



Glasgow City Council

Report to Council

Report by Acting Executive Director of Financial Services

Contact: Morag Johnston Ext. 73837

Item 4

16th February 2017

2017-18 BUDGET

1. FINANCIAL FORECAST

- 1.1 The initial financial forecast for 2017-18 was contained within a report on the Transformation Strategy Programme for 2016-18 considered by the Executive Committee in November 2015. This identified a spending gap for 2017-18 of £47.0 million.
- 1.2 In December 2016 following receipt of the Local Government Settlement for 2017-18 all political parties were provided with an update which reflected a revised spending gap of £67.0 million.
- 1.3 On 2 February 2017, Derek Mackay, Cabinet Secretary for Finance and the Constitution, wrote to Councils advising them that subject to parliamentary approval, an additional £160.0 million (£130.0 million revenue and £30.0 million capital) would be added to the local government settlement to be spent at the discretion of individual Councils. This represents an additional £14.4 million in revenue and £2.8 million in capital for Glasgow City Council. This additional funding has reduced the overall spending gap for 2017-18 to £53 million.
- 1.4 The Council has addressed this spending gap through the application of decisions approved within the 2016-17 budget and a detailed review of the Council's Transformation Programme and financing costs. Equality Impact Assessments (EQIAs) were completed for all of these Transformation projects in 2016-17. These EQIA's have been reviewed for 2017-18. A summary of the outcomes from these EQIAs is available on the Councils website.
- 1.5 Having accounted for these measures this leaves a remaining spending gap of £2.6 million.

2. LOCAL GOVERNMENT SETTLEMENT

- 2.1 The Local Government Finance Circular 9/2016 issued on 15 December 2016 identifies funding for Glasgow City Council of £1,201.416 million. This is projected to increase to £1,215.833 million following the Cabinet

Secretary's announcement noted above. This position will be confirmed in the Local Government Finance Order scheduled to be approved by Parliament later in February.

- 2.2 Funding relating to probationary teachers, discretionary housing payments, temporary accommodation and elements of the Council Tax Reduction Scheme are still to be allocated and are not included in the settlement figure noted above.
- 2.3 As part of the 2017-18 settlement and subsequent correspondence with the Cabinet Secretary for Finance and the Constitution, a number of key commitments have been identified to be funded through the 2017-18 settlement. These are:
 - Additional funding provided through the Health Board is to be used by Integrated Joint Boards specifically to support the continued delivery of the living wage, sleepover arrangements, sustainability in the care sector, to disregard the value of war pensions from financial assessments of social care and pre-implementation work in respect of the new carers legislation.
 - Funding provided through the Attainment Scotland Fund is additional to each Council's individual spending on schools rather than substitutional and is to be used at the discretion of schools to close the attainment gap between children from the least and most deprived areas within their communities.
 - To maintain pupil teacher ratios at 2016-17 levels as reported in the Summary of School Statistics published in December 2016 and secure places for all probationers who require one under the teachers' induction scheme.
 - To limit any increase in council tax to a maximum of 3% in 2017-18.
- 2.4 The Cabinet Secretary has indicated that the settlement offer must be viewed as a package with councils expected to deliver all of the measures set out in the package and not able to select individual elements within the overall package.
- 2.5 While no specific sanctions have been identified as part of the settlement the Cabinet Secretary has advised that where authorities did not accept this offer a revised and less favourable offer would be made. A deadline of 20 January 2017 was set for council leaders to respond if their council did not intend to accept the offer.
- 2.6 The Leader of the Council wrote to the Cabinet Secretary on the 20 January 2017 advising that, as budget deliberations were not concluded, he was not in a position to accept or reject the settlement offer.

3. INTEGRATED JOINT BOARD

- 3.1 The Public Bodies (Joint Working) (Scotland) Act 2014 has introduced joint working with the Greater Glasgow and Clyde Health Board in the form of an Integrated Joint Board (IJB) for the for the delivery of health and social care across Glasgow.
- 3.2 In line with the requirements of this Act the Council has identified appropriate budgets within Social Work Services, Development and Regeneration Services and Land and Environmental Services to be designated as the Council's contribution to the IJB. The IJB is scheduled to meet on 15 March 2017 to approve its budget for 2017-18. It is anticipated that the contribution from the IJB to the Council will be in line with the Council's approved budget.

4. PROBABLE OUTTURN

- 4.1 In setting the Council's Budget the Probable Outturn for 2016-17 has to be considered in terms of its impact on balances. As reported in recent budget monitoring reports the overall net expenditure position is anticipated to be £0.9 million below budget in 2016-17.

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 council's policy is to hold unallocated General Fund reserves to 2% of net expenditure over the medium term. The level of General Fund reserves as at 31 March 2016 was £61.5 million including unallocated reserves of £31.1 million (2.1%). The estimated balance of unallocated reserves as at 31 March 2017 is anticipated to increase to £32.0 million (2.2%).
- 5.3 The Council operates a number of other revenue reserve funds for specific purposes. The total value of these funds as at 31 March 2016 amounted to £37.0 million. The main commitments during 2016-17 include the following:
- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £3.7 million in the current year;
 - The New Technology Fund will meet estimated expenditure of £1.1 million in the year;
 - The Cultural and Recreation Fund is fully committed, with a programme of spend of £8.9 million in the year;
 - The Insurance Fund will meet estimated net expenditure of £3.9 million

in the year; and

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

5.4 It is estimated that the value of these funds as at 31 March 2017 will amount to £19.4 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, £1.0 million to the Insurance Fund to meet insurance liabilities and £0.6m to the New Technology Fund to support future ICT refresh is included in the Financial Forecast for 2017-18.

5.6 The Council's capital reserve is estimated to be £5.1 million as at 31 March 2017. These resources form part of the committed funding framework for the Investment Programme.

6. INVESTMENT PROGRAMME

6.1 The approved gross expenditure for the Investment Programme is currently £512.9 million. The financial implications from this programme will be met from the Financing Costs budget.

6.2 Within the current financial forecast for 2017-18 provision has been made for the following additional investment:

- £8.0 million in respect of roads and infrastructure
- £10.0 million in respect of community assets, as part of the commitment of £50.0 million over five years.
- £10.0 million in respect of schools, as part of the commitment of £50.0 million over five years.

6.3 In addition to the above the local government settlement identified additional general capital grant of £15.0 million for investment in the council's assets. Following receipt of the Cabinet Secretary's letter as noted above the additional capital grant has increased to £17.8 million.

6.4 Any further capital investment beyond these provisions will require to be funded within overall budget for 2017-18.

7. FINANCIAL RISKS

7.1 The scope and scale of financial savings continues to place significant risk on the Council family to deliver the various programmes within challenging timeframes. Monitoring arrangements will identify possible areas of delay and potential mitigating actions as these become necessary.

7.2 The Council will closely monitor the delivery of the settlement conditions outlined above to mitigate any financial risk.

7.3 There is still significant financial risk associated with the delivery of this budget and this will be underpinned by General Fund reserves.

8. RECOMMENDATIONS

8.1 Members are asked to bring forward proposals:

- a) That meet the spending gap of £2.6 million as outlined in paragraph 1.5.
- b) To confirm the investment programme proposals as noted in paragraph 6.3.