

S14. An Overview of Local Government in Scotland 2016

The committee considered a report by the Director of Corporate and Housing Services which provided a summary of the findings from the Accounts Commission publication “An Overview of Local Government in Scotland 2016”. Bryan Smail provided an overview of the report.

Members asked about the use of reserves for revenue spending and noted that nearly half of Councils had used reserves for this. Bryan Smail stated that commentary on this issue is provided in the budget report to Council where it is noted that the use of reserves as a plug in the revenue budget was not sustainable. Reserves are a finite resource but can be used to ‘buy time’ if aligned with making fundamental changes to how services are delivered. Such spend could be described as a positive application of resources.

The committee sought an update on the impact of the UK’s vote to leave the European Union. In terms of access to financial markets, Bryan Smail advised that there was some risk of financial institutions moving part of their operations to the continent. In relation to interest rates he stated that it was unlikely interest rates would increase due to current global dynamics including dampened growth. Further, as inflation was low the driver for an increase in borrowing rates was not present.

Members asked if, while interest rates were low, the Council had considered maximising its long term borrowing for projects such as spend to save. Bryan Smail stated that such an option was under consideration but that short term borrowing rates were still lower than long term ones. If the Council borrowed on a longer term but did not need to spend immediately then a carry cost would be incurred. The Council also carefully considered the advice of its treasury advisors.

The committee asked about how the pension fund is invested and if that could include investments in the arms trade. Bryan Smail advised that this was not a straightforward area as the fund would invest in companies with a diversity of operations. There would be a Pensions Conference held in October which would include consideration of ethical investments. There was a requirement that the fund earns a sufficient amount to pay its liability. The Council had received legal opinion which advised that there could be consideration of ethics in investments but that the primary objective of covering liability must remain primary.

Decision

The committee noted the report.