



Glasgow City Council

Report to Council

Date: 20<sup>th</sup> February 2025

Report by Director of Financial and Business Services

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## 2025-26 BUDGET

### 1. FINANCIAL FORECAST

- 1.1 Following receipt of the draft Local Government Settlement for 2025-26 in December 2024 all political groups were provided with a Financial Forecast in January 2025 which set out a spending gap of £50.8 million.
- 1.2 Savings options for 2025-26 were approved as part of the budget-setting for 2024-25. As a result of a review of these options it is proposed that the saving option 24ED33 for Education Service Reform is reversed in the 2025-26 budget. This would also have implications for the 2026-27 approved savings and the financial implications are noted below.

	2025-26	2026-27
24ED33 Education Service Reform	£4.573million	£12.023million

Note: 24ED33 was approved as part of 24CE40 Service Redesign and Future Income Generation in the 2024-25 Budget.

- 1.3 Assuming the reversal of this option the value of approved savings for 2025-26 totals £25.1 million. These are deemed Technical Adjustments as they are already approved or approved under delegated authority. The 2024-25 budget approved investment of £11.2 million which was for one-year only. This results in a further £11.2 million to off-set the spending gap so providing a total of £36.3 million available to reduce the spending gap in 2025-26.

### 2. LOCAL GOVERNMENT SETTLEMENT

- 2.1 The Local Government Finance Circular 10/2024 issued on 12 December 2024 identified provisional funding for Glasgow City Council of £1,679.119 million. This informed the spending gap of £50.8 million. COSLA provided an update of anticipated changes in early February 2025 which has reduced this gap slightly to £49.2 million. This update also advised of the estimated funding for local authorities for the increase to employers' national insurance contributions (ENIC). This leaves a net

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gap in funding for ENIC in 2025-26 of an estimated £10.2 million. This will be met by reducing the budgeted contribution to the Budget Support Fund in 2025-26 but increase the spending gap in 2026-27.

- 2.2 The settlement from the Scottish Government set out a package of measures for Education and Social Care which are expected to be met by councils when setting the 2025-26 budget. This includes commitments on teacher numbers and that funding allocated to Integration Authorities should be additional and not substitutional to each council's 2024-25 recurring budgets. The forecast assumes that these measures will be met.
- 2.3 The final allocation will be confirmed in the Local Government Finance (Scotland) Order which is expected to be presented to the Scottish Parliament on 27 February. No further changes are anticipated but if there are these will be reported prior to the council meeting.

### **3. INTEGRATED JOINT BOARD**

- 3.1 The Public Bodies (Joint Working) (Scotland) Act 2014 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 and Neighbourhoods, Regeneration and Sustainability 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 funding for new health and social care costs and no inflation or savings will be allocated to the IJB contribution. The council will also pass on the relevant share of funding related to ENIC.
- 3.4 The IJB is scheduled to meet on 19th March 2025 to consider its budget for 2025-26. This budget will consider the funding received from each Partner Body alongside the pressures which have been identified for 2025-26. The IJB will require to make decisions in relation to savings to deliver a balanced budget for 2025-26.
- 3.5 The Chief Officer of the IJB has confirmed the expectation that the council will continue its commitment, made in 2024-25, to underpin homelessness overspends resulting from Home Office decision-making. It is assumed that this commitment will continue into 2025-26 and will be underpinned by the Budget Support Fund.

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**4. PROBABLE OUTTURN**

- 4.1 In setting the Council's Budget the Probable Outturn for 2024-25 has to be considered in terms of its impact on balances. As reported in the recent P10 budget monitoring report the overall net expenditure position is forecasting an overspend of £30.2 million after the application of some one-off funds. This overspend will need to be met from the Budget Support Fund in 2024-25.
- 4.2 A number of additional actions are planned by Services in 2025-26 however there remains a forecast pressure in 2025-26. As a result, the Financial Forecast includes an allocation in the 2025-26 budget to address these pressures. This sum has been reduced since the Financial Forecast issued in January and is now set at £35.7 million. Of this sum £17.4 million will be allocated to Education Services and £12 million to Neighbourhoods, Regeneration and Sustainability Services with the remainder allocated to Chief Executives department and Glasgow Life.

**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 current policy is to hold unearmarked General Fund reserves to 2% of net expenditure over the medium term. The balance of unallocated reserves as at 31 March 2024 is £26.3 million (1.3%) and this balance is not expected to change during 2024-25.
- 5.3 The council also holds a Budget Support Fund which was created in 2022-23 to support the delivery of the budget over the medium term. The balance as at 31 March 2024 was £53.5 million. This is expected to reduce to £39 million by 31 March 2025 as a result of a number of factors. This includes the funding of the projected overspend in the 2024-25 budget (as noted at 4.1), Early Retirement/Voluntary Redundancy (ER/VR) costs incurred to support budget savings in the current year and to off-set the delayed delivery of a number of budget savings. However this is before the funding of costs related to the homelessness pressure from Home Office decision making as outlined in paragraph 3.5.
- 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 2024 amounted to £23.8 million. The main commitments during 2024-25 include the following:
- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £2.6 million in the current year;
  - The New Technology Fund will meet estimated expenditure of £ 5.4 million in the year;

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- The Cultural and Recreation Fund is fully committed, with a programme of spend of £3.2 million in the year.
- The Insurance Fund will meet estimated net expenditure of £6.6 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 2025 will amount to £6.1 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, £0.8 million to the Insurance Fund to meet insurance liabilities are included in the Budget for 2024-25.
- 5.7 The Council's capital reserve is estimated to be £20.3 million as at 31 March 2025. These resources form part of the committed funding framework for the Investment Programme.

## **6. INVESTMENT PROGRAMME**

- 6.1 The current approved programme for gross capital expenditure in the next three years totals £539 million with £259 million budgeted for 2025-26. This excludes expenditure forecast for the current year which may slip into future years.
- 6.2 The Financial Forecast 2025-2028 assumed £170 million of new capital expenditure and this is built into the financing costs assumptions. A number of decisions at City Administration Committee and Council have resulted in commitments against this allowance however there has been some increase in General Capital Grant in the 2025-26 settlement resulting in an uncommitted balance of £148.57 million. The Capital Planning Board reviewed the allowance and made recommendations on the allocation. These are included at Appendix 1 for approval.
- 6.2 Any new capital investment beyond this allowance will require to be funded within the overall budget for 2025-26.

## **7. FINANCIAL RISKS**

- 7.1 Robust monitoring of budget spend, including the delivery of savings options, will be required throughout the year to manage possible risks and mitigating actions to ensure services and major programmes are delivered on budget.
- 7.2 It is assumed that the package of measures set out by the Scottish Government as part of the settlement for 2025-26 are met.

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- 7.3 This budget does not include any allowance for financial implications from the implementation of the new Pay & Grading Scheme.
- 7.4 There is a financial risk from the commitment to the IJB for homelessness pressures. This will require close monitoring through the financial year.

### **8. CONCLUSIONS AND RECOMMENDATIONS**

- 8.1 The net spending gap is £7.9 million before any council tax increase is applied.
- 8.2 Members are asked to approve the reversal of the savings option outlined at paragraph 1.2 and to bring forward proposals that meet the spending gap of £7.9 million.
- 8.3 Approve the capital expenditure proposals outlined at Appendix 1.

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## CAPITAL PLANNING 2025-2028

## APPENDIX 1

<b>For Approval</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>Total</b>
Property- Education General	3.00	2.00	2.00	7.00
Property - Heritage Investment	1.00	1.00	1.00	3.00
Property - GL General	4.00	3.00	3.00	10.00
Property - Community Asset Investment	1.00	1.00	1.00	3.00
Property - Sustainability Investment	5.50	1.50	1.50	8.50
Property - Compliance/Other	1.50	1.50	1.50	4.50
Property - Sale & Leaseback	5.00	3.00	3.00	11.00
Property - SWS	4.00	3.00	3.00	10.00
Property - NRS	2.00	2.00	2.00	6.00
<b>Total Property Investment</b>	<b>27.00</b>	<b>18.00</b>	<b>18.00</b>	<b>63.00</b>
Carriageway Investment	12.85	13.50	14.20	40.55
Footway Investment	1.95	1.95	2.00	5.90
Street Furniture	0.50	0.50	0.55	1.55
Lighting	2.50	2.50	2.50	7.50
Drainage	0.50	0.75	0.85	2.10
Traffic Signals/Traffic Management	1.20	3.50	2.60	7.30
Structures	5.70	2.50	2.50	10.70
<b>Total Infrastructure Investment</b>	<b>25.20</b>	<b>25.20</b>	<b>25.20</b>	<b>75.60</b>
Fleet	2.00	1.00	2.00	5.00
Playpark Renewal	2.57	0.00	0.00	2.57
Clyde Gateway	0.80	0.80	0.80	2.40
<b>Overall Total For Approval</b>	<b>57.57</b>	<b>45.00</b>	<b>46.00</b>	<b>148.57</b>

Note that ICT investment has been approved separately.