



Glasgow City Council

Report to Council

Report by Executive Director of Finance

Contact: Martin Booth Ext. 73837

Item 3

20th February 2020

2020-21 BUDGET

1. FINANCIAL FORECAST

- 1.1 The financial forecast for 2020-23 was issued to all political groups in June 2019. This identified a spending gap for 2020-21 of £51.4 million.
- 1.2 Following receipt of the draft Local Government Settlement for 2020-21 all political groups were provided with an update which reflected a revised spending gap of £44.2 million. This incorporates £4.8 million of savings options already approved and therefore deemed Technical Adjustments.

2. LOCAL GOVERNMENT SETTLEMENT

- 2.1 The Local Government Finance Circular 1/2020 issued on 6 February 2020 identifies funding for Glasgow City Council of £1,322.5 million. This position is still subject to change until the Budget Bill has been considered by the Scottish Parliament. The appropriate approval process to consider any implications from changes to the settlement after the Council Budget date will be discussed and agreed.
- 2.2 The Minister for Public Finance and Digital Economy has written to all local authorities setting out the package of measures and specific commitments contained within the national local government settlement, these include:
 - £201 million revenue and £121.1 million capital to support the expansion in funded Early Learning and Childcare entitlement to 1140 hours by 2020;
 - A further £100 million for investment in health and social care and mental health services that are delegated to Integration Authorities under the Public Bodies (Joint Working) (Scotland) Act 2014. The funding allocated to Integration Authorities should be additional and not substitutional to each council's 2019-20 recurring budgets for social care services that are delegated. Similarly the school counselling services must be additional. This means that, when taken together, Local Authority social care budgets for allocation to Integration authorities and funding for school counselling services must be £100 million greater than 2019-20 recurring budgets;
 - Base-lining of the £90m added at Stage 1 of the Budget Bill for 2019-20;
 - The ongoing £88 million to maintain the pupil:teacher ratio nationally and

secure places for all probationers who require one under the teacher induction scheme;

- 2.3 The Minister's letter also set out flexibility to increase the council tax by 3% in real terms which equates to 4.84% in cash terms.

3. INTEGRATION 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 Integration Joint Board (IJB) 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 and Development and Regeneration Services to be designated as the Council's contribution to the IJB.

- 3.3 The Council's contribution to the IJB is assumed to meet the commitment set out above in paragraph 2.2. The Financial Forecast assumptions are that the Council will pass on its full share of the additional funding for health and social care totalling £11 million. It also assumes additional funding from the Council to the IJB of £10 million in 2020-21 for pay, pension and homecare spending pressures. Therefore, in order to meet the Scottish Government commitment, the value of savings against the contribution to the IJB should not exceed £10 million. In addition the full funding for school counselling services will be allocated to Education Services.

- 3.4 The IJB is scheduled to meet on 25th March 2020 to consider its budget for 2020-21. 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 2019-20 has to be considered in terms of its impact on balances. As reported in recent budget monitoring reports the overall net expenditure position is forecasting an increase in the budgeted contribution from reserves of £2.2m. This has been considered in the 2020-21 financial forecast projections.

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 2019 was £71 million including unallocated reserves of £25 million (1.6%). The estimated balance of unallocated reserves as at 31 March 2020 is anticipated to be £27.8 million (1.7%). The

Financial Forecast assumes a contribution to un-earmarked reserves of £1 million in 2020-21.

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 2019 amounted to £37.7 million. The main commitments during 2019-20 include the following:

- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £1.5 million in the current year;
- The New Technology Fund will meet estimated expenditure of £3.0 million in the year;
- The Cultural and Recreation Fund is fully committed, with a programme of spend of £8.1 million in the year.
- The Insurance Fund will meet estimated net expenditure of £5.0 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 2020 will amount to £20.1 million before the application of contributions and interest.

5.5 Contribution of £1.5 million to the Repairs and Renewals fund to support life cycle maintenance initiatives, £0.8 million to the Insurance Fund to meet insurance liabilities and £0.6m to the New Technology Fund to support future ICT refresh are included in the Budget for 2020-21.

5.6 The Council's capital reserve is estimated to be £12.6 million as at 31 March 2020. 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, net of payments in previous financial years, is currently £633 million. The financial implications from this programme will be met from the Financing Costs budget.

6.2 In addition, capital investment of £6 million has been identified for Glasgow Life venues subject to sale and leaseback arrangements. This will be funded from prudential borrowing from forecast member distributions from City Property.

6.3 The Financial Forecast assumed £50 million of General Capital Grant. It is proposed to await the final settlement before agreeing any additional capital investment that can be funded from within general capital grant assumptions.

6.4 Any capital investment beyond these provisions will require to be funded within the overall budget for 2020-21.

7. FINANCIAL RISKS

- 7.1 Robust monitoring will continue of budget spend throughout the year to manage possible risks and mitigating actions to ensure services and major programmes are delivered. This will include the management of securing the required financial savings during 2020-21.
- 7.2 The Council will monitor the delivery of the settlement financial conditions outlined above to mitigate any financial risk.
- 7.3 While the main Equal Pay liability was met during 2019-20 there remains an ongoing liability until the new pay and grading system is implemented. An earmarked reserve will be established from the remaining funds following the equal pay settlement to contribute towards this future liability.

8. RECOMMENDATIONS

- 8.1 Members are asked :
 - a) to bring forward proposals that meet the spending gap of £44.2million as outlined in paragraph 1.2; and
 - b) to confirm the investment programme proposals as noted in paragraph 6.2.