



**Glasgow City Council**

**Report to Council**

**Date: 24<sup>th</sup> February 2026**

**Report by Executive Director of Financial Services**

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**Item 3**

**24th February 2026**

## **2026-27 BUDGET**

### **1. FINANCIAL FORECAST**

- 1.1 A report on the Financial Outlook for 2026 to 2028 was presented the City Administration Committee on 21 August 2025. This set out a gross spending gap of £138.6 million over two years including a gap of £119.3 million for 2026-27. After accounting for already approved savings of £20.6 million and use of budgeted contribution to funds of £8.3 million this reduced to £90.4 million.
- 1.2 An update was provided to all political groups in November 2025 resulting from a review of a number of factors including an updated projection for homelessness costs. This reduced the 2026-27 forecast spending gap to £64.7 million.
- 1.3 Following receipt of the draft Local Government Settlement for 2026-27 in January 2026 all political groups were provided with an updated spending gap of £36.8 million. This incorporated new Technical Adjustments of £6.5 million and an indicative Council Tax increase of 5%.

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

- 2.1 The Local Government Finance Circular 1/2026 was issued on 13 January 2026 and identified provisional funding for Glasgow City Council of £1,800.132 million. This informed the spending gap of £36.8 million. COSLA provided an update of anticipated changes in early February 2026 however this has not changed the spending gap.
- 2.2 The settlement from the Scottish Government includes a commitment that funding allocated to Integration Authorities should be additional and not substitutional to each council's 2025-26 recurring budgets. The forecast assumes that these measures will be met with additional funding in the settlement for social work activities being passed on in full to the Health and Social Care Partnership.

- 2.3 On 12 February 2026 the Cabinet Secretary for Finance and Local Government wrote to COSLA advising that an additional £20m would be added to the settlement to support the delivery of the Real Living Wage in commissioned services. The Council's share of this extra funding is estimated at £2.3m. The majority of this, amounting to around £2.1m will be allocated to the Health and Social Care Partnership with the balance supporting early years services.
- 2.4 The final allocation will be confirmed in the Local Government Finance (Scotland) Order which is expected to be presented to the Scottish Parliament on 25 February. No further changes are anticipated but if there are any material changes these will be reported to a future City Administration Committee.

### **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 therefore pass £28.3m to the IJB (comprising £3m for pay, £3.7m for eNICs and £21.6 for commissioned services) and this will increase to around £30.4m following the announcement set out in 2.3 above.
- 3.4 The IJB is scheduled to meet on 18th March 2026 to consider its budget for 2026-27. This budget will consider the funding received from each Partner Body alongside the pressures which have been identified for 2026-27. The IJB will require to make decisions in relation to savings to deliver a balanced budget for 2026-27.
- 3.5 The Chief Officer of the IJB has confirmed the expectation that the council will continue its commitment, first made in 2024-25, to underpin homelessness overspends resulting from Home Office decision-making. It has been agreed by the council that this commitment will continue into 2026-27. In 2025-26 the anticipated costs are estimated to be £38 million. This will be met from the council's Budget Support Fund and will fully extinguish this fund in 2025-26. In 2026-27 these costs are estimated to increase to £56 million and are included in the spending gap noted at 2.1.

#### **4. ACTION TO ADDRESS HOMELESSNESS PRESSURE IN 2026-27**

- 4.1 As noted at 3.5 the current spending gap includes estimated homelessness costs of £56 million. Discussions have been ongoing with the Scottish Government on actions to address this pressure, which is unique to Glasgow, in both the short and longer term since this pressure is estimated to continue to grow. The current estimate for the next two years based on current trends is £74 million in 2027-28 and £91 million in 2028-29.
- 4.2 As a short-term measure in 2026-27, and to avoid significant service cuts and/or council tax increases to meet this cost, the Scottish Government has indicated that they will provide a variation to the conditions on the use of General Capital Grant. This variation allows the grant to be used as a contribution to the Capital Fund in 2025-26 from where it can be used to repay the principal element of borrowing costs. This provides a revenue underspend, that can be applied over future years to provide capacity to meet the homelessness pressure. This will require the council to undertake additional borrowing with associated borrowing costs of £3.5 million.
- 4.3 In order to ensure that this measure provides the maximum benefit to the council's financial planning it is proposed that a benefit of £40.3 million is assumed in 2026-27 with the balance to be applied in 2027-28. This would result in a remaining budget gap of £14.5 million equivalent to a 5% council tax increase for 2026-27 which is consistent with previous planning assumptions agreed at Council.

#### **5. PROBABLE OUTTURN**

- 5.1 In setting the Council's budget the Probable Outturn for 2025-26 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 a small overspend of £0.4 million excluding homelessness pressures. This overspend will be met from general fund reserves.
- 5.2 Although reporting broadly in line with budget there are a pressures in Education Services and Neighbourhoods and Regeneration Services which are currently being contained by underspends in other areas. Services will require to continue to monitor these overspends and take actions to contain them in 2026-27.

#### **6. INVESTMENT PROGRAMME**

- 6.1 The current approved programme for gross capital expenditure in the next three years totals £662 million with £406 million budgeted for 2026-27. This excludes expenditure forecast for the current year which may slip into future years.

- 6.2 Any new capital investment beyond this approved expenditure will require to be funded within the overall budget for 2026-27.

## **7. RESERVES**

- 7.1 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.

- 7.2 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 2025 is £26.3 million (1.2%). This balance is expected to increase to £36 million (1.7%) by the end of the current financial year.

- 7.3 The Council operates a number of other revenue reserve funds for specific purposes. The total value of these funds as at 31 March 2025 amounted to £24.8 million. The main commitments during 2025-26 include the following:

- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £1.7 million in the current year;
- The New Technology Fund will meet estimated expenditure of £9.7 million in the year;
- The Cultural and Recreation Fund is fully committed, with a programme of spend of £3.0 million in the year.
- The Insurance Fund will meet estimated net expenditure of £7.0 million in the year; and
- In addition, there are a number of smaller funds with committed programmes.

- 7.4 It is estimated that the value of these funds as at 31 March 2026 will amount to £3.4 million before the application of budgeted contributions and interest.

- 7.5 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 £0.2 million to the Cultural and Recreation Fund are included in the Budget for 2025-26.

- 7.6 The Council's capital reserve is estimated to be £40.6 million as at 31 March 2026. These resources form part of the committed funding framework for the Investment Programme.

## **8. FUTURE YEARS FORECAST**

- 8.1 As noted at 4.3 the homelessness pressure is scheduled to continue to increase if other actions to arrest the increasing demand are not taken. This

will result in significant additional pressures in future years' budgets alongside a number of other pressures which are noted below:

- Flat cash settlements from Scottish Government based on latest spending review
- 3% inflationary increase for pay in 2027-28 and 2% for 2028-29
- Other inflationary costs resulting from contractual obligations
- Increase in borrowing costs resulting from approved capital expenditure
- Allowance of £7.5 million for budget pressures

These are partly mitigated by:

- Assumed reduction of 2% in employers superannuation contribution
- An increase of £2.5 million in the council tax base

8.2 This results in a forecast spending gap over the next two years of £167.3 million. Further details are noted in Appendix 1.

## **9. FINANCIAL RISKS**

9.1 Robust monitoring of budget spend, including the delivery of previously approved savings options of £20.6 million will be required throughout the year to manage possible risks and identify mitigating actions to ensure services and major programmes are delivered on budget.

9.2 This budget does not include any allowance for financial implications from the implementation of the new Pay & Grading Scheme scheduled from April 2027. This will result in changes to the forecast gap noted at Appendix 1 however at this time it is not possible to forecast what the implications of the implementation will be. This will require to be kept under review with updates provided back to committee when available.

## **10. CONCLUSIONS AND RECOMMENDATIONS**

10.1 It is recommended that Members:

- (a) note the net spending gap is £14.5 million before any council tax increase is applied; and
- (b) agree proposals to deliver a balanced budget.

**Draft 2 year 2027-2029**

	<b>2027-28</b>	<b>2028-29</b>	<b>Total</b>
<b>Grant</b>			
AEF	0.000	0.000	0.000
<b>Total Grant Reductions</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Council Tax</b>			
Buoyancy in C Tax	2.500	2.500	5.000
<b>Total Council Tax Increases</b>	<b>2.500</b>	<b>2.500</b>	<b>5.000</b>
<b>TOTAL RESOURCES</b>	<b>2.500</b>	<b>2.500</b>	<b>5.000</b>
<b>Costs</b>			
Superannuation Actuarial valuation	-10.000	0.000	-10.000
Pay Inflation	31.900	23.100	55.000
Other Inflation	5.100	4.400	9.500
Income Inflation	0.000	0.000	0.000
Joint Boards etc	0.000	0.000	0.000
Debt Charges	5.000	6.800	11.800
Budget Pressures	7.500	7.500	15.000
Homelessness Pressure	74.000	17.000	91.000
Balance of General Capital Grant	-15.700	15.700	0.000
<b>TOTAL COSTS</b>	<b>97.800</b>	<b>74.500</b>	<b>172.300</b>
<b>GROSS FUNDING GAP / (SURPLUS)</b>	<b>95.300</b>	<b>72.000</b>	<b>167.300</b>
Total Technical Adjustments	0.000	0.000	0.000
<b>NET SPENDING GAP</b>	<b>95.300</b>	<b>72.000</b>	<b>167.300</b>