



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Martin Booth, Executive Director of Finance

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Item 2

21st August 2024

Outturn Report 2023-24

Purpose of Report:

The purpose of this report is to conclude the monitoring process for 2023-24 and to seek approval for a number of substantive accounting transactions to allow completion of the Council's accounts by the statutory deadline of 30 June 2024.

Recommendations:

The Finance and Audit Scrutiny Committee is asked to note the content of the report.

Ward No(s):

Citywide:

Local member(s) advised: Yes No Consulted: Yes No

1. Introduction

- 1.1 The purpose of this report is to provide a high level overview of the Council's draft outturn position for 2023-24 and to seek approval for a number of substantive accounting transactions to allow completion of the Council's annual accounts by the statutory deadline of 30 June 2024.

2. Approved Budget

- 2.1 The 2023-24 budget was approved by Council on 16 February 2023 and subsequently updated by the City Administration Committee on 4 May 2023. In order to monitor financial performance accurately, budgets have been updated each period to reflect new monies, operational changes and any additional approvals.

3. Revenue Budget

- 3.1 The net expenditure budget had increased by £94.3m up to the end of period 12. To the outturn, there has been an increase of £33.6m to net expenditure in relation to services. Overall, therefore there has been a cumulative net budget increase of £127.9m from the original budget.
- 3.2 The significant budget changes since period 12 are as follows:
- 3.2.1 Income and expenditure budgets have been adjusted across services to reflect the net impact of Covid-19 on services. This amounts to £6.3m of an increase since LP12, cumulatively £14.6m for 2023/24.
- 3.2.2 Expenditure budgets within Chief Executive's Office, Financial Services, Neighbourhoods, Regeneration and Sustainability and Social Work Services have increased by £6.4m in respect of previously approved carry forwards.
- 3.2.3 Expenditure budgets across a number of services have increased by a total of £12.6m to reflect draws from the Budget Support Fund covering ER/VR costs and the timing difference in pay award funding against cost for 2023/24.
- 3.2.4 Expenditure budgets within Chief Executive's Office have increased by £2.5m in respect additional funding from the Scottish Government for Employability Staffing (£1.7m) and in respect of job evaluation costs (£0.8m). Expenditure budgets within Chief Executive's Office have decreased by £0.6m in respect of a contribution to the New Technology Fund.
- 3.2.5 Expenditure budgets within Social Work Services have increased by £7.1m to reflect additional Scottish Government funding in respect of Ukraine funding (£4.7m) and Scottish Recommended Allowance for Kinship and Foster carers (£2.4m).
- 3.2.6 Expenditure and income budgets within Chief Executives Office have increased by £2.5m in respect of additional Scottish Government funding relating to No

One Left Behind (£1.5m) and to reflect Common Good funding for Glasgow 850 (£1.0m).

- 3.2.7 Expenditure and income budgets within Neighbourhoods, Regeneration and Sustainability have increased by £1.6m in respect of additional Scottish Government funding in relation to Sustrans funding.
- 3.2.8 Expenditure and income budgets within Social Work Services have increased by £0.9m in respect of additional Scottish Government Care Experienced funding.
- 3.2.9 Expenditure and income budgets within Social Work Services have increased by £519.8m to reflect contribution to Integrated Joint Board (IJB) and income from IJB for commissioned services.
- 3.2.10 There have also been adjustments to income and expenditure budgets in line with the Executive Director of Finance's delegated powers and budget realignments between and within various service departments to reflect the transfer of responsibilities and service reconfigurations.
- 3.2.11 In addition across services there will be a number of further budget changes related to the application of proper accounting practice to the final accounts. In the main these changes reflect the impact of International Financial Reporting Standards in areas of pensions, capital accounting and financial instruments and have no net impact on the Council's general fund.

4. Investment Programme

- 4.1 There have been a number of virements, and technical adjustments to expenditure and income budgets to conform with proper accounting practice in relation to the completion of accounts.
- 4.2 In addition to the above there has been the following previously approved budget changes.

Programme	Approval Committee	Expenditure Amount	Income Amount	Net Amount
Drumchapel Levelling Up Funding	City Administration Committee 8/2/24	£16.6m	£15.0m	£1.6m
Community Hub Programme Phase 1 (transfer to Drumchapel Levelling Up Funding)	City Administration Committee 8/2/24	-£1.6m	£0.0m	-£1.6m
City Deal – Metro	City Administration Committee 21/3/24	£12.2m	£12.2m	£0.0m

4.3 The following budget adjustment requires approval by the City Administration Committee:

4.3.1 An increase to income budgets of £2.7m to reflect additional general capital grant and a related increase to gross expenditure budgets of £2.7m for Free School Meals.

4.3.2 An increase to expenditure budgets of £0.5m in respect of rooftop solar panel installation funded by energy savings.

4.3.3 The virement of £3.8m from the East End Regeneration Route project to other NRS capital projects. These projects include Intelligent Streetlighting (£0.2m), Vehicle Management (£0.7m), IT project for NRS (£0.3m) and procurement and installation of streetlighting columns (£2.6m).

5. Earmarked Reserves

5.1 In some cases, given the profile of expenditure, service commitments will extend into 2024-25. It is therefore appropriate to reflect this as a reduction in the final budget for 2023-24 with consequent carry forward as an earmarked element of the General Fund. The proposed carry forwards for 2023-24 are shown below:

Department	Total £m	Key Programmes
Chief Executive's Office	21.3	<ul style="list-style-type: none"> • Financial Inclusion • Communities Fund • Employment • Economic Development • Glasgow 850
Education Services	5.1	<ul style="list-style-type: none"> • Digital • Counsellors Through Schools • Summer Activities Children and Young People
Financial Services	0.3	<ul style="list-style-type: none"> • Elections Act New Burdens • CBS Support for Financial Inclusion
Neighbourhoods, Regeneration and Sustainability	0.1	<ul style="list-style-type: none"> • 20/20 Connecting Nature
Total	26.8	

5.2 In light of the current financial position a review of prior year carry forwards has been undertaken and £7.0m can be released.

5.3 Having accounted for current and prior year carry forwards the total earmarked element of the general fund related to services will amount to £61.4m.

6. Revenues

6.1 Council Tax

6.1.1 Total Council Tax income collected in the year amounts to £349.6m. This is £5.9m ahead of budget. This is due to a review of bad debt provisions and buoyancy which has been built into future years budgets.

6.1.2 Council Tax collected during the year of billing amounted to 93.79% (last year 94.48%). The target rate of collection for Council Tax was 94%.

6.2 Non Domestic Rates

6.2.1 Total Non Domestic Rates collected in the year amounted to £359.5m. Non Domestic Rates income forms part of the overall local government finance settlement and therefore does not vary in relation to the actual amount of income received. There is therefore no impact on the Council's overall budgetary position.

6.2.2 Non Domestic Rates collected during the year of billing amounted to 91.55% (last year 92.34%). The target rate of collection of Non Domestic Rates was 91.00%.

7. General Fund

7.1 At outturn overspends were reported in Education Services, Financial Services and Neighbourhoods, Regeneration and Sustainability partly offset by an underspend in Chief Executives Office as outlined below:

- Education Services £8.7m (1.3%) – Overspends in employee costs due to increasing school roles and additional staffing required to meet the complexity of needs within the ASL sector, inflationary increases in transport costs and under recoveries in income from letting and school meal income. These are partly offset by an underspend in Early Years employee costs.
- Financial Services £2.5m (1.4%) – Overspends due to inflationary increases in food costs and under recoveries in commercial catering income and overspends in housing benefits and Scottish Welfare Fund.
- Neighbourhoods, Regeneration and Sustainability £16.8m (7.6%) – Overspends due to overtime and agency in relation to absence, higher transport costs due to fuel and maintenance costs and increased utility, rates and rents costs across the property estate.

- Related Companies £1.6m (1.3%) – Overspend in relation to the RSBI deficit within City Building Joint Venture.
- Chief Executives Office -£1.0m (-0.9%) – Underspend in core employee cost budgets due to the application of grant administration funding.

7.2 Financial pressures across service budgets were closely monitored and corrective action was identified by Executive Directors to contain net expenditure within approved budgets as far as possible. This process was supported by the establishment of the probable outturn and the provision of updates throughout the year.

7.3 The accounts are now all but finalised and indications are, that having completed all necessary entries and, allowing for the budget adjustments and carry forwards noted above total net direct service expenditure will be overspent by £28.6m (See Appendix 1). Services are expected to have spent between 99.1% and 107.6% of their final budget.

8. Integration Joint Board

8.1 The Glasgow City Integration Joint Board (IJB) assumed responsibility for the planning and commissioning of health and social care services within the city on 1 April 2016. While the financial position of Social Work Services continued to be monitored through the Council's existing reporting structures the overall financial position is now the responsibility of the IJB.

8.2 The financial outturn for the IJB reflects an overspend of £4.5m. This reflects an operational overspend of £18.8m within the IJB related mainly to demand and cost pressures in relation to mental health inpatient services, homelessness and prescribing. In addition, there are £14.3m of local and national priorities which will not be completed until future financial years and require funding to be carried forward. This relates to ring-fenced funding which has been received to meet specific commitments and must be carried forward to meet the conditions attached to the receipt of this funding. The IJB will consider its outturn report on 26th June 2024.

8.3 In line with proper accounting practice this overspend is reflected within the Council's accounts as an accrual of income from the IJB. This has no net impact on the council's overall financial position.

9. Related Companies

9.1 City Property returned £4.2m which is £0.2m greater than budget.

9.2 City Building returned the following:

	Return £m	Budget £m	Variance £m
City Building Glasgow	-0.7	-2.5	1.8
City Building Contracts	4.8	-2.0	6.8
Total	4.1	-4.5	8.6

9.3 Both City Building companies have been affected by rising labour and material cost inflation which has significantly impacted profit margins. City Building Contracts has also seen its planned turnover reduced following delays in placing work from the council due to higher than anticipated tender returns related to the above inflationary pressures.

9.4 Taken together with the overspend highlighted in related companies above the total impact of City Building activities is £10.2m.

10. Investment Programme and Financing Costs

10.1 The outturn Investment Programme expenditure for the year totalled £131.6m. Total capital income for the year amounted to £37.9m.

10.2 Receipts from asset sales totalled £5.9m.

10.3 Overall financing costs are reporting an underspend of £14.9m. This underspend reflects the application of asset sales as noted above (£5.9m) and is also due to a lower level of capital expenditure than anticipated and higher than budgeted interest on balances (£9.0m). This underspend will support a contribution of £5.0m to the Cultural and Recreation Fund in line with previous plans and a contribution of £2.9m to the Insurance Fund to meet insurance liabilities.

11. Covid-19

11.1 The council's general fund includes £14.6m of earmarked reserves to offset the ongoing impact of Covid-19. During 2023-24 the council has continued to witness shortfalls mainly in sports and cultural income and parking income of £14.6m. This fully extinguishes the earmarked reserve for the ongoing impact of Covid-19.

12. Budget Support Fund

12.1 As reported in the 2022-23 outturn report the balance on the Budget Support Fund, held as an earmarked element of the general fund, was £105.4m.

12.2 During 2023-24 costs of £28.5m were charged to the fund primarily relating to voluntary severance/early retirement costs and to support the phasing of budget options. In addition, in line with the position reported at probable outturn £23.4m of the budget support fund will be utilised to support the 2023-24 outturn position. This results in a closing balance of £53.5m.

13. Financial Implications – Accounting Adjustments

13.1 It is customary at this stage to seek approval of substantive accounting transactions directly related to the closure of the accounts. For 2023-24 these are as follows:

13.1.1 The transfer of £5.0m to the Cultural and Recreation Fund to continue support for the Council's cultural and events programme.

13.1.2 The transfer of £2.9m to the Insurance Fund to meet insurance liabilities.

13.1.3 In accordance with recommended accounting practice a corresponding adjustment to both sides of the balance sheet of £22.4m is required to reflect the net debtor position on 2018-2019 to 2023-2024 in respect of local taxes and those older than 2 years in respect of sundry debtors including Common Good rental income and irrecoverable amounts raised in the year. In addition, as agent for the collection of non domestic rates, the outstanding debtor has been reduced by £9.5m in line with proper accounting practice.

13.2 In common with previous practice, it is proposed that the Executive Director of Finance actions entries as required to the Council's reserve funds within the previously approved spending plans of these reserves and in keeping with proper accounting practice.

13.3 The residual funds available after these adjustments have been made will then form part of the Council's general fund.

14. Funds and Balances

14.1 The Council's overall balances form part of its overarching financial framework and are reviewed on an annual basis to ensure that sufficient reserves and balances are retained to meet known commitments and any unanticipated events.

14.2 If the accounting adjustments outlined at paragraph 13 are approved then the anticipated balances held in the Council's key reserve funds as at 31 March 2024 are as follows:

	£m
Cultural and Recreation Fund	1.1
Insurance Fund	5.9
Repairs and Renewals Fund	3.4

	£m
New Technology Fund	12.5
Winter Maintenance Fund	0.9
Capital Reserve Fund	35.4

14.3 The Council also operates a number of other reserve accounts for specific purposes each of which will be included in the detail of the final accounts.

14.4 After taking into account the accounting adjustments outlined in paragraph 13 the unearmarked general fund balance as at 31 March 2024 is projected to be £26.3m (1.3% of net expenditure), in line with the position as at 31 March 2023.

15. Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	The financial implications are as outlined in the report.
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

Equality and Socio-Economic Impacts:

<i>Does the proposal support the Council's Equality Outcomes 2021-25</i>	Supports the overall implementation of the strategic plan.
<i>What are the potential equality impacts as a result of this report?</i>	No significant impact.

Climate Impacts:

<i>Does the proposal support any Climate Plan actions? Please specify:</i>	None
<i>What are the potential climate</i>	None

*impacts as a result
of this proposal?*

*Will the proposal
contribute to
Glasgow's net zero
carbon target?* None

**Privacy and Data
Protection impacts:** None

16. Recommendations

- 16.1 The Finance and Audit Scrutiny Committee is asked to note the content of the report.

Appendix 1

Services	Net Expenditure £m	Estimate £m	Variance £m	% Spend
Chief Executive's Office	112.4	113.4	-1.0	99.1
Education Services	676.1	667.4	8.7	101.3
Financial Services	181.6	179.1	2.5	101.4
Neighbourhoods, Regeneration and Sustainability	237.2	220.4	16.8	107.6
Related Companies	126.8	125.2	1.6	101.3
Social Work Services	529.3	529.3	0.0	100.0
Total	1,863.4	1,834.8	28.6	101.6