



**Glasgow City Council**

**Report to Council**

**Report by Executive Director of Financial Services**

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**Item 4**

**19th February 2015**

## **2015-16 REVENUE BUDGET**

### **1. FINANCIAL FORECAST**

- 1.1 A Financial Forecast for 2015-16 was issued to all political groups in October 2014. This set out a requirement for savings of £28.9 million after taking account of Central Government Grant and Spending Commitments. An update was subsequently provided in January 2015 advising that, as a result of a number of decisions taken by the council and actions identified by officers that may be implemented under delegated authority, the spending gap for which options have still to be identified is £4.6 million.

### **2. LOCAL GOVERNMENT SETTLEMENT**

- 2.1 The Local Government Finance (Scotland) Order 2015 was approved by the Scottish Parliament on the 5 February 2015. This identified funding for Glasgow City Council in 2015-16 is £1,259.481 million.
- 2.2 Funding relating to Discretionary Housing Payments has still to be confirmed and is not included in the settlement figure at 2.1. It also excludes funding related to a proposed increase in the employers contribution for the Teachers Pensions Scheme due to be implemented in September 2015.
- 2.3 The settlement set out the sanction for any local authority who does not agree to maintain a council tax freeze in 2015-16. The value of this sanction for Glasgow is £7.6 million. It also set out the sanction for councils who do not agree to maintain teacher numbers and pupil/teacher ratios in 2015-16. The value of this sanction for Glasgow is estimated at £4 million. Any additional cost resulting from the maintenance of teacher numbers and pupil/teacher ratios will be met from the allowance previously indicated in the Financial Forecast for 2015-16 for Other Cost Increases. This will be kept under review during 2015-16.

### **3. BUDGET PROPOSALS**

- 3.1 As highlighted at paragraph 1.1 budget options totalling £24.3 million have been identified as Technical Adjustments and are deemed to not require council approval as they relate to decisions already taken or may be

implemented under the delegated authority of officers. A summary is outlined at Appendix 1.

- 3.2 Taking the above into account the remaining spending gap for which options are required is £4.6 million.

#### **4. PROBABLE OUTTURN**

- 4.1 In setting the Council's Budget the Probable Outturn for 2014-15 has to be considered in terms of its impact on balances. As reported in recent Budget Monitoring reports, although the forecast is for an overspend equivalent to 0.22% the expectation is that the council family will continue to identify options to bring the budget back on-line by the end of the financial year.

#### **5. RESERVES**

- 5.1 As part of the Council's policy on reserves, the Budget Report is required to provide a summary of the Council's key reserves and the adequacy of reserves held over the medium term.
- 5.2 The level of General Fund reserves as at 31 March 2014 was £32.8million including unallocated reserves of £18.3million (1.3%). The council's policy is to restore unallocated General Fund reserves to 2% over the medium term. The estimated balance of unallocated reserves as at 31 March 2015 is unchanged at £18.3 million.
- 5.3 In light of the economic climate contributions to General Fund reserves were deferred over the period 2011-15. To achieve the target of 2% of Net Expenditure a sum of £10.5 million is required. It is considered prudent to re-instate contributions to General Fund reserves at a level of £3 million from 2015-16 onwards. This provision has already been included within the Financial Forecast for 2015-16.
- 5.4 The Council operates a number of other revenue reserve funds for specific purposes. The total value of these funds as at 31 March 2014 amounted to £66.7 million. The main commitments during 2014-15 include the following:
- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £4.1 million in the current year
  - The New Technology Fund will meet estimated expenditure of £0.2 million in the year;
  - The Cultural and Recreation Fund is fully committed, including 2014 Commonwealth Games expenditure, with a programme of spend of £43.5 million in the year;
  - The Insurance Fund will meet estimated expenditure of £8.8 million in the year; and

- In addition there are a number of smaller funds with committed programmes

It is estimated that the value of these funds as at 31 March 2015 will amount to £10.1 million before the application of contributions and interest.

- 5.5 A contribution of £1.5 million to the Repairs and Renewals fund to support life cycle maintenance initiatives, £1 million to the Insurance Fund to meet insurance liabilities and £0.6m to the New Technology Fund to support future ICT refresh in schools is included in the Financial Forecast for 2015-16.
- 5.6 The Council's capital reserves as at 31 March 2014 amounted to £5.6 million. These resources form part of the committed funding framework for the Investment Programme.

## **6. CAPITAL**

- 6.1 The approved gross expenditure for the Investment Programme is currently £673 million. The City Deal will form a significant element of the approved programme from 2015-16 onwards and any financial implications from cashflow funding will be met from the Financing Costs budget. As set out in the Financial Forecast, the assumption is that any new capital projects for 2015-16 will be funded within overall council resources.

## **7. FINANCIAL RISKS**

- 7.1 It is essential that Service Reform proposals already approved and those to be approved as part of the Budget for 2015-16 are delivered and associated efficiency savings achieved.
- 7.2 There is still financial risk associated with the delivery of this programme and this will be underpinned by General Fund reserves.

## **8. RECOMMENDATIONS**

- 8.1 Members are asked to bring forward proposals to meet the remaining spending gap, after Technical Adjustments, of £4.6 million.

## APPENDIX 1

### TECHNICAL ADJUSTMENTS (for information)

	<b>2015-16</b>
Chief Executives Office/Corporate Services	£2,000,000
Development & Regeneration Services	£ 440,000
Education Services	£6,652,100
Financial Services	£ 100,000
Land and Environmental Services	£2,082,000
Social Work Services	£5,800,000
Related Companies	£2,275,000
Corporate Savings	£4,901,500
<b>TOTAL FOR TECHNICAL ADJUSTMENTS</b>	<b>£24,250,600</b>