

**Glasgow City Council****Finance and Audit Scrutiny Committee****Report by Executive Director of Finance****Contact: Martin Booth Ext: 73837****Outturn Report 2021-22****Purpose of Report:**

This report was approved by the City Administration Committee at its meeting of 22 June 2022. The committee also agreed to refer the report to the Finance and Audit Scrutiny Committee.

The purpose of this report is to conclude the monitoring process for 2021-22 and to seek approval for a number of substantive accounting transactions to allow completion of the Council's accounts for the year by the statutory deadline of 30 June 2022.

Recommendations:

The Finance and Audit Scrutiny Committee is asked to note the content of this 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 2021-22 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 2022.

2. Approved Budget

- 2.1 The 2021-22 budget was approved by Council on 11 March 2021 and subsequently updated by the City Administration Committee on 3 June 2021. 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 £163.7m up to the end of period 12. To the outturn, there has been an increase of £37.3m to net expenditure in relation to services. Overall, therefore there has been a cumulative net budget increase of £201.0m 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 £12.1m of an increase since LP12, cumulatively £36.5m for 2021/22.
- 3.2.2 Expenditure budgets within Chief Executive's Office have increased by £12.0m in respect additional funding from the Scottish Government for FWES Employability (£8.4m) and also in respect of severance costs (£0.7m), transformation investment (£0.7m) and job evaluation costs (£2.2m). Expenditure budgets within Chief Executive's Office have decreased by £1.2m in respect of a contribution to the New Technology Fund.
- 3.2.3 Expenditure budgets within Chief Executive's Office, Financial Services, Neighbourhoods, Regeneration and Sustainability and Social Work Services have increased by £2.3m in respect of previously approved carry forwards.
- 3.2.4 Expenditure budgets within Education Services have increased by £9.2m to reflect additional Scottish Government funding in respect of Teachers Pay Award (£2.6m), Scottish Child Bridging Payments (£6.0m), Educational Probationers costs (£0.4m), Educational Psychology trainees (£0.1m) and support for applications for Child Disability payment (£0.1m).
- 3.2.5 Expenditure budgets within Financial Services have increased by £2.0m to reflect additional Scottish Government funding in respect of Low Income pandemic Payments (£0.9m) and Admin costs of Scottish Child Bridging

Payments (£0.1m) and also in respect of severance costs (£0.2m) and Affordable Warmth payments (£0.8m).

- 3.2.6 Expenditure budgets within Neighbourhoods Regeneration and Sustainability have increased by £0.3m in respect of waste disposal costs.
- 3.2.7 Expenditure budgets within Social Work Services have increased by £5.7m to reflect additional Scottish Government funding in respect of Social Care workforce pay uplift (£4.6m), Whole Family Wellbeing (£0.5m), mental health recovery and Renewal (£0.3m), Telecare Fire Safety (£0.1m), Implementation of National Trauma Training programme (£0.1m) and support for applications for Child Disability payment (£0.1m).
- 3.2.8 Expenditure and income budgets within Chief Executives Office have increased by £8.6m in respect of additional Scottish Government funding relating to Table Service Restrictions (£1.5m), vaccination centre funding (£3.0m), COP26 funding (£2.8m) and Brewers funding (£0.2m) and also ESF employability funding (£1.1m).
- 3.2.9 Expenditure and income budgets within Education Services have increased by £0.8m in respect of additional Scottish Government funding for Omicron (£0.7m) and funding in respect of SQA Moderation and Assessment payments (£0.1m).
- 3.2.10 Expenditure and income budgets within Financial Services have increased by £6.5m in respect of additional Scottish Government funding in relation to Self Isolation Support Grants.
- 3.2.11 Expenditure and income budgets within Neighbourhoods, Regeneration and Sustainability have increased by £3.2m in respect of additional Scottish Government funding in relation to City Centre Recovery Fund (£1.9m) and in respect of Sustrans Transportation project funding (£1.3m).
- 3.2.12 Expenditure and income budgets within Social Work Services have increased by £0.9m in respect of additional Scottish Government Young people mental Health funding.
- 3.2.13 Expenditure and income budgets within Social Work Services have increased by £340.3m to reflect contribution to Integrated Joint Board (IJB) and income from IJB for commissioned services.
- 3.2.14 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.
- 3.2.15 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.

4.2.1 An increase to gross expenditure budgets as follows as approved at the Council meeting on 17 February 2022;

Programme	Amount
Repairs and Renewals Projects	£1.5m
Property Investment 2022-23 to 2024-25	£114.5m
Infrastructure Investment 2022-23 to 2024-25	£67.1m
Clyde Gateway regeneration projects 2022-23 to 2024-25	£2.4m
Fleet Investment	£9.6m
Extend the Climate Action Fund	£7.0m
Improving the Condition and Energy Efficiency of Pre-1919 Housing	£2.0m
Neighbourhood Infrastructure Improvement Fund – Restore the People's Palace and Winter Gardens	£0.9m
Neighbourhood Infrastructure Improvement Fund – Parks and Open Spaces Fund	£1.5m
Liveable Neighbourhoods Fund	£1.7m
Neighbourhood Infrastructure Improvement Fund – Area Partnerships	£23.0m
Neighbourhood Infrastructure Improvement Fund – MUGA at Barmulloch Primary School	£0.1m

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

4.3.1 An increase to gross expenditure and gross income budgets of £1.2m in respect of grant funding for Low Emission Zones (£0.9m) and Electric Vehicles infrastructure (£0.3m).

4.3.2 An increase to gross expenditure and gross income budgets of £0.5m in respect of grant funding for Co2 monitors.

5. Earmarked Reserves

5.1 In some cases, given the profile of expenditure, service commitments will extend into 2022-23. It is therefore appropriate to reflect this as a reduction in

the final budget for 2021-22 with consequent carry forward as an earmarked element of the General Fund to 2022-23 to meet these commitments. The proposed carry forwards for 2021-22 are shown below detailed between those which have been specifically allocated to services to address the impact of Covid-19 and those of a general nature:

Department	Covid-19 £m	General £m	Total £m	Programme
Chief Executive's Office	5.5	15.9	21.4	<u>Covid-19</u> <ul style="list-style-type: none"> • Financial inclusion • Discretionary Fund <u>General</u> <ul style="list-style-type: none"> • Young Persons Guarantee • Corporate Graduate Programme • No One Left Behind • Parental Employment • Community Grants • Glasgow Guarantee
Education Services	5.6	18.5	24.1	<u>Covid-19</u> <ul style="list-style-type: none"> • Summer Activity programme • Education Recovery <u>General</u> <ul style="list-style-type: none"> • West Collaborative • Counsellors Through Schools • Free School Meals • Teacher Commitments • Access to Sanitary Products • Pupil Equity Fund
Financial Services	0.3	5.8	6.1	<u>Covid-19</u> <ul style="list-style-type: none"> • Discretionary Housing payments <u>General</u> <ul style="list-style-type: none"> • Scottish Welfare Fund • Council Tax Reduction Scheme

Department	Covid-19	General	Total	Programme
	£m	£m	£m	
				<ul style="list-style-type: none"> Facilities Management CBS Operations
Neighbourhoods and Sustainability	0.5	4.1	4.6	<u>Covid-19</u> <ul style="list-style-type: none"> Tenant Grant Fund <u>General</u> <ul style="list-style-type: none"> City Centre Recovery Parks and Open Spaces
General Fund	0.0	11.4	11.4	<u>General</u> <ul style="list-style-type: none"> Business Support and Low Income Revenue Consequences of capital City Parking
Total	11.9	55.7	67.6	

5.2 Having accounted for prior year carry forwards the total earmarked element contained within the general fund will amount to £87.3m.

6. Revenues

6.1 Council Tax

6.1.1 Total Council Tax income collected in the year amounts to £314.0m. This is £3.9m ahead of budget. This is mainly due to improved collection and a review of bad debt provisions.

6.1.2 Council Tax collected during the year of billing amounted to 93.92% (last year 92.13%). The target rate of collection for Council Tax was 92.5%.

6.2 Non Domestic Rates

6.2.1 Total Non Domestic Rates collected in the year amounted to £235.7m. 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 90.05% (last year 89.42%). The target rate of collection of Non Domestic Rates was 90.00%.

7. General Fund

7.1 In 2020-21 the Council managed its net expenditure within its overall budget. During the year service budgets were adjusted to remove any variances related to Covid-19 and focus on operational performance. At outturn overspends were reported within Neighbourhoods, Regeneration and Sustainability offset by underspends within Chief Executive's Office and Financial Services.

- Neighbourhoods, Regeneration and Sustainability reflects overspend in Refuse Collection and Disposal due to increased staff costs, above inflationary increases in the residual waste sector and a shortfall in income.
- Financial Services reflects an underspend due to lower NDR discretionary relief charges.
- Chief Executive's office reflects underspends and additional income within Economic Development.

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 £1.8m (See Appendix 1). Services are expected to have spent between 99.9% and 101.2% 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 underspend of £112.4m. This reflects an operational underspend of £18.2m within the IJB related mainly to vacancies, the impact of COVID on demand and delivery of services including prescribing. In addition there are £94.2m 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. This is higher than normal and reflects both the scale of the funding received and the timing of this funding. In the second half of the financial year £139m of funding was received, continuing the trend from 2020/21 when £115m was received. This compares to £8m in 2019/20. The timing of this funding has made it difficult to secure full spend before the financial year end. The IJB will consider its outturn report on 29th June 2022.

- 8.3 Additional costs associated with the impact of Covid 19 amounted to £33.8m for the financial year 2021/22. These costs are being met by the Scottish Government and therefore have no impact on the financial position outlined above.
- 8.4 In line with proper accounting practice this underspend is reflected within the Council's accounts as a prepayment of income from the IJB. This has no net impact on the council's overall financial position.

9. Related Companies

- 9.1 In respect of Related Companies, surpluses returned to the Council amount to £5.1m, this is £0.9m below budget. This is due to a lower return from City Building Contracts.

10. Investment Programme and Financing Costs

- 10.1 The outturn Investment Programme expenditure for the year totalled £155.7m. Total capital income for the year amounted to £120.1m.
- 10.2 Receipts from asset sales totalled £3.5m. In line with previous plans, £2.5m of asset sales will be applied to financing costs to support a contribution of £2.5m to the Cultural and Recreation Fund. The balance of £1.0m will be applied to financing costs to support a contribution of £1.0m to the Insurance Fund to meet insurance liabilities.
- 10.3 Overall financing costs are reporting an underspend of £17.2m. This underspend reflects the application of asset sales as noted above (£3.5m) and the ongoing impact of lower interest rates (£13.7m). This underspend will support a contribution to the Insurance Fund to meet insurance liabilities (£3.0m), a contribution to the Repairs and Renewals Fund to meet property liabilities (£4.5m) and a contribution to the Capital Fund to smooth the impact of futures years financing costs (£7.0m).

11. Covid-19

- 11.1 The council's general fund includes £39.7m of earmarked reserves to offset the impact of Covid-19 particularly in relation to additional costs incurred due to the pandemic and lost income across the council. During 2021-22 the Scottish Government contributed a further £29.0m to support Covid 19 pressures and the council incurred additional expenditure and lost income

amounting to £36.5m. This results in an excess of funding in 2021-22 of £32.2m. This excess of general funding will be carried forward into 2022-23 and future years to meet the ongoing impact of Covid-19.

12. Financial Implications – Accounting Adjustments

12.1 It is customary at this stage to seek approval of substantive accounting transactions directly related to the closure of the accounts. For 2021-22 these are as follows:

12.1.1 The transfer of £2.5m to the Cultural and Recreation Fund to continue support for the Council's cultural and events programme.

12.1.2 The transfer of £4.0m to the Insurance Fund to meet insurance liabilities.

12.1.3 The transfer of £4.5m to the Repairs and Renewals Fund to meet property liabilities.

12.1.4 The transfer of £7.0m Capital Fund to smooth the impact of futures years financing costs.

12.1.5 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 2016-2017 to 2021-2022 in respect of local taxes and those older than 2 years in respect of sundry debtors including irrecoverable amounts raised in the year. In addition, as agent for the collection of non domestic rates, the outstanding debtor has been reduced by £5.2m in line with proper accounting practice.

12.2 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.

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

13. Funds and Balances

13.1 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.

13.2 If the accounting adjustments outlined at paragraph 12 are approved then the anticipated balances held in the Council's key reserve funds as at 31 March 2022 are as follows:

	£m
Cultural and Recreation Fund	8.6
Insurance Fund	12.3
Repairs and Renewals Fund	8.9
New Technology Fund	14.3
Winter Maintenance Fund	0.9
Capital Reserve Fund	28.3

13.3 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.

13.4 After taking into account the accounting adjustments outlined in paragraph 13 the unearmarked general fund balance as at 31 March 2022 is projected to be £33.3m (1.9% of net expenditure), a decrease of £1.2m.

14. Policy and Resource Implications

Resource Implications:

Financial: The financial implications are as outlined in the report.

Legal: None

Personnel: None

Procurement: None

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25 Supports the overall implementation of the strategic plan.

What are the potential equality impacts as a result of this report? No significant impact.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify: None

What are the potential climate impacts as a result of this proposal? None

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

Privacy and Data Protection impacts: None

15. Recommendations

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

Appendix 1

Services	Net Expenditure £m	Estimate £m	Variance £m	% Spend
Chief Executive's Office	123.9	124.0	-0.1	99.9
Education Services	631.1	631.1	0.0	100.0
Financial Services	148.7	148.9	-0.2	99.9
Neighbourhoods, Regeneration and Sustainability	174.9	172.8	2.1	101.2
Related Companies	113.1	113.1	0.0	100.0
Social Work Services	455.9	455.9	0.0	100.0
Total	1,647.6	1,645.8	1.8	100.1