



**Glasgow City Council**

**Report to Council**

**Date: 15<sup>th</sup> February 2024**

**Report by Executive Director of Finance**

**Contact: Martin Booth**

## **2024-27 BUDGET**

### **1. FINANCIAL FORECAST**

- 1.1 The Budget Strategy for 2024-25 to 2026-27 was agreed at City Administration Committee on the 16<sup>th</sup> November 2023. That report set out an estimated spending gap of £120 million for that period.
- 1.2 Following receipt of the draft Local Government Settlement for 2024-25 all political groups were provided with an update in January 2024 which reflected a revised spending gap of £109.5 million. This was subsequently updated to £107.7 million to reflect amendments to the proposed CT Freeze funding. It incorporates £9.4 million of savings options already approved or approved under delegated authority and therefore deemed Technical Adjustments.

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

- 2.1 The Local Government Finance Circular 8/2023 issued on 21 December 2023 identified provisional funding for Glasgow City Council of £1,590.981 million. This excludes funding for the Council Tax Freeze of which Glasgow's allocation is expected to be £15.4 million. The council has to notify the Scottish Government by the 16<sup>th</sup> February of its intention to freeze council tax. It is assumed that the council will accept this funding and apply a council tax freeze and so this funding is incorporated into the spending gap of £107.7 million.
- 2.2 The final allocation will be confirmed in the Local Government Finance (Scotland) Order which is expected to be presented to the Scottish Parliament in March. No further changes are anticipated but if there are these will be reported prior to the council meeting.
- 2.3 The settlement confirmed that the funding allocated to Integration Authorities should be additional and not substitutional to each council's 2023-24 recurring budgets.

## **OFFICIAL**

### **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 2.3. 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.
- 3.4 The IJB is scheduled to meet on 20<sup>th</sup> March 2024 to consider its budget for 2024-25. This budget will consider the funding received from each Partner Body alongside the pressures which have been identified for 2024-25. The IJB will require to make decisions in relation to savings to deliver a balanced budget for 2024-25.

### **4. PROBABLE OUTTURN**

- 4.1 In setting the Council's Budget the Probable Outturn for 2023-24 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 an increase in the budgeted contribution from reserves of £19 million. This has been considered in the 2024-27 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 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 2023 is £26.3 million (1.4%) and this balance is not expected to change during 2023-24.
- 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 2023 was £105.4 million. This is expected to reduce to £60 million by 31 March 2024 as a result of a number of factors. This includes the budgeted contribution from balances approved in the 2023-24 budget of £6 million. It will also be used to meet the projected overspend in the 2023-24 budget (as noted at 4.1), Early Retirement/Voluntary Redundancy (ER/VR) costs incurred to support

## **OFFICIAL**

## OFFICIAL

budget savings in the current year and to off-set the delayed delivery of a number of budget savings.

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 2023 amounted to £31.1 million. The main commitments during 2023-24 include the following:

- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £3.5 million in the current year;
- The New Technology Fund will meet estimated expenditure of £ 7.7 million in the year;
- The Cultural and Recreation Fund is fully committed, with a programme of spend of £9.2 million in the year.
- The Insurance Fund will meet estimated net expenditure of £6.5 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 2024 will amount to £4.2 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, £1.6 million to the Insurance Fund to meet insurance liabilities and £0.6 million to the New Technology Fund to support future ICT refresh are included in the Budget for 2024-25.

5.7 The Council's capital reserve is estimated to be £22 million as at 31 March 2024. 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 £411 million with £276 million budgeted for 2024-25. This excludes expenditure forecast for the current year which may slip into future years. In addition, the financing costs from new capital expenditure of £120 million over 2025-26 and 2026-27 is included in the Spending Gap. It is anticipated that the £120 million will be invested in capital priorities mainly related to property and infrastructure aligned to relevant council strategies and approvals. A further report will be provided as part of the 2025-26 budget process.

6.2 Any new capital investment beyond this allowance will require to be funded within the overall budget for 2024-27.

## OFFICIAL

## **OFFICIAL**

### **7. FINANCIAL RISKS**

- 7.1 Robust monitoring of budget spend will continue throughout the year to manage possible risks and mitigating actions to ensure services and major programmes are delivered.
- 7.2 This budget does not include any allowance for financial implications from the implementation of the new Pay & Grading Scheme.
- 7.3 The delivery of savings options, including associated ER/VR costs, will continue to be underpinned by the Budget Support Fund.

### **8. RECOMMENDATIONS**

- 8.1 Members are asked to bring forward proposals that meet the spending gap of £107.7 million as outlined in paragraph 1.2.

## **OFFICIAL**