



Glasgow City Council

Report to Council

Report by Executive Director of Financial Services

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Item 1

10th March 2016

2016-18 REVENUE BUDGET

1. FINANCIAL FORECAST

- 1.1 The Council's Strategic Plan Refresh 2015-17 approved by the Executive Committee in June 2015, identified the scale of financial challenge facing the Council in 2016-17 and 2017-18. In light of anticipated funding reductions and unavoidable spending pressures a Spending Gap of £103 million was identified.
- 1.2 In November 2015 the Executive Committee noted a report which advised of additional spending pressures to support new obligations and proposed changes to the distribution methodology of Local Government Funding. This increased the Spending Gap to £121 million.
- 1.3 In December 2015 following receipt of the Local Government Settlement for 2016-17 all political parties were provided with further updates which reflected a revised Spending Gap of £133 million.
- 1.4 The Spending Gap was revised again in February 2016 to £130 million taking into account a further adjustment to the funding floor and further clarifications on the use of Integration Funding. This is allocated over the two years as £83 million in 2016-17 and £47 million in 2017-18.

2. LOCAL GOVERNMENT SETTLEMENT

- 2.1 The Local Government Finance (Scotland) Order 2016 was approved by the Scottish Parliament on the 25 February 2016. This identified funding for Glasgow City Council in 2016-17 of £1,219.974 million.
- 2.2 Funding relating to probationary teachers and 20% of Discretionary Housing Payments has still to be allocated and is not included in the settlement figure at 2.1. It also excludes any funding due to be allocated to Glasgow from the Scottish Government Attainment Scotland Fund for 2016-17.
- 2.3 As part of the 2016-17 settlement and subsequent correspondence with the Deputy First Minister, three key commitments have been identified to be funded through the 2016-17 settlement. These are:

- Additional funding provided through the Health Board is used to support the development of Integrated Joint Boards and specifically to make progress on charging thresholds for all non-residential services to address poverty and introduce the living wage for all social care workers as a key step to improving the quality of social care.
- To maintain pupil teacher ratios nationally at a value of 13.7 in local authority schools as shown in the Teacher and Pupil Census published in December 2016 and secure places for all probationers who require one under the teachers induction scheme.
- To maintain the Council tax freeze in 2016-17.

2.4 Any Council which did not accept the complete package of commitments would not receive its share of the available funding i.e. Social Care (£250 million), Teacher Numbers (£88 million) and Council Tax freeze support (£70 million).

2.5 The Scottish Government will review the delivery of these commitments during 2016-17 and have reserved the right to remove access to or recover that element of additional funding support related to each specific commitment on a proportional basis if any council fails to deliver any element of the commitment.

2.6 It is estimated in Glasgow's case that failure to comply with these commitments would result in financial sanctions of £50 million. These are £17 million in respect of teacher numbers and council tax and £33 million related to the social care commitments for Glasgow's Integrated Joint Board. In light of this the Council Leader formally agreed to these commitments on 9 February 2016.

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 21 March 2016 to approve its budget for 2016-17. It is anticipated that the contribution from the IJB to the Council will be in line with the Council's approved budget.

4. BUDGET PROPOSALS

4.1 In response to the financial challenges facing the Council, the Strategic Plan Update 2015-17 initiated a Transformation Programme to accelerate

the pace and scale of reform and generate cost savings while focusing on outcomes for individuals, families and businesses. This programme as set out in the Executive Committee report of 26 November 2015, has identified net savings, after investment of £11 million, of £77 million. The investment comprises both recurring revenue costs and financing costs associated with £13 million of capital expenditure. The details of these proposals are included in Appendix 1.

5. PROBABLE OUTTURN

- 5.1 In setting the Council's Budget the Probable Outturn for 2015-16 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 at least in line with budget in 2015-16.

6. RESERVES

- 6.1 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.

- 6.2 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 2015 was £39.6 million including unallocated reserves of £19.4 million (1.3%). The estimated balance of unallocated reserves as at 31 March 2016 is anticipated to increase to £22.4 million (1.5%).

- 6.3 The Council operates a number of other revenue reserve funds for specific purposes. The total value of these funds as at 31 March 2015 amounted to £35.2 million. The main commitments during 2015-16 include the following:

- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £5.6 million in the current year
- The New Technology Fund will meet estimated expenditure of £0.9 million in the year;
- The Cultural and Recreation Fund is fully committed, with a programme of spend of £5.4 million in the year;
- The Insurance Fund will meet estimated expenditure of £9.0 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 2016 will amount to £14.3 million before the application of contributions and interest.

6.4 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 in schools is included in the Financial Forecast for 2016-17.

6.5 The Council's capital reserves as at 31 March 2015 amounted to £5.1 million. These resources form part of the committed funding framework for the Investment Programme.

7. CAPITAL

7.1 The approved gross expenditure for the Investment Programme is currently £560 million. A small element of City Deal expenditure is included in the current approved gross expenditure. This will increase as the programme progresses. Any financial implications from cashflow funding will be met from the Financing Costs budget.

7.2 Any new capital projects for 2016-17 will require to be funded within overall council resources.

8. FINANCIAL RISKS

8.1 The scope and scale of financial savings places significant risk on the Council family to deliver the various programmes within challenging timeframes. Detailed monitoring arrangements will be developed and implemented to identify possible areas of delay and potential mitigating actions as these become necessary.

8.2 The Council will closely monitor the delivery of the settlement conditions outlined above to mitigate any risk of funding reductions by the Scottish Government

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

9. RECOMMENDATIONS

9.1 Members are asked to bring forward proposals towards the Spending Gap of £130 million with specific proposals of £83 million for 2016-17 to ensure a balanced budget. In this regard, members are reminded of the Transformation Savings as set out at paragraph 4.1 and Appendix 1.

Transformation Project Summary

| Transformation Project | 2016/17 £000s | 2017/18 £000s | Total £000s |
|---|--------------------------|--------------------------|------------------------|
| <p>Advertising</p> <p>Increase additional advertising income from the use of events and premises across the council family.</p> | 500 | 1,500 | 2,000 |
| <p>Customer First</p> <p>Reduction in operating costs through utilisation of improved digital services provided to our customers in response to growing customer expectations and demand.</p> | 1,000 | 1,900 | 2,900 |
| <p>Enhanced Enforcement</p> <p>Reduce administration costs and maximise compliance with enforcement notices through implementation of early interventions, streamlining processes and the decriminalisation of littering.</p> | 450 | 450 | 900 |
| <p>Expansions of Operations Centre</p> <p>Generate efficiencies through the increased and more effective use of the Glasgow Operations Centre, Alarm Receiving Centres, and the Business Continuity Centre including the provisions of chargeable services and monetisation of assets.</p> | 1,350 | 1,650 | 3,000 |
| <p>Fitter & Leaner Organisation (FLO)</p> <p>Reduce management costs through increased productivity of people management and reducing the workload effort required by managers.</p> | 6,700 | 6,800 | 13,500 |
| <p>Funding</p> <p>Increased income through securing additional external funding. Income enabled by creating a focused group, supported by a single process of application (an on-line tool) and a co-ordinated clearing house approval process.</p> | 550 | 650 | 1,200 |

| Transformation Project | 2016/17 £000s | 2017/18 £000s | Total £000s |
|---|--------------------------|--------------------------|------------------------|
| <p>Health & Safety Costs</p> <p>Reduce costs that may be derived within Health and Safety and associated claims across the Council Family through the better use of data.</p> | 100 | 100 | 200 |
| <p>Income Management</p> <p>Increased income through provision of enhanced payment options for citizens and providing a more efficient and effective process for the collection and management of debt.</p> | 1,000 | 1,000 | 2,000 |
| <p>LEAN Delivery</p> <p>Redesign and streamlining of internal processes and better use of technology and automation to internal and customer processes to achieve efficiencies.</p> | 8,750 | 8,750 | 17,500 |
| <p>Leaner Enabling Operations (LEO)</p> <p>Remove duplication of professional and support services across the council family. The project includes Finance, HR, Procurement, Data, Contact, Business Support and Change & Internal projects.</p> | 3,800 | 3,400 | 7,200 |
| <p>Mobile</p> <p>Generate efficiencies from areas where staff and managers already have mobile devices and by deploying additional fit for purpose devices. In addition generation of efficiency savings through more automated resourcing and scheduling enabling a better match of the supply of resource and the demand for it.</p> | 3,200 | 6,300 | 9,500 |
| <p>Procurement</p> <p>Review of annual spend with procurement suppliers to extract and leverage better value including changes to specifications/scope of services; consolidating contracts; renegotiating contracts and contract compliance.</p> | 10,500 | 10,500 | 21,000 |

| Transformation Project | 2016/17 £000s | 2017/18 £000s | Total £000s |
|--|--------------------------|--------------------------|------------------------|
| <p>Property</p> <p>Reduce property costs through reviews in the following areas; property rationalisation, management of surplus property, tied housing, property leases exit strategy, capacity / utilisation efficiencies, partner options, relocations and co-locations and investment / commercial portfolio.</p> | 1,150 | 1,150 | 2,300 |
| <p>Working Terms</p> <p>Review of existing working terms to align arrangements to offer greater consistency and also more flexibility on employee benefits.</p> | 3,600 | 900 | 4,500 |
| | | | |
| Gross Transformation Savings | 42,650 | 45,050 | 87,700 |
| Less Investment Costs | 5,600 | 5,000 | 10,600 |
| Net Transformation Savings | 37,050 | 40,050 | 77,100 |