



**Glasgow City Council**

**Finance and Audit Scrutiny Committee**

**Report by the Executive Director of Finance**

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**Item 5**

**9th September 2020**

**ALEO Quarterly Report: Quarter 1 2020/21**

**Purpose of Report:**

To provide the Committee with quarterly information on Arms Length External Organisations. This report covers the first quarter of 2020/21 (1 April 2020 to 3 July 2020).

**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 2020 to 3 July 2020. 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 2020-21. 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 deficit at quarter 1 of £1.866m which compares to a budgeted surplus of £2.447m. Clyde Gateway have planned for a budgeted deficit in 2020-21 which is fully funded from accumulated reserves.
- 2.3 The 2020-21 budget includes approved savings of £1.881m. At this stage of the year, it is anticipated that actual savings will amount to £0.444m representing 23.6% 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 Property (£0.375m), City Building Glasgow (£3.600m) and City Building Contracts (£2.400m).

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 – 2020-2021 Actual year to date (quarter 1) operating performance against budget**

<b>ALEO</b>	<b>Annual Net Budgeted Operating Surplus (+) Deficit (-) £'000</b>	<b>Net Budgeted Operating Surplus (+) Deficit (-) to date £'000</b>	<b>Actual Net Operating Surplus (+) Deficit (-) to date £'000</b>	<b>Variance favourable(+) adverse(-) £'000</b>
<b>City Building (Glasgow)<sup>1</sup></b>	7,333	2,455	0	-2,455
<b>City Building (Contracts)<sup>2</sup></b>	2,418	419	0	-419
<b>City Parking<sup>3</sup></b>	39	-438	-2,651	-2,213
<b>City Property<sup>4</sup></b>	2,833	1,080	966	-114
<b>Clyde Gateway<sup>5</sup></b>	-3,968	-1,069	-459	610
<b>Glasgow Life<sup>6</sup></b>	0	0	0	0
<b>Jobs &amp; Business Glasgow<sup>7</sup></b>	0	0	278	278
<b>Total</b>	<b>8,655</b>	<b>2,447</b>	<b>-1,866</b>	<b>-4,313</b>

<sup>1</sup> City Building (Glasgow) LLP financial position includes furlough income of £4.642m as at 19 June 2020.

<sup>2</sup> City Building (Contracts) LLP financial position includes furlough income of £1.691m as at 19 June 2020.

<sup>3</sup> City Parking LLP financial position includes furlough income of £0.122m as at quarter 1.

<sup>4</sup> City Property includes figures for City Property Glasgow LLP, City Property Glasgow Investments LLP; and the new legal entities CPG (Operations SL) Ltd, CPG (Operations SL1) LLP and CPG (Operations SL2).

<sup>5</sup> Clyde Gateway budget deficit is planned for and is funded from reserves brought forward and regeneration returns.

<sup>6</sup> Glasgow Life financial position includes furlough income of £2.4m at quarter 1.

<sup>7</sup> Jobs & Business Glasgow financial position includes furlough income of £0.258m as at 30 June 2020.

### **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 In line with the members Agreement, the Council and Wheatley group have recognised the financial impact of Covid on the operations of CBG and have jointly committed to provide additional funding to meet the net fixed costs of the company during the lockdown period. These costs will be apportioned on a 50/50 basis with the council's share being met through accumulated repairs underspends across the council family. Up to the 19 June 2020 this is estimated to be £2.328m.

3.1.3 The original business case identified a return to the council of £3.6m. Due to the impact of Covid a revised business case has been prepared estimating a breakeven position, and hence a nil return to the council at this point in time.

3.1.4 A breakeven net position is therefore reported at quarter 1.

3.1.5 This position will continue to be closely monitored going forward as restrictions are eased.

##### **City Building (Contracts)**

3.1.6 The Council has recognised the financial impact of Covid on the operations of CBC and have provided additional funding to meet the net fixed costs of the company during the lockdown period. These costs will form part of the council's investment programme and a review is currently being undertaken to confirm if these costs can be contained within existing contingencies, reviewing the scope of projects or virements from other projects. Up to the 19 June 2020 this is estimated to be £1.870m.

3.1.7 The original business case identified a return to the council of £2.4m. Due to the impact of Covid a revised business case has been prepared identifying an estimated return of £0.092m at this point in time.

3.1.8 The overall net position to date is reflecting breakeven.

3.1.9 This position will continue to be closely monitored going forward as restrictions are further released.

## **3.2 City Parking**

3.2.1 The quarter 1 position shows an actual deficit of £2.651m against a budgeted operating deficit of £0.438m to date, resulting in an adverse variance of £2.213m. This position is a direct result of Covid and the consequential loss of car park income during this period.

3.2.2 The position will be closely monitored going forward.

## **3.3 Glasgow Life**

3.3.1 The Council has recognised the financial impact of Covid on the operations of Glasgow Life and have committed to providing additional funding to meet the net fixed costs of the company during the lockdown period. Up to the end of period 4 this is estimated to be £3.963m.

3.3.2 A breakeven position is therefore reported at quarter 1.

3.3.3 This position will be closely monitored going forward as restrictions ease and further services can be provided.

## **3.4 Clyde Gateway**

3.4.1 At quarter 1 (to 30 June 2020) the net deficit to date is £0.459m compared to a budgeted deficit of £1.069m. This is primarily due to phasing delays on capital projects and consequential timing of drawdown of 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 2020 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 2020/21 to 2021/22 financial years.

## **3.5 City Property**

3.5.1 At quarter 1 the actual net surplus is £0.966m compared to a budgeted surplus of £1.080m, resulting in an adverse variance of £0.114m. Although the position looks relatively favorable because of the rental invoices raised, as a result of the financial implications of Covid 19, there is a reduction of around £1m in cash received from tenants during the quarter. This may impact on bad debt in the longer term and the position continues to be closely monitored.

### **3.6 Jobs & Business Glasgow**

3.6.1 For the latest period (to 30 June 2020) there is a surplus of £0.278m. The commercial operations have been adversely impacted by Covid in terms of revenue loss. Delayed recruitment of a high number of vacancies and reduced levels of supplies and services expenditure have offset the loss of revenue.

## **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.