Item 6

5th November 2026

Glasgow City Council

City Administration Committee

Date 5 November 2026

Report by Robert Emmott, Executive Director of Financial Services

Financial Outlook Update

1. Introduction and Background

1.1 The Committee considered the Council's financial outlook for 2027-29 at its meeting on 20 August 2026 and agreed, amongst other actions, to instruct the Chief Executive and Executive Director of Financial Services, in consultation with the Public Service Reform and Financial Strategy Political Oversight Group, to develop a forward budget strategy to address the financial gap set out in this Report and that this be presented to Committee on 17 September 2026.

1.2 Presentation of a further report has been deferred to enable ongoing discussions with the Scottish Government in respect of both homelessness and the implementation of the new Pay and Grading Structures to continue.

1.3 This Report provides an update on the latest position and sets out the next steps for the Council's 2027/28 budget.

1.4 Members may be aware of the proposals that have emerged from the Scottish Government Programme for Government and future options for Public Service Reform. At this stage there is insufficient clarity on what will emerge and the impact this might have on the Council to reflect any changes in the financial outlook. An initial report has been provided to the Public Sector Reform and Financial Strategy Political Oversight Group (PSRFSPOG) alongside offers of engagement between PSRFSPOG members/officers and the Scottish Government with specific proposals expected in due course. Separately the Scottish Government is engaging with COSLA. Updates will be provided to the PSRFSPOG and where relevant included in the 2027/28 budget planning.

1.5 The Accounts Commission published its Best Value report on the City Council on 3 September 2026. The Report noted the significance of the decision taken by the Committee in August to implement the new Pay and Grading Structure and the importance of aligning financial planning and strategies. The Report will be considered by the Finance, Audit and Scrutiny Committee on 18 November 2026 and then by Council on 10 December 2026.

2. UK and Scottish Budgets

2.1 The Chancellor presented his first budget on 28 October 2026. The Office of Budget Responsibility reports that for 2027: inflation is projected to rise to 3.4% - before falling towards the target of 2% in 2028; economic growth been reduced from 1.6% to 1.0% for 2027; and the Bank of England interest rate is expected to climb to 4.4%.

2.2 The UK budget includes a £600m cash increase in Scottish funding spread across the period 2026-30. For 2027/28 the net change of £206m includes an increase of £283m in revenue funding, a reduction of £102m in capital and an extra £25m for financial transactions.

2.3 The proposals include a £100 energy support payment for households in Council Tax Bands A to D in England which contributes to consequential funding in 2026/27. The Scottish Government have indicated they will implement a similar scheme in Scotland and the Council will work with the Scottish Government to deliver this.

2.4 It should be noted that there will be a downward adjustment in the Scottish Block for 2027/28 associated with the revaluation of unfunded pension schemes. For Scottish Councils this relates to teacher pensions and whilst the revaluation in Scotland is not yet complete at this stage it is assumed that the changes will be cost neutral.

2.5 It is submitted that nothing in the UK Budget materially changes the financial projections set out in this report and it is recommended that the Council should continue with the current assumption of a flat cash settlement for Scottish Local Government.

2.6 The Scottish Budget is scheduled for 3 December 2026 and the 2027/28 Local Government Settlement will be published the following week.

Current Year Budget

2.7 A concurrent Report to Committee sets out the 2026/27 Probable Outturn and reports financial pressure in relation to additional support for learning within Education and in Neighbourhood and Regeneration Services. These costs principally reflect service demand and the impact of continuing inflationary pressures.

Homelessness

2.8 The Council has seen changes in demand for homelessness through the summer period and this has created more uncertainty in the potential future costs. With a range of between £46m and £80m for 2027/28 but a central case of £62m if September costs stabilise.

2.9 Health and Social Care Officers have been working with partners to identify further ways to reduce this cost through increasing the supply of both social and private rented properties. There is uncertainty as to how much this activity will reduce the overall homelessness pressure, and the timing of that mitigation coming into effect, but a working assumption of around £10m in mitigation by the end of 2027/28 is currently recommended.

2.10 Following confirmation that the 2027/28 Local Government Settlement will include a meaningful contribution towards Glasgow's unique issues on homelessness detailed discussions have been ongoing with the Scottish Government in relation to this at both officer and political level. It is not anticipated that these will conclude until after the UK budget announcement. Those discussions have also focussed on opportunities for increasing the supply of housing for example through housing associations and the Cowlairs development.

Pension Fund Contributions

2.11 At its meeting on 23 September 2026 Strathclyde noted the preliminary results of the 31 March 2026 actuarial valuation.

2.12 The draft employer contribution rates arising from this valuation are 6.5% for each of 2027/28 and 2028/29 and, subject to either the funding rate remaining above 125% or

at least an 83% probability of the scheme remaining fully funded at a 6.5% rate, the rate will continue at 6.5% for 2029/20 (failing which it will be set at 15%).

2.13 The Council can therefore continue to plan on an assumption of 6.5% for the period of the valuation, recognising the need to monitor the fund for year three. A decision on this will be made at 30 September 2028, however, it is submitted that it will take a significant financial downturn for one of these conditions not to be met.

3. Pay and Grading Scheme (PGS) Costs

3.1 Members will be aware that there has been significant progress with the implementation of the PGS since it was approved on 20 August 2026.

3.2 Following negotiations with Trade Unions and, with the support of the Scottish Government, Trade Unions are now balloting their members on an improved offer. The key changes being a move to a progressive model for arrears and an additional two years of pay protection, with the revenue costs associated with borrowing to meet the additional costs of pay protection funded by the Scottish Government.

3.3 The revised financial implications of PGS costs over a five-year period, are shown in the table below.

	27-28 £m	28-29 £m	29-30 £m	30-31 £m	31-32 £m	Total £m
Additional costs from PGS	59.5	14.0	16.7	19.1	19.3	128.6

4. Financial Forecast 2027-29

4.1 Based on the above the updated financial forecast for the next two financial years is summarised below, showing two scenarios in relation to homelessness.

	2027/28 £m	**2028/29 £m**	**Total £m**
Net budget position excluding homelessness	(6.3)	39.0	32.7
PGS Costs	59.5	14	73.5
Less GCG Carried Forward	(14.6)	0.0	(14.6)
Net Gap before homelessness	**38.6**	**53**	**91.6**
Steady case Homelessness	62.0	4.1	66.1
Homelessness actions	(10.1)	(11.4)	(21.5)
Gap based on mid case	**90.5**	**45.7**	**136.2**
High case Homelessness	80.2	19.9	100.1
Homelessness actions	(10.1)	(11.4)	(21.5)
Gap based on high case	**108.7**	**61.5**	**170.2**

4.2 These figures highlight the significance and uncertainty of the homelessness challenge for the Council and the importance of the Scottish Governments commitment to making a meaningful contribution to resolving this

4.3 The concurrent Budget Monitoring Report sets out the financial position for 2026/27 including revenue pressures and measures being taken to manage these, however, it should be noted these may have consequences for the 2027/28 budget and this will therefore be subject to consideration by the PSRFSPOG.

5. Balances

5.1 The outturn for 2025/26 financial year saw the Councils uncommitted reserves increase to £41.4m. At 1.9% of the net revenue budget this is broadly in line with the policy as laid out in the Financial Regulations, Management & Control manual.

5.2 The Executive Director of Financial Services has considered the strategic, operational and financial risks facing the Council over the medium term including:

- the risks associated with financial management of costs in year;
- the cash flow requirements of the council;
- the risk of unexpected, uninsured, events in year; and
- the financial outlook (including the savings needed in the year ahead

5.3 Particular consideration has been given to the impacts of homelessness and the implementation of PGS and addressing equal pay, however, both require to be addressed through adequate budgetary provision rather than through reserves.

5.4 At this time the view of the Executive Director is that the Council should maintain its existing policy in relation to balances.

6. Risks

6.1 This financial forecast has been based on the best understanding of the Council's current financial position and the prudent use of professional judgement in relation to variable factors. The key risks include:

• Homelessness	The costs of homelessness are significant in the next two years. The commitment of the Scottish Government to make a meaningful contribution to these costs will reduce this, but the impact of this is not yet known.
• Pay and Grading	The financial implications of the new pay and grading scheme are based on the current offer to Trade Unions which is subject to approval by Trade Union ballot. There remains uncertainty on the level of one-off backdated costs resulting from the new scheme as these are still subject to ongoing negotiation with trade unions.
• Financial Settlement	The grant funding assumes a flat cash settlement in 2027/28 and 2028/29. A 1% reduction in funding would lead to an increase in the annual gap of £18 million. There is also risk from distributional changes, however, these would mostly be mitigated by the floor. Conversely an increase in the settlement would reducing the value of savings required.

• Probable Outturn	The P3 Monitoring report is highlighting some areas of pressure which will require to be addressed. It is therefore anticipated that the Council family will take all necessary action to ensure that net expenditure is contained within approved budgets. Failure to achieve this will result in a requirement to either draw on reserves or identify additional savings.
• Delivery of Savings	It is assumed that all approved savings will be delivered.
• Pay Inflation	Higher inflation is likely to put pressure on pay awards a 1% increase in pay inflation equates to £10.8 million (excluding HSCP employee costs).

7. Conclusions

7.1 In the context of ongoing discussions with the Scottish Government on support for Homelessness it is recommended that the Committee note this report and that the Public Service Reform and financial Strategy Political Oversight Group will continue to oversee the development of options for the 2027/28 budget pending the forthcoming budgets and 2027/28 Local Government Settlement.

8. Recommendations

8.1 It is recommended that the Committee:

(a) notes the Report;

(b) agrees that the Public Service Reform and Financial Strategy Political Oversight Group continue to oversee the development of the 2027/28 budget; and

(c) notes that the Executive Director of Financial Services will Report to Committee following the publication of the 2027/28 Local Government Settlement.