GLASGOW'S MONEY

A CRITICAL ASSESSMENT OF GLASGOW CITY COUNCIL'S FINANCIAL MODEL

An analysis paper by The SANE Collective for The People's Plan for Glasgow

NOVEMBER 2021

NECESSITY

A PEOPLE'S PLAN FOR GLASGOW 2021

SOLIDARITY AGAINST NEOLIBERAL EXTREMISM

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EXECUTIVE SUMMARY

PART I: AUSTERITY

- Glasgow City Council (GCC) saw the largest **reduction in real terms revenue funding** from the Scottish Government of any local authority from 2013 to 2020, £270 per person, as compared to £160 per person on average in Scotland.

- Scottish Government funding is worth 41.3% of GCC's total income, by far the largest single funding contributor, and increasingly is ring-fenced for Scottish Government priority areas, reducing the **financial autonomy** of GCC further.

- The **local taxation balance** between the council tax and business rates in GCC has shifted towards the former and away from the latter in recent years, a regressive change. The cost of council tax has been increased and is anticipated to bring in more revenue than business rates in 2021/22, which had been falling even before the pandemic hit.

- The **Council Tax** is 30 years out-of-date and is a regressive tax which is too burdensome on the poorest residents in Glasgow while not charging the wealthiest enough. The flat-rate increase in Council tax between 2017-2020 squeezed those on low-incomes further, who have seen their wages stagnate over the past decade while living costs rise.

- Revenue from **business rates** has been falling in Glasgow over the past five years despite the value of commercial property rising and Glasgow having an estimated 18,000 businesses in its vicinity. The tax is clearly ineffective in capturing a portion of growth in the economic value of businesses operating in Glasgow.

- The council has made an estimated £327 million in **service cuts** since 2012/13, equivalent to half the cost of the council's education budget in 2021/22.

- Spending on **Education and Social Work** now takes up 71.6% of total services expenditure, up from 64.9% in 2016/17. GCC service provision is being narrowed to just two big priority areas.

- While Education spending has continued to rise, Social Work spending has stagnated over the past five years. The other **areas where the budget has been reduced** since the SNP administration came to power are Culture & Leisure, Roads & Lighting, Transport Subsidies and Concessionary Fares, and 'Other Services'.

- **GCC cuts have not always been transparent**. An example of this is the 'Transformation Programme' from 2016-2018, which was supposed to be about "transforming the city" but Audit Scotland found that it's only measurable 'achievement' was delivering £102.5 million in cutbacks.

- The council now spends significantly more on employee costs than five years ago and significantly less on **outsourcing**, a positive shift in direction but one that could still have much further to go since "third party payments" still make up nearly one-third of council spending.

- Budget **cuts continue to hit the poorest hardest**. Budget cuts announced in 2021/22 include a £4.7 million reduction in Glasgow Life's budget, with 69 leisure and culture venues out of 172 set to remain closed over the next year despite the lockdown ending. The council's own equality impact assessment found that the impact of this would be 'high', including potentially falling foul of human rights legislation and leading to the "displacement" of vulnerable service users.

- The number of senior staff in GCC receiving **six-figure salaries** rose from six in 2016/17 to 13 in 2020/21, while a further 25 council staff (excluding teachers) now earn between £95,000-£99,999, up from zero in 2016/17.

- GCC has the highest number of **ALEOs** in Scotland, accounting for a quarter of all spending in 2015. ALEOs are a means of commercialising aspects of council operations, and always involve added costs with the creation of a separate, highly-paid bureaucracy. ALEOs also increase the complexity of council operations and can be utilised as a means to drive through attacks on workers' conditions. ALEOs should be reviewed with consideration given to bringing them fully in-house, as the council has already done with Cordia and Community Safety Glasgow in 2018.

PART 2: THE DEBT

- The size of the council's debt and the immediate costs of **debt servicing** have been reduced under the SNP administration over the past five years, but the council still paid out £103.8 million in debt repayments in 2019/20, 45% of council tax income raised that year.

- More than half of the council's £1.4 billion debt is due to be **paid back between 2050 to 2070**, a potential crunch moment in the council's finances in the not too distant future.

- The **sale and leaseback of council property** to cover the cost of settling the historic equal pay claim in 2018 is £536 million, £528 million of which is to be paid more than five years into the future, adding to the council's long-term debt burden.

- It is unclear that GCC has a plan to **increase council revenues** over time in order to pay back its debt-fuelled infrastructure investment, nor that it could, given local taxation is not fit for purpose. There are also transparency issues about what exactly the council's debt has been used to pay for.

- Over half of the council's debt is held by the UK Treasury's Public Works Loan Board (**PWLB**), which tends to be at a lower rate of interest than commercial bank debt but varies depending on when it was taken out. The council is paying £26.8 million per annum in pre-devolution PWLB debt which has an average rate of interest of 8.32%, double the rate charged on more recent PWLB debt. Unite Scotland has proposed seeking an amnesty or re-negotiation of pre-devolution PWLB debt.

- GCC has £449 million in **'Lobo' loans** with commercial banks, which have average rates of interest between 4.27 to 4.95 per cent, higher than PWLB rates. The annual cost of debt interest is currently £20.57 million, and the council is projected to spend £807.3 million on interest repayments, up until 2077. GCC has the highest Lobo debt in the whole of the UK.

- Unlike councils which also have high rates of Lobo debt (such as Newham and Kent), GCC has not pursued Lobo debt re-negotiation or cancellation. A similar renegotiation as was achieved by Newham Council could save GCC £450 million, and £11 million per annum, more than the initial value of the loan to the council. £11 million per annum is about the **cost of running four large primary schools.**

- The council has **Private Finance Initiative (PFI) debt** from the 2002 deal for the construction, renovation and maintenance of 29 of the council's 30 secondary schools, and one primary school. The debt ends in 2030, but the council still owes £562 million as of 2020/21, more than double the £346 million value of the assets, and is paying an interest rate of 8.37%. The repayment costs in 2019/20 alone were £56 million.

- **Defects** were found in PFI built schools in Glasgow, which had the same constructor, Miller Group, which was involved in the Edinburgh PFI schools scandal in 2016.

- The Glasgow schools PFI consortium is now owned **offshore**, meaning they pay no tax in Scotland.

PART 3: CAPITAL INVESTMENT AND ASSET MANAGEMENT STRATEGY

- GCC's **Property and Land Strategy** seeks to sell-off council assets and centralise operations in "fewer high quality facilities". Bringing in short-term revenue streams from selling off assets and focusing on building big infrastructure projects which can be commercialised and attract tourism and business investment into the city has been a typical strategy of local authorities across the UK in the era of neoliberal austerity.

- What this strategy fails to consider is the possibility of investing in the council's current assets in deprived communities as the basis for an **industrial policy** which seeks to create local jobs directly and generate new, sustainable revenue streams for the council over the long-term.

- High profile capital investments over the past decade include investment in SEC Ltd, most notably through the £125 million building of the **SSE Hydro** centre, which achieved commercial success prior to the pandemic shutting down the venue for over 12 months. This highlights the risks to the council of putting all its capital investment eggs in the 'big commercialised project' basket.

- The **Commonwealth Games 2014** investment in Dalmarnock was a classic example of state-led gentrification, with locals displaced and largely shut-out from the new housing and sports facilities which replaced the old tenements and shops.

- **'People Make Glasgow Communities'** is the council's latest scheme to sell-off council assets and responsibility for the delivery of services to third sector organisations and the private sector, under the guise of "empowering communities to make their own decisions".

PART 4: CONCLUSION: 10 PROPOSALS FOR DEEP AND RADICAL REFORM

1) **Pursue debt renegotiation, cancellation and amnesty**, especially in relation to Lobo and PFI debt.
2) Look at the potential for **new sources of debt financing** - local authority pension fund investment and the Scottish National Investment Bank.
3) A **new strategy for capital investment and asset management** based on an industrial policy which retains assets to develop local council jobs which are revenue raising, and reduces emphasis on high-profile, commercial capital projects to attract tourism and business investment.
4) A fair share of **Scottish Government funding** and more financial autonomy for the council.
5) **Scrap the Council tax** and replace it with a fair and proportionate tax on property/land.
6) Review and consider replacing **Non-Domestic Rates** with a tax which is better at capturing a portion of growth in the value of businesses in Glasgow.
7) Consider scrapping all **ALEOs** and bringing them in-house.
8) **Wage ratios** to limit pay inequality in the council.
9) Aim to further **reduce outsourcing** and increase council spending on council operated staff and projects.
10) A firm **no austerity** policy, which the above measures should support by increasing the council's financial resources over the long-term.

£270:
THE DROP IN REAL TERMS REVENUE FUNDING PER HEAD FROM THE SCOTTISH GOVERNMENT TO GLASGOW CITY COUNCIL FROM 2013/14 TO 2019/20, THE HIGHEST REDUCTION IN SCOTLAND.

£0:
THE AMOUNT OF TAX PAID BY THE OWNERS OF THE GLASGOW SCHOOLS PFI CONSORTIUM.

£562 MILLION
THE AMOUNT STILL OWED TO THE GLASGOW SCHOOLS PFI CONSORTIUM BY THE COUNCIL, 19 YEARS AFTER THE PROJECT BEGAN.

£346 MILLION:
THE ASSET VALUE OF THE GLASGOW SCHOOLS BUILT BY THE PFI CONSORTIUM.

14.3%:
THE RISE IN COST OF BAND D COUNCIL TAX IN GLASGOW OVER THE PAST FIVE YEARS.

X 3.5:
THE TIMES MORE WHICH BAND H LOCAL TAXPAYERS PAY THAN THOSE IN BAND A.

X 15:
THE TIMES MORE THAT BAND H PROPERTIES ARE WORTH THAN THOSE IN BAND A.

45 PENCE:
THE PENCE IN EVERY POUND OF COUNCIL TAX INCOME WHICH WENT TOWARDS PAYING OFF COUNCIL DEBT IN 2020/21.

£11 MILLION:
THE AMOUNT PER ANNUM THE COUNCIL COULD SAVE IF IT RE-FINANCED ITS 'LOBO' LOANS, EQUIVALENT TO THE COST OF RUNNING FOUR PRIMARY SCHOOLS.

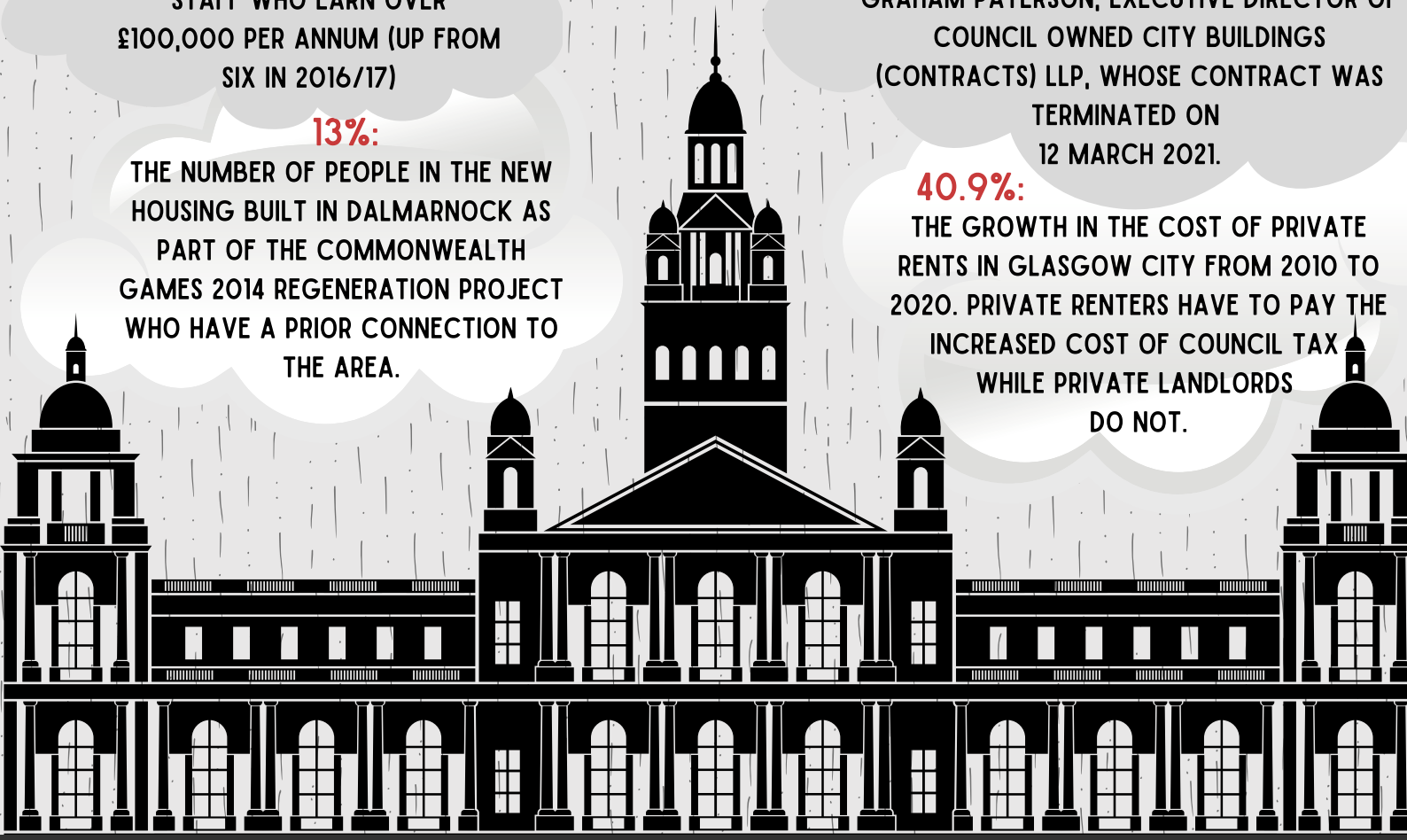
62:
THE NUMBER OF GLASGOW LIFE VENUES WHICH REMAIN CLOSED IN 2021/22 (OUT OF 172)

13:
THE NUMBER OF SENIOR COUNCIL STAFF WHO EARN OVER £100,000 PER ANNUM (UP FROM SIX IN 2016/17)

£249,256:
THE AMOUNT EARNED IN 2020/21 BY DR GRAHAM PATERSON, EXECUTIVE DIRECTOR OF COUNCIL OWNED CITY BUILDINGS (CONTRACTS) LLP, WHOSE CONTRACT WAS TERMINATED ON 12 MARCH 2021.

13%:
THE NUMBER OF PEOPLE IN THE NEW HOUSING BUILT IN DALMARNOCK AS PART OF THE COMMONWEALTH GAMES 2014 REGENERATION PROJECT WHO HAVE A PRIOR CONNECTION TO THE AREA.

40.9%:
THE GROWTH IN THE COST OF PRIVATE RENTS IN GLASGOW CITY FROM 2010 TO 2020. PRIVATE RENTERS HAVE TO PAY THE INCREASED COST OF COUNCIL TAX WHILE PRIVATE LANDLORDS DO NOT.



GLASGOW'S FINANCES: IN NUMBERS

INTRODUCTION

This report analyses Glasgow City Council's finances, focusing on three areas:

1) The reduction in Scottish Government funding over the past decade and the inadequacy of local taxation to provide Glasgow City Council with the financial resources it needs for service delivery. Additionally, the report examines the council's spending priorities in this austerity period, and the role of Arms Length External Organisations (ALEOs) in council operations.

2) The council's sizeable debt portfolio and what impact this has on the council's finances currently and is likely to have in the future. The report breaks down the debt into its three main parts: UK Government borrowed debt (PWLB), 'Lobo' commercial bank debt, and PFI debt.

3) A critical assessment of the council's neoliberal strategy for managing its assets and investing in new infrastructure. The report looks at high-profile examples of this strategy over the past decade and the new 'People Make Glasgow Communities' plan to offload community assets as an intensification of this approach.

Finally, the report offers ten proposals for far-reaching reform, as a contribution towards developing a People's Plan for Glasgow.

The Cloisters at the University of Glasgow

1) AUSTERITY

The austerity years have hit local government harder than almost any other part of public services in Scotland. While the Scottish Government had its funding cut from the UK Government block grant from 2010 onwards, the Scottish Government's grant funding of local government has seen a disproportionate reduction. According to the Scottish Parliament Information Centre (SPice), Local Government funding as a proportion of Scottish Government funding fell by 1.7% from 2013/14 to 2018/19.

1a) SCOTTISH GOVERNMENT GRANT

Glasgow City Council's overall budget in 2020/21 was just over £3 billion,[1] with 41.3% of that income coming from the Scottish Government's General Revenue Grant and capital grants, by far the largest single contributor to the council's income.

Scottish Government funding of GCC fell by 2.5% from 2013 to 2019, but the local authority's population grew by over 5% over the same period, so the impact of the cut to the grant has been more severe than for many council's due to the rising costs of service delivery. As SPice has found: "The greatest reduction in real terms revenue funding per head between 2013-14 and 2019-20 for a wholly mainland authority has been for Glasgow City, which has seen its funding per head reduce by £270." This compares to £160 per head on average in Scotland.

Considering Glasgow is the local authority with the most areas of high deprivation in Scotland, it would be fair to say that a disproportionate reduction in the Scottish Government grant to Glasgow City Council has hit the poorest hardest.

This funding also increasingly comes with strings attached. Cosla, the Scottish local authority lobby, has found that 58% of Scottish Government funding to councils is in 'protected' areas, meaning the money has to be spent on Scottish Government policies. SPice has found that the number of ring-fenced areas in the government grant to Glasgow City Council grew from 0.1% in 2013/14 to 5.3% in 2019/20. Given this, every cut to the grant is magnified in terms of the reduction in spending councils have for their own policy objectives. University of Edinburgh Politics Professor James Mitchell has said it may be better to now talk of "local administrations" rather than "local government" due to their limited autonomy.

"It is not that long ago—I remember the days—that 50 per cent of the revenue that local government spent was raised by local government," Mitchell told a Scottish Parliamentary committee. "I also note the way in which central Government has gradually, over time, told local government what it ought to do, essentially creating local administration rather than local government. There is less autonomy…"

1b) LOCAL TAXATION

Local Government also raises funds from two taxes, the Council Tax and Non-Domestic Rates (NDR), otherwise known as 'business rates'.

[1] Glasgow City Council Annual Accounts: For the year ended 31 March 2021 (Pre-Audit Inspection Copy), pg 21 (received on request).

The balance between what Glasgow City Council raises from each tax has been changing in recent years, with the local tax burden increasingly falling on residents rather than businesses, a regressive shift in the tax burden, as Table 1 below shows.

The significant rise in Council Tax revenue came after flat rate increases across all council tax bands from 2018/19 to 2020/21 of 3%, 3%, and 4.79% respectively. Meanwhile, business rates revenue has fallen by almost £100 million over the same period, and even before the pandemic shut many businesses down, business rates revenue had already fallen to £341 million by 2018/19.

	2016/17	**2020/21**	**2021/22 (predicted)**
Council Tax revenue	£190 million	£231.9 million	£309 million
Business rates revenue	£375 million	£238.4 million	£281.7 million

Table 1: Changes in Local Taxation revenue at Glasgow City Council over the past five years[2]

It's worth exploring these two taxes in more detail, as both are in dire need of reform so that Glasgow City Council can raise more revenue directly and so that a greater burden of tax falls on the wealthiest businesses and residents in the city.

Council Tax

The Council Tax is an out-dated and regressive system of local taxation that is too great a burden on the poorest in the city while demanding far too little of its wealthiest residents.

Band D (the middle rate between A-H) council tax rate in 2021/22 is £1386, whereas the Scottish average rate for Band D is £1308. Given the fact Glasgow City has the most deprivation of any council in Scotland, the council tax rate in Glasgow is clearly high in relative terms. When water charge and sewerage charge are also included, the total cost for the year in a Band D property is £1845.18.

Two adults (23 years old and over) without children earning the minimum wage and both working 35 hours a week would be paying 4.6 per cent of their annual income in council tax at Band D. Including water charge and sewerage charge, that rises to 6.2% of income.

Those in Band H properties in Glasgow currently pay 3.7 times more than those in Band A properties in Council Tax, but when one also includes water charge and Sewerage charge that falls to just 3.5 times more.

[2] For 2021/22, this refers to anticipated revenues, information here. For 2016/17, information here. For 2020/21, see 'Glasgow City Council Annual Accounts: For the year ended 31 March 2021 (Pre-Audit Inspection Copy)', pg 12.

Council Tax Band	Council Tax Valuation	Council Tax	Water Charge	Waste Water (Sewerage charge)	Total
A	up to £27000	£924.00	£141.66	£164.46	£1230.12
B	over £27000 and up to £35000	£1078.00	£165.27	£191.87	£1435.14
C	over £35000 and up to £45000	£1232.00	£188.88	£219.28	£1640.16
D	over £45000 and up to £58000	£1386.00	£212.49	£246.69	£1845.18
E	over £58000 and up to £80000	£1821.05	£259.71	£301.51	£2382.27
F	over £80000 and up to £106000	£2252.25	£306.93	£356.33	£2915.51
G	over £106000 and up to £212000	£2714.25	£354.15	£411.15	£3479.55
H	over £212000	£3395.70	£424.98	£493.38	£4314.06

Table 2: Council tax valuation bands and charges for 2021/22

When the council tax was introduced by a Conservative Government in 1993, Band H properties were worth eight times as much as Band A properties, now that is at least 15 times as much, but council tax is still based on 1991 valuations. The Commission on Local Tax Reform in 2016 found that for the Council Tax to be "progressive" it would have to be "proportionate"; bands based on current property valuations. As it stands, the council tax is clearly a regressive tax. It is also inaccurate, as 57% of properties are thought to be in the wrong band because the valuations were carried out 30 years ago.

The difference in property values in Glasgow between bottom and top far outstrips the 3.5 times difference in local taxation payment. A glance at the property website Zoopla shows a property for sale in the Glasgow area for £1.29 million, while there is another available for £15,000, 86 times less.

To prove the regressive character of council tax, contrast two adults on minimum wage at the lowest rate, Band A, who would pay 4.1% of their income in local taxation (council tax plus water and sewerage). Two adults in the top 5 percent of income earners in Scotland, those earning £1,100 a week, paying Band H local taxation, would also pay 4.1% of their income in local taxation. A minimum wage earning household and a household in the top 5% of income earners in the country paying the same percentage of their income in local tax despite one having vastly greater assets and income wealth than the other is a recipe for ever-greater inequality.

The Council Tax is also levied on those who live in a property, rather than the owners of the property, meaning renters pay and landlords do not. When the Council Tax was introduced the private rented sector made up about 3% of all properties, but that has grown to 15% since then, yet there has been no changes to local taxation to reflect this seismic shift in the private rental market. Private rents have grown by 40.9% in the Greater Glasgow area from 2010 to 2020, increasing the profits of landlords while raising the burden of rent on wages, which have been squeezed since the 2008 financial crisis.

The Commission on Local Tax Reform in 2016, commissioned by the Scottish Government, found in its final report that: "The most striking consensus from all of the evidence that we received is that this cannot go on, and we have come to agree that local tax now therefore needs substantial reform." However, the changes made by the Scottish Government only tweaked the existing system, slightly increasing the tax burden on the top 25% of tax bands, and allowing councils the flexibility to raise rates across all bands by 3% (later increased to 4.79%). Cash-strapped councils, including Glasgow City, have largely used this new power to raise extra funds to full effect,[3] but the result is a local taxation system in Glasgow which has increased the squeeze on the poorest in the city while making little difference to the wealthiest. In 2016/17 the Band D council tax rate was £1,213, and it has increased to £1386 in 2021/22, a 14.3% rise.

Local Government expert Andy Wightman has compared the cost of Council Tax to his proposal for Land Value Tax for payers across the bands, finding those in Band A would pay 32.9% less while those in Band H would pay 165.5% more. It would be possible to design such a tax so that it was revenue neutral with the council tax and business rates, but there is also the potential for councils to massively increase their revenues through tapping into the huge rise in asset wealth in Glasgow over recent decades through a tax that is progressive and proportionate to the inequality of property wealth in the city.

Non-Domestic Rates

Non-Domestic Rates are levied on the owners of commercial properties based on what assessors believe to be the rentable value of the property on the open market for that year. Given this, it is difficult to understand why NDR revenue has been falling, since sales of commercial property in Glasgow over the past decade show a continual rise in their value.

One explanation could be the huge number of exemptions that the Scottish Government has now made available to businesses on their NDR payments, with 16 'reliefs' that can be applied for in total. Also, the last valuation by the assessors was in 2017, and the next one is not due until 2023, meaning rising commercial property values in recent years are not being captured.

Of course, neither does NDR capture any of the revenue or profits made by these businesses, only the rentable value of the physical space they occupy. In an economy where economic activity increasingly occurs online, with many workers now stationed at home rather than in an office, this may no longer be the most effective means of local business taxation. A company like Amazon for instance, which has a major presence in the city, including being a prolific user of its roads which the council has to pay repairs for, will pay very little to Glasgow City council in business rates because its main warehouses are located in council regions outside of Glasgow City.

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[3] For the 2021/22 budget, the Scottish Government offered a 3% increase in the Scottish Government grant if councils would agree not to increase Council Tax that year, which the local authorities accepted. It can be safely assumed that this was connected to the fact that a Scottish Parliamentary election was due to be scheduled a few months later, and that further Council Tax rises may have proved unpopular.

Reform of business rates should be explored, as a means of raising revenues and increasing fairness so that users of services in Glasgow City, which large companies are a major part of, pay for that usage via taxation.

Glasgow is estimated to have around 18,000 businesses, significantly more than every other local authority area in Scotland except Edinburgh, yet the city takes almost the same % of its revenue in NDR (22.7%) as the Scottish average (22.3%). There must be scope for Glasgow to bring in more revenue from its businesses through a comprehensive redesign of local taxation.

1c) SERVICE CUTS AND SPENDING PRIORITIES

Audit Scotland's 2019 performance report on Glasgow City Council found that the local authority had made "savings of £270 million" from 2012/13 to 2018/19. In 2019/20, £22.6 million of cuts were made. In 2020/21, a £26.5 million cut. Finally, in 2021/22, a £7.5 million cut. In total, then, we can identify an estimated £326.6 million of service cuts over the past nine years, equivalent to almost half the cost of the council's education budget in 2021/22 (£720.3 million).[4]

Where has the axe fallen? One way to get a handle on this is to compare what the current balance of service spending is in the council now to five years ago, in 2016/17, before the SNP came to power in Glasgow City Council.

	2016/17 expenditure (millions)	2016/17 % of total services expenditure	2021/22 expenditure (millions)	2021/22 % of total services expenditure
Education	537.3	**36.2**	720.3	**43**
Social Work	425.5	**28.7**	482.2	**28.6**
Roads & Lighting	50.4	**3.4**	50.2	**3**
Transport subsidies & concessionary fares	11.2	**0.7**	10.9	**0.65**
Culture & Leisure	79.9	**5.4**	81.8	**4.9**
Development & Regeneration	61.5	**4.1**	89.3	**5.3**
Environmental Protection	84	**5.7**	101.1	**6**
Other Services	176.2	**11.9**	178.6	**10.6**

Table 3: Changes in the balance of spending on services from 2016-17 to 2021/22

[4] This is an estimate because we use evidence from two different organisations - Audit Scotland and Glasgow City Council - which may use different means for calculating the cuts, and therefore it may not be an exact figure.

Nearly three-quarters of services expenditure (71.6%) now goes on education and social work, compared to just under two-thirds (64.9%) in 2016/17. Council services are increasingly becoming narrowed down to just two big areas of provision.

Culture & Leisure, Roads & Lighting, Transport Subsidies and concessionary fares and 'other services' have all seen spending fall as a % of revenue, while Development & Regeneration spending has increased, along with Environmental Protection.

It's clear from these figures that while spending on Social Work has gone up in cash terms from 2016/17 to 2021/22, this has been an area of significant cuts over the past five years, since demand for social care services has continued to rise sharply over that time, with a growing population in Glasgow and an ageing population in every local authority in Scotland (albeit significantly slower ageing in Glasgow than Dumfries & Galloway).

The Transformation Programme 2016-18

The council has delivered cuts through a number of different projects, always with the stated aim of avoiding compulsory redundancies and avoiding "frontline" services.

One such project was "the Transformation Programme", which ran from 2016 to 2018 and was "organised around the themes of transforming the council family and transforming the city", according to the council. In plain language, this was a programme for delivering savings, through cuts, changes to procurement, revenue-raising measures, and more.

Audit Scotland's Performance Report in 2019 found that the programme delivered £102.5 million in savings, 93 per cent of its target, and cut 1,264 full-time equivalent staff.

"The council also set several non-financial objectives for the programme," the report adds. "Although these will take time to realise, we did not see any evidence of how they were being monitored. For example, one objective was to deliver better outcomes, but we saw no evidence of what outcomes it was trying to improve, what specifically would lead to improvement or how this was monitored."

This is an example of a lack of transparency in council programmes, which are dressed up to be something other than simply about cuts and savings, when that is exactly their true purpose.

The Transformation Programme delivered the reduction in staff through "natural attrition, the non-filling of posts and increased scrutiny of recruitment", as well as redeploying staff to different areas of council work on a flexible basis. While this has been successful in cutting jobs, the impact on the remaining staff is not considered in the Transformation Programme review.

The last published staff survey in Glasgow City Council was over five years ago, in 2015, before the Transformation Programme. It found that 62% of council staff felt their experience of working for the council had worsened over the past three years due to workload pressures and pay levels, and just 55% of staff were satisfied with their job. It's difficult to see how morale would not have worsened given the growing pressures on staff since then, and it may be telling that no such survey has been published over half a decade following the last one.

Outsourcing

One apparent improvement in council operations over the past five years has been a reduction in outsourcing in service delivery, and increased in-house services, but there is still much further for the council to go in this respect.

In 2016/17, just 24.3% of spending went on employee costs, compared to 34.3% in 2020/21 (the last available figures),[5] while in 2016/17 36.2% was spent on 'third party payments', compared to 31.4% in 2020/21.

The council controversially agreed to a new ICT contract with CGI in 2018, a deal which locked the council into proprietary software for the foreseeable future, when open source ICT solutions provide flexibility in terms of providers as well as greater digital security. The collapse of outsourcing giant Carillion in 2018 and the crisis in Scottish care homes during the pandemic in 2020, especially privately-run homes, highlighted the dangers to the public sector of outsourcing services to highly indebted enterprises, which have also been shown to be far less efficient for governments than outsourcing providers claim.

Nearly one-third of Glasgow council's budget still goes towards 'third-party payments', the largest section of the budget after employee costs. The council should examine the full suite of outsourced services and assess what could be more efficiently and effectively delivered in-house.

Budget cuts 2021/22

To examine the impact of Local Government cuts in Glasgow, it is worth zooming in on the cuts announced for the current financial year, 2021/22.

With a 3% increase in the Scottish Government's grant to Glasgow City Council in 2021/22, total spending on services rose in 2021/22 by £45.6 million, but because of the cost of services in protected areas also continued to rise, as well as £6.5 million in new investment and resource redirection, there was still cuts in non-protected areas made worth £7.45 million.

The largest cut was to Glasgow Life, one of the council's Arms Length External Organisations (ALEOs) (more on ALEOs in part 1d), which runs the local authority's culture, leisure and sport facilities. The council is reducing its spending on Glasgow Life by £4.7 million, despite the charity seeing its own funding collapse during the pandemic, when it shut 101 of 172 venues.

Despite venues now being able to open again after the lockdown finished, in 2021/22 Glasgow Life failed to reopen 62 venues (more than one-third), possibly permanently. Clearly, this is a case of the pandemic being used as a pretence to make service cuts that may in another context have not been politically justifiable.

In the Equality Impact Assessment of the council's £4.7 million cut to Glasgow Life, the impact is rated as 'High', and states that there is potential for "displacement" of service users and an impact on Human Rights in relation to Article 27 of the UNESCO declaration of Human Rights, which the council is signed up to, which states: "Everyone has the right freely to participate in the cultural life of the community". There is also potential for impact on the United Nations Convention on the Rights of the Child in relation to Article 31: "Every child has the right to relax, play and take part in a wide range of cultural and artistic activities.'" There is therefore an awareness within the council that cuts to Glasgow Life venues could be challenged legally due to its equality and human rights impact, but the council proceeded with the cut nonetheless.

Other savings' measures in the 2021/22 budget include increasing the charges for parents using early years childcare services above the 1140 free hours they are entitled to. The Scottish Government had planned to double the number of free childcare hours available to parents by 2020 as an equality measure to enable more low-income parents, especially women, to be able to work

[5] 'Glasgow City Council Annual Accounts: For the year ended 31 March 2021 (Pre-Audit Inspection Copy)', pg 46. Copy received on request.

full-time, but that target was scrapped when the pandemic hit. The increasing of early years charges is therefore a step backwards in equality terms since it will affect those least able to afford to pay for childcare the most, potentially forcing some parents to leave their jobs to look after their children more because they can't afford the costs of childcare.

The Affordable Warmth Grant for over-80's has also been scrapped, a measure that is likely to have a knock-on impact on fuel poverty among pensioners, which also has a gendered impact since two-thirds of Scotland's poorest pensioners and 71% of all single pensioner households are women.

This brief analysis of 2021/22 budget cuts shows that even in a year when the total budget cuts are relatively small, the impact of the cuts hits the city's poorest residents hardest, entrenching poverty and inequality.

Senior staff pay

While cuts have affected almost all areas of Glasgow City Council in recent years, one area that has not been affected is the number of senior staff earning six figure salaries.

The 2020/21 annual accounts[6] shows that 13 staff earn over £100,000, a number which has more than doubled since 2016/17, when six staff earned over £100,000. A further 25 council staff (excluding teachers) now earn between £95,000-£99,999, up from zero in 2016/17.

The council's chief executive earns £186,860, while her strategic advisor earns £97,689, and the head of communications £97,689. All of these salaries are well in excess of the elected leader of Glasgow City Council, who earns £53,367. The Director of Corporate Governance and Solicitor to the Council, Carole Forrest, received a salary of £121,516 and an additional £95,000 for "compensation for loss of office".

Many of the highest paid staff are in the council's ALEOs, with Dr Graham Paterson, executive director of City Buildings (Contracts) LLP until 12 March 2021, topping them all, earning £249,256, which included £79,181 as compensation for loss of office. While no bonuses were given out in 2020/21, in 2019/20 Peter Duthie, CEO of Scottish Events Campus Ltd, received a bonus of £36,972.

The increase in the number of senior staff earning six-figure salaries and a culture of bonuses in local government is something that must be questioned. The council should consider putting in place salary ratios where no senior member of staff can earn, say, seven or ten times more than the lowest paid member of staff in the council to limit pay inequality. Bonuses should be eradicated all together, and the huge compensation to senior staff for loss of office should be re-considered.

1d) ALEOs

Glasgow City Council is one of just four local authorities in Scotland which are rated as having a 'high' number of ALEOs, which is considered to be eight or more, and is the largest user of ALEOs, according to Audit Scotland's last report on ALEOs in 2015, which found a quarter of all Glasgow City Council spending goes through its ALEOs.

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[6] 'Glasgow City Council Annual Accounts: For the year ended 31 March 2021 (Pre-Audit Inspection Copy)', pg 132. Copy received on request.

Most of Glasgow City Council's ALEOs were established between 2006 to 2009. The only recent ALEOs were a joint partnership with the Wheatley Group, a social housing provider, for building repair work in 2017, and three ALEOs set-up in 2019 to deal with the equal pay settlement issue in the council (more on this in section 3d). The council also shut-down two ALEOS in 2018, bringing home care service provider Cordia and Community Safety Glasgow back in-house.

Audit Scotland finds that the set-up costs alone of ALEOs can be "several hundred thousand pounds", and as we have seen above in the 'senior staff pay' section, each ALEO has its own bureaucratic structure, multiplying the number of highly paid directors and managers. There is therefore in-built additional costs involved in all ALEOs which do not exist if services are delivered directly by the council itself.

Audit Scotland finds the idea behind ALEOs, which first began to emerge in the 1990s, is that they are a "compromise" between the direct control exercised by council-run services and the cost-cutting possibilities from outsourcing. Other supposed benefits include the ability to attract other sources of income "from funding, donations, sponsorship or loans", tax relief on business rates that comes from charitable status (although this no longer applies to any newly established ALEOs following the Scottish Government's Barclay Review of Non-Domestic Rates), and to create a more "commercial focused" environment through an independent, dedicated board.

Certainly, one impact of ALEOs is to make council finances more complex and less transparent. While each ALEO publishes its annual accounts, the fragmentation of council finances makes it harder to gain a clear picture of revenue and expenditure across the council as a whole. ALEOs can act as a way to obscure decision-making, including for employees seeking transparency about who their real boss is.

One such issue arose when Cordia was an ALEO, with workers at Cordia having to go to court to argue that their pay packages should be comparable to those who work directly for the council in terms of equal pay claims. The Cordia workers won the case, but the fact that they had to pursue it through the courts shows how ALEOs can be utilised as a means to attack workers' rights.

Problems can also be created due to the financial independence of ALEOs, especially if they are poorly managed. Glasgow City Council's employability ALEO "faced financial pressures in 2015/16 resulting from it having been required to repay European funding," Audit Scotland found. "As a result, it reduced its activities significantly and shed 150 posts through voluntary severance. The body has since restructured."

And for ALEOs which have turned a significant profit in the past, such as the Scottish Event Campus Limited (more on SEC Ltd in section 2a below), the profit is reinvested in the ALEO rather than being made available to the council as a whole, where it could potentially be put to a better use, especially at a time when the council has been making significant cuts to services.

The council has provided little evidence which justifies the widespread use of ALEOs in its work, and there are clear question marks in relation to bureaucracy, pay, accountability, transparency and democracy. Unison Glasgow's branch secretary Brian Smith has described ALEOs as "a combination of tax wheezes, a chance to hammer workers terms and conditions and an attempt to minimise equal pay claims".

The council should have parts of its operations which are revenue-raising, but the council has never offered any evidence that the governance structure of the ALEOs is the best way to support this. Indeed, the council has two small trading schemes which it runs directly, one in transport and the

other in maintenance services, and both raise revenue for the council, with a surplus of £7.2 million over the past three years.[7]

ALEOs should be critically reviewed and consideration given to direct council management of all the services they provide.

Duke of Wellington Statue, adorned at a demonstration of the Glasgow Against Closures campaign

[7] 'Glasgow City Council Annual Accounts: For the year ended 31 March 2021 (Pre-Audit Inspection Copy)', pg 132. Copy received on request.

2) THE DEBT

The latest available figures on Glasgow City Council debt shows total debt outstanding of £1.4 billion in 2020/21, down £268 million on 2016/17. The ratio of financing costs to net revenue stream has also fallen, from 12.5% in 2016/17 to 7.1% in 2020/21. What this suggests is that the SNP administration has lowered the council's current debt servicing costs during its term in office.

However, the council still paid £103.8 million in financing costs in 2020/21, 3.4% of total income. The cost of debt servicing is equivalent to 45% of council tax income raised in 2020/21, meaning 45p in every £1 paid in Council Tax goes towards paying off the debt.

There is also a longer term picture that must be accounted for here. Of the council's remaining £1.42 billion in loan liabilities, more than half - £842 million - is due to be paid off in 30 to 50 years (see Table 4 below), when many of the loans reach their end point and the principal (the value of the loan) has to be paid off. That means that in the years 2050 to 2070 a crunch point is coming in the council's debt obligations, whereby unless a major increase in revenue streams can be identified, or the council can renegotiate its loans, debt will take up an increasingly large section of the budget each year.

2019/20 £000	Loans outstanding	2020/21 £000
896,304	Public Works Loans Board	867,921
449,000	Lender Option Buyer Option (LOBO)	449,000
10,255	Market debt	4,923
115,891	Temporary borrowing	99,117
1,471,450	**Total**	**1,420,961**
149,444	Less than 1 year	116,359
22,243	Between 1 and 2 years	45,692
78,982	2 to 5 years	82,512
204,433	5 to 10 years	173,379
125,948	10 to 30 years	107,448
836,400	30 to 50 years	841,571
54,000	50 to 70 years	54,000
1,471,450	**Total**	**1,420,961**

Table 4: Glasgow City Council debt outstanding as of 2020/21[8]

The council's sale and leaseback policy on council property will also add to the problem of debt accumulating over the long-term. The sale and leaseback was used to raise £453 million in immediate funds to settle the historic equal pay claim in 2018, but will over the long-term cost the council £536 million in leasing costs. £528 million out of that £536 million will be paid back more than five years following the deal. In other words, it is another additional debt cost which future generations will have to bear, and one which means these properties are being paid for through borrowing twice over, first to finance the construction of the buildings and secondly to lease them back.

The financial logic of debt-fuelled infrastructure investment is that the economic development it supports drives increased tax revenues, and the costs therefore pay for themselves over the long-term. But as we have explored in part 1b), the local taxation regime is not fit for purpose and thus is unlikely to capture a portion of new economic value which is created through infrastructure investment. The debt burden is therefore likely to be paid by reductions in service delivery, undermining the very thing that new public infrastructure is supposed to support.

[8] 'Glasgow City Council Annual Accounts: For the year ended 31 March 2021 (Pre-Audit Inspection Copy)', pg 69. Copy received on request.

There is also a question of transparency about what exactly the lending is funding, since the council does not provide information on what the various loans on its portfolio went towards specifically, other than that it pays for capital investment. One citizen who asked the council what Lobo debt pays for was told: "Individual loans are not assigned to specific projects, instead, they support cumulative capital investment across all council services."

2a) PWLB DEBT

Over half of the council's debt, £868 million, is held by the Public Works Loan Board (PWLB) which is the UK Treasury's mechanism for lending to local authorities. PWLB debt tends to be at a lower rate of interest than commercial bank debt and thus deemed to be safer, although the rate of interest charged is dependent on UK Government policy at any given time.

The trade union Unite Scotland found in a 2016 paper that £322 million of Glasgow City Council's PWLB debt was incurred pre-devolution in Scotland, at a time when interest rates on government debt tended to be significantly higher than they are today. The average rate of interest on Glasgow's pre-devolution PWLB debt is 8.32%, double the rate charged on post-devolution PWLB debt and with an annual cost to the council in repayments of £26.8 million. Unite has called for the Scottish Government to pursue an amnesty on pre-devolution PWLB debt for Scottish local authorities with the UK Treasury.

2b) LOBO DEBT

The council also has debt liabilities with commercial banks in the form of Lender Option, Borrower Option (Lobo) loans. As of September 2021, these debts are worth £449 million, with an interest per annum of £20.57 million currently, and a projected spend on interest payments over the life-time of the loan of £807.31 million, ending in 2077.

Lobo loans are usually borrowed over 40 to 70 years, with the interest rate initially fixed, often at a 'teaser rate' below PWLB rates to attract councils to take them up. However, the lender has the option to raise the rate at predetermined dates, such as every five years, and this can be linked to whether PWLB rates are going up or down or changes in the 'LIBOR' rate. If the lender increases the rate, the borrower then has the choice to accept the new rate or re-pay the whole loan in full, which councils are usually not in a financial position to do. Glasgow City Council is paying average rates of interest on its Lobos of between 4.27 to 4.95 per cent, higher than PWLB rates.

In a 2015 parliamentary inquiry into Lobo loans, Arlingclose, a company which advises the Treasury, stated of Lobos: "So heads the lender wins and tails the borrower loses. Only if the coin lands on its edge every time, and rates remain broadly flat for decades, does the local authority win."

Abhishek Sachdev, a financial expert, told the same inquiry: "I would categorically say that I do not believe you would be able to find a finance officer or a treasury officer in a council who would be able to accurately assess the relative risks and rewards of one of these Lobo products."

Despite these risks, an FoI by Debt Resistance UK has shown that 22 Lobo loans were taken out by Glasgow City Council between 2004 and 2007 with eight different banks; Bank of Scotland, Barclays, Bayerische Landesbank, Danske Bank, Depfa bank, Dexia, Desdner bank and Hypotheken Bank Frankfurt.

Glasgow is currently the largest Lobo loans borrower in the UK. Unlike other councils with significant Lobo debts, such as Newham Council and Kent Council, Glasgow is not currently pursuing debt re-negotiation.

Newham Council sued Barclays and RBS in 2018 and 2019 respectively over the terms of its Lobo loans, and in 2019 agreed a deal with RBS to pay off six Lobo loans at PWLB rates of interest, a move which is set to save the council £3.5 million a year over 41 years. Kent Council agreed a refinancing deal with RBS to get out of its Lobo loans in 2018.

Research for Action find that if Glasgow re-financed its Lobo loans on the same basis as in Newham Council - by switching to a PWLB rate of 2.21% - it could save the council £450 million (£11 million per annum), more than the initial value of the loan to the council. £11 million is about the cost it takes to run four large primary schools in Scotland.9

The value in pursuing such a debt renegotiation is obvious, but there should also be an independent review of why Glasgow City Council ever signed these Lobo loan agreements, what financial advice they received when deciding to do so (and whether there were any conflicts of interest in this advice), and what measures are being taken to ensure better lending decisions are being taken going forward.

2c) GLASGOW SCHOOLS PFI

Glasgow City Council also still owes unitary payments to the '3Ed' consortium of the Bank of Scotland (now HBOS), the Miller Group and Amey PLC in a 2002 deal for the construction, renovation and maintenance of 29 of the council's 30 secondary schools, and one primary school.

PFI is a 'build now, pay later' model of delivering public sector infrastructure projects, with consortiums of banks and construction firms stumping up the up-front cash for the project, which are then paid back by local government over 25-35 years, often paying three to four times the asset value of the project. The consortiums also take equity stakes in the projects, making them part owners who can sell those equity stakes on the secondary market to other financial investors. Jim Cuthbert, a former Scottish Government official and statistician, has described PFI as a "one-for-the-price-of-two" offer due to the huge cost in comparison to conventional public borrowing.

19 years after the contract for the PFI schools in Glasgow was signed and with less than ten years left, the remaining cost the council still has to pay the consortium is £562 million as of 2020/21, almost double the £346 million value of the assets. The interest rate on the project is a huge 8.37%. The repayment costs in 2020/21 alone was £56 million. The initial anticipated cost of the project was £1.2 billion over 30 years, more than three times the asset value of the schools, but the final cost is set to well exceed that figure.

Following the Edinburgh PFI schools scandal in 2016 involving Miller Group, the same constructor as in the Glasgow PFI schools 2002 project, it was revealed that some of the schools built by Miller Group in Glasgow also had defects.

Over 80% of PFI built schools in Scotland are now either partly or wholly owned offshore, including all of the PFI built schools in Glasgow, which is now owned by the John Laing Infrastructure Fund, registered in the tax haven of Guernsey, meaning they don't pay any tax in Scotland.

The Glasgow PFI schools project was a reckless investment by the council which represents an enormous financial burden on future generations of Glaswegians. It is a cost that it was entirely unnecessary to bear if conventional public borrowing was pursued in the development of schools

infrastructure in the city rather than a PFI model which thankfully is no longer used since 2007, although variations of it continue to exist in Scotland in the form of NPD, Hub and MIM and other public-private partnership models. There should be no reason for any private financing of public infrastructure when it is significantly cheaper for the public sector to borrow than the private sector.

Glasgow City Chambers

3) CAPITAL INVESTMENT AND ASSET MANAGEMENT STRATEGY

Glasgow City Council does not only deliver services, it builds and maintains infrastructure. Capital investment, and the management of the assets the council already has, is an important part of the finances of the council. Different strategies towards capital investment and asset management can lead to profoundly different outcomes.

In the council's new Property and Land Strategy, passed by councillors in 2019, the local authority's focus is on "delivering services from a reduced number of locations", enabling the council "to reduce its operating costs, realise capital receipts and invest in fewer high quality facilities." The aim is to create a "smaller" more "agile" council estate, with the sale of land contributing to a "potential unlocking of regeneration and redevelopment opportunities for the private sector". The council's covid-19 economic recovery strategy is firmly based within the same framework as the 2019 paper.[9]

This strategy of selling off council assets and centralising on "fewer high quality facilities" is not uncommon in the era of neoliberal austerity, with councils across the UK embarking on an unprecedented sell-off of public assets, while focusing on high-profile developments which can attract tourism and business investment to the city.

What is missing from this strategy is any sense that councils themselves could invest in their under-used assets, rather than casting them off as "surplus". This would require developing an industrial strategy which could simultaneously boost jobs in deprived communities (which are where many of the "surplus" council assets are) and generate local tax revenues. Rather than focusing on attracting tourism from outside the city, which generally generates low-paid, precarious work and adds significant pressure on to the city's public infrastructure, investment should be focused on maximising the human potential of those who live around the council's under-used assets, through a council-delivered industrial strategy to create local jobs rooted in communities.

And rather than prioritising high-profile, highly commercialised cultural events, a people-centred culture strategy would focus on bringing regular cultural participation to all of Glasgow's communities, through subsidising theatre, live music and even political debates in community centres across the city.

The shift towards a neoliberal cultural strategy goes back to the the award of the 1990 European City of Culture, which led the city to "brutally rewrite its history in order to present a market-friendly image, abandoning its socialist tradition for populist cultural events," writes Aram Eisenschitz, a senior lecturer at Middlesex University and an expert on tourism.

Eisenchitz adds: "Following that year, the Labour council privatised its cultural activities in order that its libraries, festivals, and support to culture could enhance business interests and circumvent local democratic politics. Its cultural sector was then subject to direct censorship with the radical content of many of its activities suppressed in order to complement the council's aggressive tourist strategy."

The danger of the current property and land strategy is that it gives up on public assets which could serve the community and the council for decades to come, in exchange for a short-term boost to the council coffers through asset sales and investing instead in expensive, grand arenas

[9] See the SANE Glasgow paper 'Glasgow's alchemy: How public money turns into private profit - a review of Glasgow's covid-19 economic recovery strategy' for more.

which might look good on a tourist brochure, but which will not build decent paid, sustainable work. Edinburgh has been pursuing a neoliberal tourist strategy for decades and in recent years has had to look at how to wean itself off 'over-tourism', due to the distorting effect it has had on council resources and the quality of life of residents in the city.

3a) HIGH PROFILE CAPITAL INVESTMENTS

Investment in the Scottish Event Campus

Scottish Event Campus Ltd (SEC Ltd) is an ALEO which is 90% owned by Glasgow City Council, and has its vision statement to become "the best event campus in Europe". SEC Ltd has had major investment in recent decades to enhance its appeal as an international venue for conferences and entertainment. The biggest investment was in the 12,000 seater SSE Hydro centre, which opened in 2013 and cost £125 million to construct.

Prior to the pandemic, the venue aimed to attract one million visitors each year, and was the fourth busiest entertainment venue in the world in 2018. SSE Hydro helps boost SEC Ltd's profits, taking in a record turnover in 2018-19 of £35.1 million, a 21% increase on the year previous, and profit of £1.8 million after taxation. All of SEC Ltd's Directors' combined received remuneration of £570,318 in the year 2018-19.

SEC Ltd planned to open two new hotels in 2020, and a Glasgow City Deal investment went towards upgrading the walkway over the Clyde to the event campus, to further enhance its appeal.

However, the pandemic has exposed the risks for Glasgow City Council in over-prioritising investment on a highly commercialised international entertainment venue. The SEC was closed by the pandemic, and the hit to international aviation and tourism may make it impossible for the SEC to return to its former profitable state even after the pandemic has ended.

Commonwealth Games 2014

The Commonwealth Games in 2014 was widely celebrated as a success for Glasgow and Scotland, but it also faced criticism for its gentrification of the Dalmarnock area of the east end, pushing out the Accord Centre, the only day-care facility for disabled people in the east end, as well as a number of tenements and shops. Much of the new housing that was built as part of the Games' 'regeneration' project, which Glasgow City Council contributed £80 million towards the cost of, was well beyond the price range of those who formerly lived in Dalmarnock and were displaced by the project.

"There's a reason why, like London and Manchester [major sporting events] before it, that land in the poorer areas was targeted, and it wasn't primarily to help the local communities," Neil Gray, an urban geographer at the University of Glasgow, said of Glasgow 2014. "It was simply cheaper and an opportunity to disperse a 'problem' community and replace it with a prettier and more gentrified one."

A Scottish Government study of the legacy effects from the Games found a quarter of the owners (24%) of the new housing came from the East End, with 13% having a prior connection to Dalmarnock. 58% of the new social renters came from the East End, with 28% of the social renters having a prior connection to the immediate area of Dalmarnock.

It also found that "long-term residents, who had lived through a period of disruption, felt that their experiences and hardships have not been adequately acknowledged by city leaders" and that

“while the major housing development of the Athletes' Village was seen as successful in accelerating the re-population of Dalmarnock, the development is seen to place considerable pressure on local services and there was some sense of a social disconnection between the village and the rest of Dalmarnock.”

When long-term Dalmarnock residents were asked about their use of The Athletes’ Village, the new ‘Legacy Hub’ community facility, and the Emirates Arena they responded that “they were all recognised as positive developments, in that they were considered attractive and enhancing the image of the area, in some cases drawing people from outside. Some interviewees had also used the new Cuningar Loop woodland park, developed after the [Games]. However, opinions remain divided on the extent to which these amenities truly serve local people, although there is some local usage reported. There was limited awareness of the services and amenities available at the Hub and the woodland park, a predominant view that the Village was occupied entirely by people from elsewhere (i.e. not from Dalmarnock), and issues of cost and feeling unwelcome were seen by some people as barriers to the use of Arena facilities. Finally, some interviewees questioned whether the new developments were even part of Dalmarnock.”

3b) ‘PEOPLE MAKE GLASGOW COMMUNITIES’

Following the council’s new property and land strategy in 2019, the council stepped up the sale of council assets in recent years, making £464 million in asset sales in 2019/20 (up from £19 million the year previous). This helped fund £634 million of new capital investment. In 2020/21, the year of the pandemic crisis, both asset sales and new capital investment fell off markedly, with just £9.8 million in sales and £140.9 million in new investment.

The council now has plans to further asset sales through a scheme called ‘People Make Glasgow Communities’, where council assets from across the city are highlighted on a map on the website, with those interested in potentially acquiring them asked to get in touch and explain how they envisage using the building. PMGC states that the pandemic has meant “it is more difficult to continue to deliver services using traditional operating models”, and thus it is “looking at new ways of operating its current directly-managed estate”.

The PMGC frequently asked questions section answers the question “is this an attempt to sell-off buildings and stop delivering services?” with the answer: “No. The aim is to ensure the services and resources that are loved and used by the people who rely on and enjoy them continue to be accessible in a way which meets the needs of the community.” However, further below it also states that “any organisation, community group or commercial organisation can apply”, and when submitting an application it is possible to state that you are “interested in properties across the city”. It’s clear that this is not simply an attempt to encourage communities to participate more in public service delivery.

What would prevent a private developer buying a council asset, stating that they plan to continue operating the service on that asset, and then two years later changing their mind and turning it into luxury properties? Or a third sector organisation taking on an asset, realising after some time that they don’t have the funding to meet the increasing costs of service needs, and selling it on to a private developer? There is no asset-lock proposed in the PMGC which would prevent that from happening.

The Council has said that that the majority of PMGC agreements will be “leases and occupancy agreements, not asset disposals”, however, as of May 2021, out of the 62 Glasgow Life venues closed, two are in the process of a Community Asset Transfer (CAT), two others have had a CAT request, 17 have been “earmarked for community management through the People Make Glasgow

Communities initiative", while a further 22 have seen interest "expressed in exploring new operating models for this facility through People Make Glasgow Communities."

The PMGC is a clear attempt to privatise public assets and services under the guise of "empowering communities to make their own decisions". It could be compared to former UK Prime Minister David Cameron's "big society" pitch at the beginning of the austerity era in 2010, which also sought to encourage 'communities' to pick up the slack when public services are cut. Communities are empowered when they can participate in well-funded public services, not when those services are taken over by commercial providers or by community groups in a desperate bid to prevent out-right closure.

The M8 passing through the city

4) CONCLUSION: 10 PROPOSALS FOR DEEP AND RADICAL REFORM

A deep and radical reform of local government is required to escape the vicious cycle of cuts, sell-offs and dangerous debt which Glasgow City Council is stuck in. Some of these reforms can be delivered directly by local authorities, while others will require changes at the Scottish Government and UK Government level. The ten proposals below are by no means an exhaustive list of the changes required, but all are necessary.

1) Debt renegotiation, cancellation and amnesty

The council has a legal obligation to pursue best value in its transactions. It's clear that in the cases of Lobo loans and the PFI Glasgow schools project - introduced under a previous Labour administration - that it has not done so. In the case of the PFI project, extortionate repayments are being made to a company that does not pay any taxes on the super-profits it is making out of the council. In the case of Lobos, there is a strong case to be made that they are in breach of council regulations on prudential borrowing and should be voided on that basis, as happened in Hammersmith and Fulham Council in 1989. Glasgow City should look at what legal action can be taken to either cancel these debt obligations or re-negotiate them.

In the case of PWLB debt, the proposal of Unite Scotland to look at an amnesty or a re-negotiation of pre-devolution PWLB debt should be pursued with the UK Treasury, since to do so would ultimately be in the financial interest of the UK Government as well as Scottish local authorities. The financial security of the UK Government is not in doubt whereas Scottish local authorities face intensifying financial pressures which could eventually lead to a crisis point where they cannot deliver a legal budget and have to declare bankruptcy, as was the case in Northamptonshire council in 2018. Unison Scotland has also argued that the Scottish Government could give councils greater flexibility in when loans have to be paid back by reforming the repayment of loans funds regulations, a move which could potentially save the council up to £50 million per year.

There should also be greater transparency with citizens about why debt has been undertaken, what projects specifically it is funding and whether there is a long-term strategy to raise revenue through those projects (or by other means) to pay back the debt.

2) New sources of debt financing

The council should also look at whether there are alternatives to PWLB borrowing which could help support infrastructure development. For instance, encouraging local pension funds to invest in local authority infrastructure projects as a safe investment which will support local economic development is a no brainer. The Scottish Local Government Pension Fund is valued at around £30 billion; even a fraction of this money going into long-term investments in infrastructure in Glasgow City Council would make a difference, potentially facilitated via establishing a local authority bond. Another possibility would be the Scottish Government opening up the new Scottish National Investment Bank to local authority investment.

3) A new strategy for capital investment and asset management

The council should scrap its current strategy to sell off large sections of its current assets to make-way for a small set of high-profile, highly-commercial, highly-centralised council assets. This is a wrongheaded plan for the long-term that will reduce the council's ability to shape economic development in some of Glasgow's most deprived communities, and leave the council overly reliant on external business investment and tourism.

Instead, the council should seek to build an industrial strategy based on its existing assets, being prepared to invest directly as the council into projects which can create local jobs and raise revenue for the council over the long-term. Communities should be involved in co-designing projects, but they should be council owned and council funded. The assets the council has under its control in alliance with maximising the talents of the city's workers are the best tools to fostering sustainable, local economic development, rather than the privatisation of land and property which will inevitably foster more property speculation, gentrification and displacement.

4) A fair share of Scottish Government funding and more financial autonomy

Glasgow City Council has not received a fair share of funding in recent years given its growing population and the fact it has the most deprived areas out of any local authority in Scotland. The council should demand a fair share of funding in this new Scottish parliamentary term, but it should also demand that funding does not come with strings attached, as ring-fenced funds reduce the financial autonomy of the council and thus weakens local democracy.

5) Scrap the council tax and replace it with a fair and proportionate property/land tax

It is remarkable that a Conservative-inspired tax in the Thatcher era, designed as an alternative to the hated poll tax, continues to be the way Scottish local authorities tax their citizens 30 years on. The council tax is unfair, out-dated, regressive and does not meet council requirements for revenue-raising. It should be scrapped as soon as possible and replaced with a property/land tax which would increase council revenues, take less from the poorest in the city and more from the wealthiest, and would also create economic incentives to use land in the city for economically useful purposes, rather than holding it as a financial asset for property speculation.

Further measures should be taken to reduce financial pressures on Glasgow's poorest residents, including rent controls and fully funded childcare.

6) Review and consider replacing Non-Domestic Rates with a more effective business tax

NDR is not working in Glasgow, as the revenue it brings in declines despite growth in commercial property values. NDR is not necessarily equipped to tax the modern, digitised business, which may have huge turnover while operating a business largely based on home-working. The exact reasons for the fall in NDR revenue in Glasgow should be investigated, and NDR should be reviewed with consideration given to a new tax which can better capture a portion of the growth in value of businesses in Glasgow.

7) Consider scrapping all ALEOs and bringing them in-house

The additional costs of ALEOs are clear, while their benefits are less apparent. The council should review all its ALEOs and consider whether it would be better to run them directly, with greater transparency about council finances and greater capacity for redistributing money from profit-making parts of the council to where it is needed most.

8) Wage ratios to limit pay inequality in the council

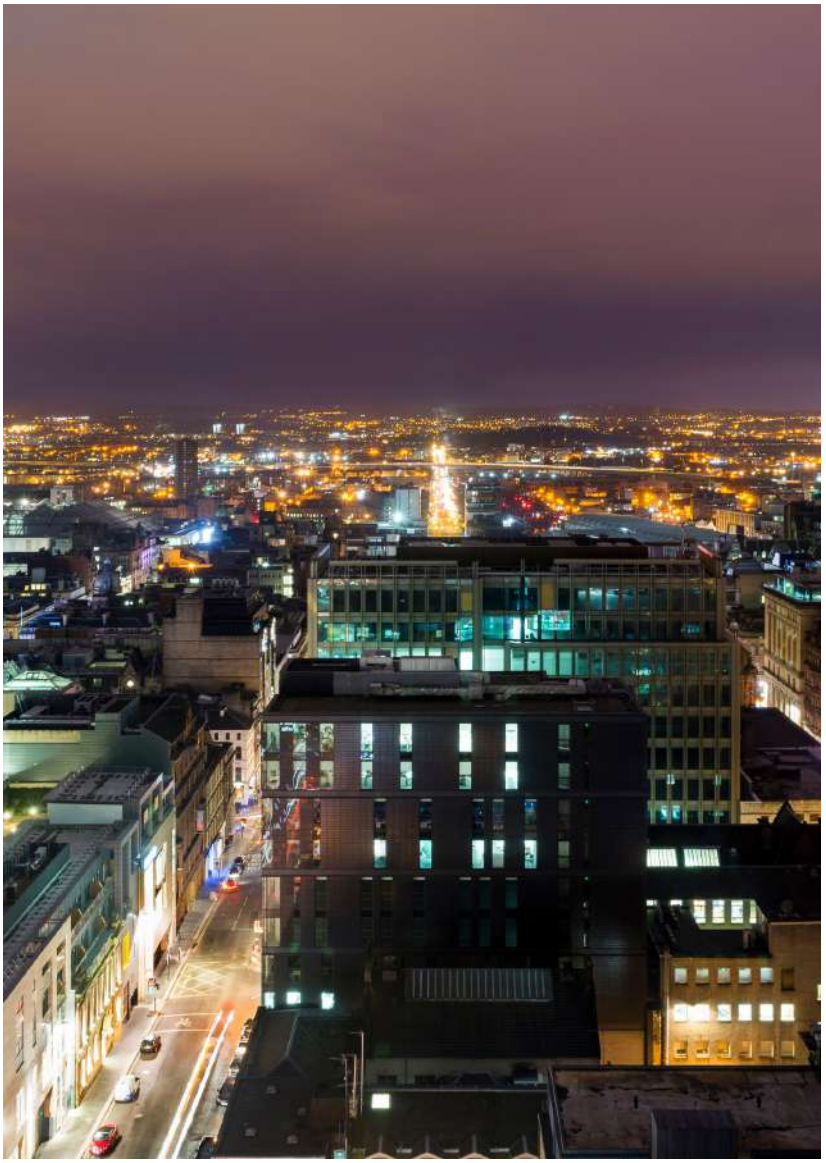
The growth of council staff earning six-figure salaries, especially in the ALEOs, is alarming, but could be better justified if it was tied to growth of the lowest-paid staff in the council, perhaps at a rate of 1:7 or 1:10. A council struggling financially will have much more solidarity within it if the pain is being shared more equally between those at the top and bottom of the council.

9) Reduce outsourcing

The council still spends around a third of its budget on 'third party payments', a significant cost that could, at least in some cases, be more effectively and efficiently delivered in-house. The council has improved in recent years in this respect, but there is still further to go.

10) No austerity

In the most recent 2021/22 council budget, the council's total spending on services increased to £45.6 million, but it still implemented damaging cuts of £7.45 million, including to Glasgow Life venues, early years childcare and warm homes grants for pensioners. The council should have a firm anti-austerity policy, and if they want to re-prioritise spending there should be a clear justification of how the new spending is going to be more advantageous in equality impact terms than what the money was previously used for. Many of the proposals above are designed to increase the council's revenue in order to eradicate the financial pressure to make cutbacks.



Glasgow city centre illuminated