



Glasgow City Council

Report to Council

Date: 17th February 2022

Report by Executive Director of Finance

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2022-23 BUDGET

1. FINANCIAL FORECAST

- 1.1 The financial forecast for 2022-25 was issued to all political groups in November 2021. This identified a spending gap for 2021-22 of £37.3 million.
- 1.2 Following receipt of the draft Local Government Settlement for 2022-23 all political groups were provided with an update in January 2022 which reflected a revised spending gap of £33.9 million. This incorporates £5.5 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 9/2021 issued on 20 December 2021 identified provisional funding for Glasgow City Council of £1,407.85 million. At Stage 2 of the Scottish Government budget a further £120 million of funding was allocated to local government and £14.2 million of this sum was allocated to Glasgow. Although this funding is non-recurring at this stage it has been applied to the Financial Forecast spending gap. Although this does present a financial risk for future years budgets this is consistent with previous years approach. This has reduced the funding gap to £19.7 million. This funding has been allocated by the Scottish Government with an expectation that council tax increases will not exceed inflation.
- 2.2 The final allocation will be confirmed in the Local Government Finance (Scotland) Order which is scheduled to be presented to the Scottish Parliament in March. Further changes may be made as the Budget Bill progresses through its second and third stages scheduled for early February. No further changes are anticipated but if there are these will be reported prior to the council meeting on the 17 February.
- 2.3 The Cabinet Secretary for Finance wrote to the COSLA president,

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copied to all Council Leaders, on 9 December 2021 setting out the package of measures contained within the national local government settlement, these include:

- £145 million for additional teachers and support staff in addition to the £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- Funding to maintain the 100 day commitments including the removal of curriculum and music tuition charges and expanded School Clothing Grant;
- £68.2 million for Child Bridging Payments;
- Maintaining the £292.6 million provided in 2021-22 and providing a further £353.9 million transfer from Health for investment in health and social care and mental health services – including £174.5 million to support ongoing adult social care pay, £20.4 million to continue implementing improved rights and support for carers, £15 million to uplift free personal nursing care rates, £124 million of recurring care at home investment, and £20 million for interim care;
- In addition, a further £200 million will be transferred to support pay and sustainability of social care services
- £5.3 million for Barclay implementation costs; and
- An extra £62.5 million of Capital including
 - £30 million for Free School Meals
 - £20 million for the Local Bridge Maintenance Fund
 - £11 million for Flood Prevention; and
 - £1.6 million for Coastal Protection

2.3 The letter also confirmed that the funding allocated to Integration Authorities should be additional and not substitutional to each council's 2021-22 recurring budgets for adult social care services that are delegated.

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.

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- 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 £38.7 million and no inflation or savings will be allocated to the IJB contribution.
- 3.4 The IJB is scheduled to meet on 23rd March 2022 to consider its budget for 2022-23. 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 2021-22 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 £1.8m. This has been considered in the 2022-23 financial forecast projections.
- 4.2 The council has incurred additional budgetary pressures in 2021-22 as a result of Covid-19. It is also assumed that many of these pressures will be recurring into 2022-23. 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 current policy is to hold unearmarked General Fund reserves to 2% of net expenditure over the medium term. The level of unearmarked General Fund reserves as at 31 March 2021 was £34.5 million (2.1%). The estimated balance of unallocated reserves as at 31 March 2022 is anticipated to be £31.5 million (1.9%). In light of the IJB position a proposal to review the reserves policy has been shared with political groups during the budget process. The Financial Forecast assumes a contribution to un-earmarked reserves of £1.5 million in 2022-23.
- 5.3 The Council operates a number of other revenue reserve funds for specific purposes. The total value of these funds as at 31 March 2021 amounted to £47.1 million. The main commitments during 2021-22 include the following:
- The Council's Property Repairs and Renewals Fund will meet estimated expenditure of £3.3 million in the current year;
 - The New Technology Fund will meet estimated expenditure of

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£7.2 million in the year;

- The Cultural and Recreation Fund is fully committed, with a programme of spend of £8.9 million in the year.
- The Insurance Fund will meet estimated net expenditure of £2.4 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 31 March 2022 will amount to £25.3 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, £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 2022-23.

5.6 The Council's capital reserve is estimated to be £15.4 million as at 31 March 2022. 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 £439 million. The financial implications from this programme will be met from the Financing Costs budget.

6.2 A review of Capital Priorities has identified a number of areas for future investment. These are detailed in Appendix 1 of this report. The revenue implications of this investment has been included in the Financial Forecast and is included in this report for approval.

6.3 Any capital investment beyond these provisions will require to be funded within the overall budget for 2022-23.

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. 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.

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8. RECOMMENDATIONS

8.1 Members are asked:

- a) To bring forward proposals that meet the spending gap of £19.7 million as outlined in paragraph 2.1 and
- b) To confirm the investment programme proposals as noted in Appendix 1 of the report.

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Capital Investment Proposals

Appendix 1

Property Investment	2022-23	2023-24	2024-25	Total
Sale and Leaseback Properties	5,000,000	6,000,000	0	11,000,000
Education Services	1,500,000	6,000,000	6,000,000	13,500,000
Social Work Services	1,000,000	3,650,000	19,850,000	24,500,000
Neighbourhoods, Regeneration & Sustainability	5,450,000	11,250,000	9,800,000	26,500,000
Glasgow Life	8,000,000	8,000,000	8,000,000	24,000,000
City Centre/Compliance	2,000,000	2,000,000	2,000,000	6,000,000
Pollok Stable Block	1,000,000	500,000	0	1,500,000
Pollok House	1,000,000	1,000,000	1,000,000	3,000,000
Boiler Replacement Programme	1,500,000	1,500,000	1,500,000	4,500,000
Total Property Investment	26,450,000	39,900,000	48,150,000	114,500,000
Infrastructure Investment				
Carriageway Investment	4,500,000	5,200,000	6,500,000	16,200,000
Footway Investment	0	300,000	300,000	600,000
Street Furniture	0	500,000	500,000	1,000,000
Lighting	2,500,000	2,500,000	2,500,000	7,500,000
Traffic Signals	0	500,000	500,000	1,000,000
Structures	200,000	100,000	9,000,000	9,300,000
Clyde Tunnel	0	550,000	2,900,000	3,450,000
Active Travel	1,640,000	11,000,000	3,150,000	15,790,000
Flood Schemes	1,200,000	2,850,000	3,700,000	7,750,000
Tidal Weir	1,500,000	1,500,000	1,000,000	4,000,000
Transport Strategy	500,000	0	0	500,000
Total Infrastructure Investment	12,040,000	25,000,000	30,050,000	67,090,000
Clyde Gateway - Regeneration	800,000	800,000	800,000	2,400,000
Fleet Investment	9,636,000	0	0	9,636,000
Total Capital Investment	48,926,000	65,700,000	79,000,000	193,626,000