



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by the Executive Director of Finance

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Item 4

11th September 2019

ALEO Quarterly Report: Quarter 1 2019/20

Purpose of Report:

To provide the Committee with quarterly information on Arms Length External Organisations. This report covers the second quarter of 2019/20 (1 April 2019 to 5 July 2019).

Recommendations:

The Committee is asked to note the contents of the report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

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1. Introduction

- 1.1 This report provides financial information for the Council's Arms Length Organisations ('ALEOs') for quarter 1, covering the period 1 April 2019 to 5 July 2019. The financial information is based on the latest position provided by each ALEO and includes the financial performance to date. The overall responsibility for the financial management of each ALEO rests with the Board of that ALEO.

2. Financial Position

- 2.1 The format of the financial report shows income and expenditure on an accruals basis, however, technical non-cash accounting entries are excluded as they distort the underlying operating trading performance of the ALEO. At the financial year end these technical accounting entries are included to reflect proper accounting practice and are reported as part of their statutory accounts and within the Council's group accounts.
- 2.2 Table 1 shows the actual operating performance against budget for each ALEO to quarter 1 of 2019-20. Further information about the financial performance of each ALEO is contained in section 3 of the report. The financial performance across all ALEOs shows an actual operating net surplus at quarter 1 of £1.821m which compares to a budgeted surplus of £1.631m, a favourable variance of £0.190m. Clyde Gateway have planned for a budgeted deficit in 2019-20 which is fully funded from accumulated reserves.
- 2.3 The 2019-20 budget includes approved savings of £0.738m. At this stage of the year, it is anticipated that actual savings will amount to £0.738m representing 100% of target. This is reflected in the overall financial position reported in this monitoring statement.
- 2.4 The council's budget includes a contribution from City Building Glasgow (£2.500m) and City Building Contracts (£3.500m).

2.5 A summary of the operating performance to date against the budgeted operating position for each ALEO is shown in Table 1 below. Reasons for significant variances are provided for each ALEO at section 3.

Table 1 – 2019-2020 Actual year to date (quarter 1) operating performance against budget

ALEO	Annual Net Budgeted Operating Surplus (+) Deficit (-) £'000	Net Budgeted Operating Surplus (+) Deficit (-) to date £'000	Actual Net Operating Surplus (+) Deficit (-) to date £'000	Variance favourable(+) adverse(-) £'000
City Building (Glasgow)¹	5,500	710	763	53
City Building (Contracts)²	2,126	1,033	1,008	-25
City Parking	31	-402	-22	380
City Property ³	4,216	2,203	2,203	0
Clyde Gateway⁴	-9,926	-1,913	-2,493	-580
Glasgow Life	0	0	-47	-47
Jobs & Business Glasgow	0	0	409	409
Total	1,947	1,631	1,821	190

¹ City Building (Glasgow) financial position excludes redundancy costs incurred to 21 June, totalling £55,000, which will be offset by savings generated over the remainder of the financial year.

² City Building (Contracts) financial position excludes redundancy costs incurred to 21 June, totalling £78,000, which will be offset by savings generated over the remainder of the financial year.

³ City Property includes figures for both City Property Glasgow and City Property Investments.

⁴ Clyde Gateway budget deficit is planned for and is funded from reserves brought forward and regeneration returns.

3. Comments on variances

3.1 City Building

3.1.1 The Council's Executive Committee on the 8 December 2016 approved the terms of a 50/50 joint venture between the Council and the Wheatley Group to form City Building (Glasgow). The Joint Venture is responsible for housing repairs and investment programmes, City Council repairs programme and apprentice training and the RSBi operation. In addition, it was agreed that City Building (Contracts) would remain wholly owned by the Council as a separate company and will be responsible for the Council's investment programme and work for other Registered Social Landlords.

City Building (Glasgow)

3.1.2 The business plan for 2019-20 reflects an annual surplus of £2.750m which is £0.250m more than the projected surplus within the council's estimates.

3.1.3 The net position is an operating surplus of £0.763m against a budgeted surplus of £0.710m.

3.1.4 The overall business is performing in line with expectations.

City Building (Contracts)

3.1.4 The business plan for 2019-20 reflects an annual surplus of £2.1m which is £1.4m less than the projected surplus within the council's estimates. This reflects timing delays to the volume of turnover available in the current year due to logistical issues associated with the initiation of projects.

3.1.5 The council is engaging with City Building to accelerate projects where possible to maximise turnover in the current year.

3.1.6 The net operating surplus to date is £1.008m against a budgeted surplus of £1.033m.

3.1.7 This position will continue to be closely monitored going forward.

3.2 City Parking

3.2.1 The quarter 1 position shows an actual deficit of £0.022m against a budgeted operating deficit of £0.402m to date. This is mainly due to a higher level of income recovered at quarter 1 than anticipated, and timing differences between actual and forecast expenditure levels.

3.2.2 The annual net budget reflects an anticipated surplus of £0.031m.

3.3 Glasgow Life

3.3.1 The actual net operating deficit to date is £0.047m.

3.3.2 The annual net budget reflects an anticipated break even position.

3.4 Clyde Gateway

3.4.1 At quarter 1 (to 30 June 2019) the net deficit to date is £2.493m compared to a budgeted deficit of £1.913m. This is primarily due to timing differences between the incurring of spend and then reclaiming the associated grant funding.

3.4.2 As planned, the current year's expenditure is being funded from a combination of existing reserves brought forward, including deferred grant funding income (received prior to March 2019 against contracted works) and Clyde Gateway's own regeneration returns from property disposals and rental income, together with grant funding awards for the current financial year. This deferred grant funding together with accumulated reserves within the group is being applied against key regeneration projects and programmes spanning the 2019/20 to 2020/21 financial years.

3.5 City Property

3.5.1 At quarter 1 the actual net surplus is £2.203m compared to a budgeted surplus of £2.203m.

3.5.2 The annual net budgeted surplus for City Property is £4.216m.

3.6 Jobs & Business Glasgow

3.6.1 For the latest period (to 30 June 2019) there is a surplus of £0.409m. This is primarily due to gains on the sale of properties in the period.

3.6.2 The annual net budget reflects an anticipated breakeven position.

4. Policy and Resource Implications

4.1 Resource Implications:

4.1.1 Financial: As noted above

4.1.2 Legal: None

4.1.3 Personnel: None

4.1.4 Procurement: None

4.2 Council Strategic Plan: Recommendations reflect outcomes across all themes

4.3 Equality and Socio-Economic Impacts: None

4.4 Sustainability Impacts:

4.4.1 Environmental: None

4.4.2 Social: None

4.4.3 Economic: None

4.5 Privacy and Data Protection impacts: None

5. Recommendations

5.1 The Committee is asked to note the contents of the report.