



**Glasgow City Council**

**Report to Council**

**Report by Acting Executive Director of Financial Services**

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**Item 3**

**22nd February 2018**

## **2018-19 BUDGET**

### **1. FINANCIAL FORECAST**

- 1.1 The financial forecast for 2018-21 was issued to all political groups in October 2017. This identified a spending gap for 2018-19 of £57.5 million.
- 1.2 In December 2017 following receipt of the Local Government Settlement for 2018-19 all political groups were provided with an update which reflected a revised spending gap of £33.1 million. This was subsequently adjusted upwards to £38.4 million as a result of a distributional adjustment to the settlement notified on 23 January 2018.
- 1.3 On 31 January 2018, Derek Mackay, Cabinet Secretary for Finance and the Constitution, wrote to Councils advising them that, subject to parliamentary approval, an additional £159.5 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 £17.6 million for Glasgow City Council in 2018-19. This sum has not been confirmed as base-lined. This will be considered as part of the 2019-20 Scottish Budget. This additional funding has reduced the overall spending gap for 2018-19 to £20.8 million.
- 1.4 The additional funding will be paid over in two tranches with £3.8 million due to be paid in the current financial year. This sum will require to be carried forward into 2018-19 as an earmarked general fund reserve to support the budget.

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

- 2.1 The Local Government Finance Circular 5/2017 issued on 14 December 2017 identifies funding for Glasgow City Council of £1,209.707 million. This is projected to increase to £1,218.217 million following the distributional change and 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, early years expansion and criminal justice are still to be allocated and are not included in the settlement figure noted above.
- 2.3 The Cabinet Secretary for Finance and the Constitution has written to all local authorities setting out the package of measures contained within the settlement, these include:
- Base-lining of the £130m of additional revenue investment from 2017-18
  - Additional investment in Social Care of £66 million
  - Funding to support the expansion of Early Years of £202.2 million (across revenue and capital)
  - Funding to support the additional cost of the teachers pay offer for 2017-18 of £24 million
  - Local Taxation (the continuation of a cap of 3% increase)
  - The commitment to maintain pupil:teacher ratios and provide places for probationary teachers
- 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 26 January 2018 was set for council leaders to respond if their council did not intend to accept the offer. No reply was issued to the Cabinet Secretary.

### **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. The IJB is scheduled to meet on 21 March 2018 to approve its budget for 2018-19. 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 2017-18 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 £3.3m. This results in a revised contribution of £4.0m in 2017-18. This has been included in the 2018-19 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 2017 was £59.2 million including unallocated reserves of £32.5 million (2.2%). The estimated balance of unallocated reserves as at 31 March 2018 is anticipated to reduce to £28.5 million (1.9%).
- 5.3 As set out in the Financial Forecast from October 2017 the previously base-lined allowance for Pensions Auto-enrolment is not fully required in 2018-19. The unused sum in 2018-19, estimated at £5.9m, will fall to General Fund reserves as a contribution.
- 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 2017 amounted to £41.5 million. The main commitments during 2017-18 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 £1.7 million in the year;
  - The Cultural and Recreation Fund is fully committed, with a programme of spend of £13.5 million in the year;
  - The Insurance Fund will meet estimated net expenditure of £3.6 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 2018 will amount to £19.8 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 Financial Forecast for

2018-19.

- 5.7 The Council's capital reserve is estimated to be £7.9 million as at 31 March 2018. 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 £591.3 million. The financial implications from this programme will be met from the Financing Costs budget.

- 6.2 Within the current financial forecast for 2018-19 provision has been made for the following additional investment:

- A total of £40m in respect of Roads and Footways infrastructure, with an average of £8m per annum over the next 5 years
- A total of £105m in respect of ICT development and innovation from the current year at an average of £15m per annum over the next 7 years in line with the Council's new ICT arrangements.

- 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.

- 6.4 Any further capital investment beyond these provisions will require to be funded within the overall budget for 2018-19.

## **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 2018-19.

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

- 7.3 The Final Out-turn for 2017-18 will reflect the latest position in terms of pay protection. This will be underpinned by reserves.

- 7.4 On the 12 January 2018 the City Administration Committee outlined the Council's response to the Court of Session decision on equal pay. While this may have a significant effect on the Council's overall finances over time, it is too early to assess the specific financial implications and therefore these are not reflected within this Budget Report. This will be kept under careful consideration as discussions continue with the claimants' representatives and updates provided to members when appropriate.

## **8. RECOMMENDATIONS**

8.1 Members are asked :

- a) To bring forward proposals that meet the spending gap of £20.8 million as outlined in paragraph 1.3.
- b) To confirm the investment programme proposals as noted in paragraph 6.2.
- c) To bring forward proposals in respect of the additional general capital grant as noted in paragraph 6.3.