.
6. The Cabinet Secretary said that the measures contained within this instrument are a package of flexibilities for local authorities to use as they see fit, to deal with their own challenges. She stated that local authorities would experience loss of income in different ways. For example, some do not have arm’s-length external organisations, and would therefore experience loss of income differently to those which do. She added that some local authorities were more advanced in their provision of early years and childcare, so had previously made use of flexibilities in last years funding for those services for other things. The Scottish Government has estimated that the flexibility provided by the measures to defer payments could be

valued at £541 million because that was the figure for repayments made in 2018-19.

7. Hazel Black said that the adjustments contained within the instrument were only to be applied for that one financial year and there were no plans to repeat them. She said that local authorities had a maximum of 20 years to repay any statutory repayment of loans fund advances deferred in 2020-21 or 2021-22.
8. The Cabinet Secretary said that the Scottish Government had received information from local authorities which allowed the Scottish Government to assess the impact of last year's loss of income on local authorities' current finances, but that quantifying the potential future impact on their finances was more uncertain. For example, if we moved out of lockdown slowly, there would be an impact on use of arm's-length external organisations, community halls and how busy town centres are, which would in turn affect income from parking charges.
9. The Cabinet Secretary said that the Scottish Government does not yet have confirmation from the UK Government about what consequential funding it will provide for loss of income. She said that the Scottish Government has therefore increased the initial offer of additional funding for local authorities to deal with loss of income from £90m to £475m, to be provided in three instalments. This additional funding could be carried forward in reserves if local authorities had been unable to use that money last year.
10. Following evidence, the Cabinet Secretary moved motion [S5M-24096](#)—That the Local Government and Communities Committee recommends that the Local Authority (Capital Finance and Accounting) (Scotland)(Coronavirus) Amendment Regulations 2021 [draft] be approved.
11. The motion was agreed to without debate or division.

Conclusion

12. The Local Government and Communities Committee recommends that the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 [draft] be approved.

