



Glasgow City Council

Report to Council

Report by Executive Director of Finance

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Item 3

11th March 2021

2021-22 BUDGET

1. FINANCIAL FORECAST

- 1.1 The financial forecast for 2021-24 was issued to all political groups in October 2020. This identified a spending gap for 2021-22 of £36.3 million.
- 1.2 Following receipt of the draft Local Government Settlement for 2021-22 in January 2021 all political groups were provided with an update which reflected a revised spending gap of £7.9 million. This incorporates £7.1 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 1/2021 issued on 1st February 2021 identified provisional funding for Glasgow City Council of £1,362.9 million. The final allocation will be confirmed in the Local Government Finance (Scotland) Order which is scheduled to be presented to the Scottish Parliament on 10th March. Further changes may be made as the Budget Bill progresses through its second and third readings scheduled for 8th and 9th of March. Any changes to the allocation to the Council will be reported prior to the Council meeting on 11th March.
- 2.2 The Cabinet Secretary for Finance wrote to the COSLA president, copied to all Council Leaders, on 28th January 2021 setting out the package of measures contained within the national local government settlement, these include:
 - £59 million revenue to support the final tranche of increased funding for the expansion in funded Early Learning and Childcare entitlement to 1140 hours;
 - £90 million to compensate councils who choose to freeze council tax levels;
 - In addition to the £100 million available in 2020-21, a further £72.6 million to be transferred from the health portfolio to Local Authorities in-year for investment in health and social care and mental health services that are delegated to Integration Authorities under the Public Bodies (Joint

Working) (Scotland) Act 2014. This brings the total transferred from the health portfolio to support health and social care integration to £883.6 million in 2021-22. The additional £72.6 million for local government comprises a contribution to continued delivery of the real Living Wage (£34 million), uprating of free personal and nursing care payments (£10.1 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£28.5 million). The funding allocated to Integration Authorities should be additional and not substitutional to each council's 2020-21 recurring budgets for adult social care services that are delegated. This means that, when taken together, Local Authority adult social care budgets for allocation to Integration authorities must be £72.6 million greater than 2020-21 recurring budgets;

- The ongoing £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- Continued provision in support of Teachers Pay (£156 million) and Pensions (£97 million);
- £5.3 million for Barclay implementation costs; and
- £10 million additional capital for flood risk schemes

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 Development and Regeneration 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 additional funding for health and social care totalling £7.6 million and no inflation or savings will be allocated to the IJB contribution.

3.4 The IJB is scheduled to meet on 24th March 2021 to consider its budget for 2021-22. It is anticipated that the contribution from the IJB to the Council will be in line with the Council's approved budget.

4. PROBABLE OUTTURN

4.1 In setting the Council's Budget the Probable Outturn for 2020-21 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 £0.3m. This has been considered in the 2021-22 financial forecast projections.

4.2 The Council has incurred additional budgetary pressures in 2020-21 as a result of Covid-19. It is also assumed that many of these pressures will be recurring into 2021-22. The budget assumption is that these pressures will be met, in full, from additional Scottish Government funding and the application of Fiscal Flexibilities. As such, no specific adjustment has been made in the Financial Forecast for Covid-19.

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 policy is to hold unallocated General Fund reserves to 2% of net expenditure over the medium term. The level of General Fund reserves as at 31st March 2020 was £155 million including unallocated reserves of £31 million (1.87%). The estimated balance of unallocated reserves as at 31st March 2021 is anticipated to be £31.7 million (1.91%). The Financial Forecast assumes a contribution to un-earmarked reserves of £1 million in 2021-22.

5.3 The Council operates a number of other revenue reserve funds for specific purposes. The total value of these funds as at 31st March 2020 amounted to £40.3 million. The main commitments during 2020-21 include the following:

- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £1.5 million in the current year;
- The New Technology Fund will meet estimated expenditure of £4 million in the year;
- The Cultural and Recreation Fund is fully committed, with a programme of spend of £3.8 million in the year.
- The Insurance Fund will meet estimated net expenditure of £4.7 million in the year; and
- In addition there are a number of smaller funds with committed programmes.

5.4 It is estimated that the value of these funds as at 31st March 2021 will amount to £26.3 million before the application of contributions and interest.

5.5 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 £0.6m to the New Technology Fund to support future ICT refresh are included in the Budget for 2021-22.

5.6 The Council's capital reserve is estimated to be £15 million as at 31st March 2021. These resources form part of the committed funding framework for the Investment Programme.

6. INVESTMENT PROGRAMME

- 6.1 The approved gross expenditure for the Investment Programme, net of payments in previous financial years, is currently £508 million. The financial implications from this programme will be met from the Financing Costs budget.
- 6.2 A number of areas have been identified for additional capital investment and these are noted below.
- 6.3 Capital investment of £5 million has been identified for Glasgow Life venues subject to sale and leaseback arrangements. This will be funded from prudential borrowing from forecast member distributions from City Property.
- 6.4 Capital Investment of £2.7 million in NRS Property and Boiler Replacements funded from virement of £2 million from Community Open Spaces project and additional General Capital Grant.
- 6.5 Capital investment of £800,000 in Clyde Gateway regeneration projects for which funding has already been allowed in the council's capital planning.
- 6.6 Any capital investment beyond these provisions will require to be funded within the overall budget for 2021-22.

7. FINANCIAL RISKS

- 7.1 Robust monitoring will continue of budget spend throughout the year to manage possible risks and mitigating actions to ensure services and major programmes are delivered. This will include the management of Covid-19 budget pressures as set out at paragraph 4.2.
- 7.2 The Council will monitor the delivery of the settlement financial conditions outlined above to mitigate any financial risk.
- 7.3 While the main Equal Pay liability was met during 2019-20 there remains an ongoing liability until the new pay and grading system is implemented.

8. RECOMMENDATIONS

- 8.1 Members are asked:
- a) To bring forward proposals that meet the spending gap of £7.9 million as outlined in paragraph 2.1 and
 - b) To confirm the investment programme proposals as noted in paragraph 6.3 to 6.5.