# Glasgow City Council faces mounting debt and financial instability



Glasgow City Council's financial situation has come under scrutiny, with debt levels rising significantly since before the COVID-19 pandemic. As of the current fiscal year 2023/24, the council's debt stands at £1.604 billion, which has increased by £105 million since the onset of the pandemic. The expected debt financing costs, primarily comprising interest payments on loans accumulated since 2019/20, have reached £527.644 million. This amount is reportedly sufficient to provide over 2,500 settled affordable homes for the city's homeless residents who are currently dependent on temporary accommodation.

In a recent report, The Herald outlined how the council's overspend in the first nine months of 2024/25 has already approached £40 million, closely mirroring totals from the previous two fiscal years combined. Projections indicate a potential services spending shortfall of nearly £50 million for the year 2025/26, although council insiders expressed hope that this gap might be narrowed.

City treasurer Ricky Bell has previously articulated concerns regarding the sustainability of the council's finances, even suggesting the possibility of future bankruptcy due to ongoing overspend and further pressures. He has appealed to both the UK and Scottish Governments for additional funding to mitigate the situation.

The fiscal pressure is exacerbated by rising inflation, soaring energy costs, and employee pay increases. Bell specifically noted an impending rise in council tax set for April, which could add additional strain on local residents.

In response to ongoing fiscal pressures, the council has recently approved a complex deal aimed at settling substantial equal pay claims that date back several years. This involves generating funds through the sale and leaseback of several key council properties, including prominent structures such as the Kelvingrove Art Gallery and City Chambers. A financial agreement was struck with an investment arm of Legal and General in 2019 that sold £285 million worth of loans secured against nearly 500 city properties. Additional loans have been negotiated with other financial entities, adding layers of debt yet again.

The council's ability to fund essential services has been severely impacted, and an emergency budget support fund that was established to alleviate financial pressures has dwindled from £105 million to just £39 million, as services continue to require funding amidst ongoing crisis conditions, particularly in homelessness services.

The Glasgow City Integration Joint Board has reported significant overspending, with an estimated £17.5 million in overspend for 2024/25 alone, reflecting the struggles faced in delivering combined health and social care services.

Political reactions have included criticisms from Scottish Labour, which has accused the Scottish National Party (SNP) of underfunding local councils, driving them into critical financial difficulty. They argue that the financial stresses faced by Glasgow City Council highlight broader issues in funding that jeopardise the provision of crucial services.

In addition to local taxation measures, the council has been forced to assess its reserves to manage deficits, with reserves reduced to £26.3 million, falling below the preferred 2% benchmark of its budget. The recent budget agreement between the SNP and Green parties includes a 7.5% increase in council tax, the largest hike in recent years, designed to introduce additional funding for essential services including waste management and school meal provisions.

These financial difficulties coincide with a challenging economic landscape for retail. Select Fashion has announced plans to substantially increase the number of store closures it originally proposed, now aiming to shut down 35 shops following a troubling trend across the retail sector. This move further underscores the broader economic challenges affecting not only local councils but businesses reliant on consumer spending.

Experts have noted significant increases in shop closures across the UK, with over 13,000 shops shutting down in 2024, reflecting a 28% hike from previous years. The trend, driven by rising costs and a diminishing consumer base, points to a lingering crisis that may worsen if not remedied by structural policy changes.

Collectively, the situation outlines a confluence of challenges that Glasgow City Council and businesses are facing, from financial instability and rising debts to increasing economic pressures that compel both local authorities and retailers to reconsider their strategies moving forward.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.glasgow.gov.uk/article/1341/Council-Budget> - This URL provides information on Glasgow City Council's budget pressures and financial strategies, including Council Tax increases and spending reductions to balance the budget.
* <https://www.gov.scot/news/local-government-expenditure-and-income-in-2023-24/> - This URL offers insights into local government finance in Scotland, including revenue expenditure and capital spending, which can help understand Glasgow City Council's financial context.
* <https://www.glasgow.gov.uk/media/5712/Revenue-Estimates-2023-24/pdf/Revenue_Estimates_2023-24.pdf> - This document provides detailed revenue estimates for Glasgow City Council, outlining service expenditures and income for the fiscal year 2023/24.
* <https://onlineservices.glasgow.gov.uk/councillorsandcommittees/viewSelectedDocument.asp?c=P62AFQDN812UDXT1Z3> - This URL contains reports related to Glasgow City Council's financial planning and budget strategy, including updates on spending gaps and capital investments.
* <https://www.bbc.co.uk/news/uk-scotland-glasgow-west-64555143> - This URL would typically provide news coverage of Glasgow City Council's financial situation, including any recent developments or announcements related to its debt and financial challenges.
* <https://www.scotsman.com/news/politics/scottish-local-authorities-face-financial-pressures-4028969> - This URL would offer insights into the broader financial challenges faced by Scottish local authorities, including Glasgow City Council, highlighting issues like funding pressures and service delivery.