



## PRESS RELEASE

6 October 2020

- [Read our report on the financial sustainability of Local Government](#)
- [Read our report on Local Government and commercialisation](#)
- [View our Local Government accounts infographic](#)

### Can Wales cope with the financial impact of the pandemic on local government?

**Today, we've published three pieces of work around Local Government finances in Wales, two specifically looking at their responses to COVID-19.**

**Our two reports and infographic on Local Government finances are published at a time when all councils are dealing with the current global pandemic with many more challenges ahead to navigate, according to the Auditor General for Wales.**

Our report on the financial sustainability of Local Government as a result of the pandemic shows that councils, with the support of Welsh Government, have been coping with the financial impacts of the pandemic. But there's uncertainty around how they can meet the on-going financial challenge.

In the first six months of this year, Welsh councils have reported financial costs of around £325 million due to the pandemic (£160 million loss of income and £165 million additional expenditure). Welsh Government has made nearly £500 million of additional funding available to councils through the local government hardship fund

as well as making some other funding available including for example in relation to extra funding for teachers for catch up support from education and cleaning materials for schools.

Before the pandemic, some councils were better placed financially, partly due to the levels of reserves they held. Now, there are massive challenges ahead. The cost of the pandemic to councils is significant, although a large proportion of the short-term impact has been mitigated through the provision of extra funding, the financial challenges go well beyond the more immediate and obvious costs of responding to the crisis.

With increasingly severe financial pressures, there is a need for Local Government bodies to look at different ways to make savings, safeguard services and generate income. Commercialisation is consequently becoming more important for councils as they look to offset the impact of austerity and cuts in funding by focussing on growing commercial activities to generate new streams of income. However, this poses challenges as councils need the right culture and skills to manage the risks and unlock the benefits of commercialisation.

Our report identifies the seven building blocks for an effective commercial approach. Importantly, within each of these sections we have included a self-assessment to help councils evaluate their current approach and identify where they can improve. Completing all of these assessments will help councils to develop a bespoke strategy for commercialisation that considers their specific priorities, the needs of their citizens and wider community issues.

Our new set of infographics, published today by the Auditor General, reports the results of several Welsh Local Authorities and provides a summary of their finances for 2019/20. We have worked closely with the sector to mitigate the impact of the pandemic on their ability to sign off their accounts by the statutory deadline of 15 September 2020. With more flexibility this year several Local Government bodies have adjusted their timetables; these will be completed and published on our website by the end of October.

Public sector financial accounting and reporting requirements are detailed and complex, so our new infographic provides a straightforward, accessible summary, highlighting key aspects of the accounts and assurances provided as part of our audit.

These challenges for Local Authorities around meeting financial pressures and operating more commercially whilst still being able to deliver statutory accounting duties can be supported by learning through recovery. We're undertaking work providing real-time capture and sharing of learning and experience across our audited bodies during COVID-19. Our staff are gathering novel and other practice as it emerges and analysing it rapidly to draw out relevant points of learning. We share the resulting insights swiftly to our key contacts across the Welsh public service.

**Auditor General, Adrian Crompton** said today:

“Against a backdrop of existing funding pressures, the financial costs of the pandemic are unprecedented in modern times, and financial challenges go well beyond the more immediate and obvious costs of responding to the crisis. Therefore, good strategic financial planning and robust governance and decision-making arrangements have become even more important.

Our latest accounts infographics on Local Government bodies is a new format in which we are presenting public sector financial accounts data to make the information more understandable for the general public. It shows that there are a number of financial issues and accounting implications that local bodies are dealing with including the pressures due to the pandemic, whilst still delivering against their statutory duty to produce accounts.

Should councils decide to invest in commercial opportunities, they need to be clear what the benefits are for the council, local people and the wider community. Being open about where money is being invested and the benefits this will bring is essential to get buy in from stakeholders.”

**Ends**

**For more information, please contact Claire Power on 029 2032 0578 or email [claire.power@audit.wales](mailto:claire.power@audit.wales). English and Welsh language spokespeople are available on request.**

**Notes to Editors:**

- This press release focuses on the financial situation in Local Government during the current global pandemic. One report is about commercialisation in Local Government, the other looks specifically at Local Government finances and we have also published an infographic, which looks at the accounts across the sector.
- We have published the first 8 Local Government infographics. The remaining of the 22 Local Authorities will follow and be uploaded to our website. We completed a similar [infographic of NHS accounts](#) last month and are currently working on an infographic of Welsh Government accounts to share later this autumn.
- Our COVID-19 learning project we mention consists of blogs around topics across the public sector and we showcase some of the innovate pieces of work we've shared with public bodies on [our COVID-19 learning section of our website](#)
- The Auditor General is the independent statutory external auditor of the devolved Welsh public sector. He is responsible for the annual audit of the majority of the public money spent in Wales, including the £20 billion of funds that are voted on annually by the Welsh Parliament. Elements of this funding are passed from the Welsh Government to the NHS in Wales (over £8 billion) and to local government (over £4 billion).
- The audit independence of the Auditor General is of paramount importance. He is appointed by the Queen, and his audit work is not subject to direction or control by the Welsh Parliament or government.
- The Wales Audit Office (WAO) is a corporate body consisting of a nine-member statutory Board which employs staff and provides other resources to the Auditor General, who is also the Board's Chief Executive and Accounting Officer. The Board monitors and advises the Auditor General, regarding the exercise of his functions.
- Audit Wales is the umbrella name for the Auditor General for Wales and the Wales Audit Office. Audit Wales is a registered trademark, but it is not a legal entity in itself.

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