

**Glasgow City Council****Report to Council****Report by Executive Director of Finance****Contact: Martin Booth Ext. 73837****2019-20 BUDGET****1. FINANCIAL FORECAST**

- 1.1 The financial forecast for 2019-22 was issued to all political groups in August 2018. This identified a spending gap for 2019-20 of £61.7 million.
- 1.2 In January 2019 following receipt of the Local Government Settlement for 2019-20 all political groups were provided with an update which reflected a revised spending gap of £50.9 million.
- 1.3 On 31 January 2019, Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work, wrote to Councils advising that, subject to parliamentary approval, an additional £90 million of revenue resources would be added to the local government settlement to be spent at the discretion of individual Councils. This represents an additional £10 million for Glasgow City Council. This additional funding has reduced the overall spending gap for 2019-20 to £40.9 million.

2. LOCAL GOVERNMENT SETTLEMENT

- 2.1 The Local Government Finance Circular 8/2018 issued on 14 December 2017 identifies funding for Glasgow City Council of £1,250 million. This is projected to increase to £1,260 million following 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 a number of areas including for probationary teachers, discretionary housing payments, mental health provision and free personal care for under 65's are still to be allocated and are not included in the settlement figure noted above.
- 2.3 The Financial Forecast assumes additional funding from the Scottish Government to support pay awards and teachers pensions. The estimated value of this funding in 2019-20 is £22 million. Although not included in the settlement figure noted above this had been built into the 2019-20 budget for Central Government Grant.

2.4 The Cabinet Secretary for Finance and the Constitution has written to all local authorities setting out the package of measures and specific commitments contained within the national local government settlement, these include:

- Base-lining of the £170m of additional revenue investment from 2018-19;
- Additional funding to support the expansion of Early Learning and Childcare entitlement to 1140 hours by 2020 of £210 million revenue and £25 million capital;
- Provision of an ear-marked £160 million from the Scottish Government for health and social care investment to support social care and mental health services – including those under the direction of Integration Authorities - whilst, as part of this package, allowing local authorities the flexibility to off-set their adult social care allocation to Integration Authorities in 2019-20 by 2.2% compared to 2018-19 i.e. by up to £50 million nationally across all local authorities to help them manage their budgets;
- The ongoing additional £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- An indicative allocation of £3.3 million for Barclay implementation costs;
- Repayment in full of the re-profiled £150 million capital funding;
- Flexibility to increase the council tax by 3% in real terms which equates to 4.79%.

2.5 The Cabinet Secretary also set out a range of other measures not directly impacting on the budget-setting for 2019-20. These include:

- A new £50 million Town Centre Fund to enable local authorities to stimulate and support place-based economic improvements and inclusive growth through a wide range of investments which contribute to the regeneration and sustainability of town centres;
- A commitment to a number of potential changes to local government taxation between now and the end of the parliament covering transient visitor levy, workplace parking levy and Non-Domestic rates empty property relief;
- Convening cross party talks on a replacement for council tax with a view to publishing legislation, should cross party agreement on a replacement be reached by the end of this Parliament, with that legislation taken forward in the following Parliament;
- Bringing forward a three year funding settlement for local government from 2020-21 budget onwards; and to develop a rules based framework for local government funding in partnership with COSLA that would be introduced for the next parliament.

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 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.
- 3.3 The council's contribution to the IJB is assumed to meet the commitment set out above in paragraph 2.4. The Financial Forecast assumptions are that the council will pass on its full share of the £160 million to the IJB. It also assumes additional funding from the council to the IJB of £13 million in 2019-20 for pay and pension spending pressures. The value of the Glasgow City Council share of the £50 million is estimated at £5 million. Therefore, in order to meet the Scottish Government commitment, the value of savings against the contribution to the IJB should not exceed £18 million.
- 3.4 The IJB is scheduled to meet on 27 March 2019 to approve its budget for 2019-20. 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 2018-19 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 a reduction in the budgeted contribution from reserves of £0.5m. This has been considered in the 2019-20 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 2018 was £47.8 million including unallocated reserves of £23.2 million (1.5%). The estimated balance of unallocated reserves as at 31 March 2019 is anticipated to increase to £23.7 million (1.6%). The Financial Forecast assumes a contribution to un-earmarked reserves of £1 million annually from 2019-20.
- 5.3 As a result of the agreement on Equal Pay, and subject to the conclusion of discussions with funders, the pay protection provision made in 2017-18

may be released to unallocated reserves.

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 2018 amounted to £45.6 million. The main commitments during 2018-19 include the following:

- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £2.9 million in the current year;
- The New Technology Fund will meet estimated expenditure of £6.4 million in the year;
- The Cultural and Recreation Fund is fully committed, with a programme of spend of £22.5 million in the year, mainly relating to the council contribution to the European Championships;
- The Insurance Fund will meet estimated net expenditure of £4.0 million in the year; and
- In addition there are a number of smaller funds with committed programmes.

5.5 It is estimated that the value of these funds as at 31 March 2019 will amount to £9.8 million before the application of contributions and interest.

5.6 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 are included in the Budget for 2019-20.

5.7 The Council's capital reserve is estimated to be £8.1 million as at 31 March 2019. 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 £720.3 million. The financial implications from this programme will be met from the Financing Costs budget.

6.2 In addition to the above the local government settlement identified additional general capital grant of £30.0 million for investment in the council's assets. This includes the impact of the re-profiling referred to at paragraph 2.4. A number of previously approved projects with no current commitments have also been identified which, if approved, would provide further capacity of £20 million capital investment.

6.3 Any capital investment beyond these provisions will require to be funded within the overall budget for 2019-20.

7. FINANCIAL RISKS

7.1 On the 7 February 2019 the City Administration Committee approved the funding strategy for Equal Pay. An estimate of the costs of this strategy have been included in the spending gap of £40.9 million. This will be kept under review as discussions progress with funders and will be reported back to the City Administration Committee on conclusion.

7.2 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 2019-20.

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

7.4 The Financial Forecast includes assumptions from the Scottish Government for pay and pensions inflation however the detail on amounts have not yet been confirmed. This will require to be underpinned by reserves.

8. RECOMMENDATIONS

8.1 Members are asked :

- a) To bring forward proposals that meet the spending gap of £40.9 million as outlined in paragraph 1.3.
- b) To bring forward proposals in respect of the additional capital expenditure capacity of up to £50 million as noted in paragraph 6.2.