



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by the Executive Director of Finance

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Item 4

26th January 2022

ALEO Quarterly Report: Quarter 2 2021/22

Purpose of Report:

To provide the Committee with quarterly information on Arms Length External Organisations. This report covers the second quarter of 2021/22 (1 April 2021 to 22 October 2021).

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 2, covering the period 1 April 2021 to 22 October 2021. 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 2 of 2021-22. 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 2 of £0.840m which compares to a budgeted deficit of £15.617m. Clyde Gateway have planned for a budgeted deficit in 2021-22 which is fully funded from accumulated reserves.
- 2.3 Table 2 shows the forecast operating surplus or deficit position for the year compared to the annual budget for each ALEO. The forecast for the year is a surplus of £6.690m compared to a budgeted surplus of £7.388m, an adverse variance of £0.698m. This adverse variance is mainly due to City Building Glasgow and City Building Contracts due to the impact of global supply chain issues.
- 2.4 The 2021-22 budget includes approved savings of £5.260m. At this stage of the year, it is anticipated that actual savings will amount to £5.260m representing 100% of target. This is reflected in the overall financial position reported in this monitoring statement.
- 2.5 The council's budget includes a contribution from City Property (£2.170m), City Building Glasgow (£3.600m) and City Building Contracts (£2.400m). The Covid 19 pandemic continues to impact the ALEO operations and consequently their income positions. Revised business cases have been prepared for City Building Glasgow and City Building Contracts. City Building Glasgow and City Building Contracts are currently estimating a revised contribution of £3.612m and City Property is anticipating a return of £2.170m. These positions will continue to be closely monitored.

2.6 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 – 2021-2022 Actual year to date (quarter 2) 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	8,343	3,627	3,665	38
City Building (Contracts)²	2,033	735	682	-53
City Parking³	8	-315	232	547
City Property⁴	-908	263	588	325
Clyde Gateway⁵	-2,080	-10,463	-4,602	5,861
Glasgow Life⁶	0	-9,464	187	9,651
Jobs & Business Glasgow⁷	0	0	88	88
Total	7,396	-15,617	840	16,457

¹ City Building (Glasgow) LLP financial position includes furlough income of £0.590m as at 8 October 2021.

² City Building (Contracts) LLP financial position includes furlough income of £0.135m as at 8 October 2021.

³ City Parking LLP financial position does not include furlough income as at 31st July 2021.

⁴ 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) LLP.

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

⁶ Glasgow Life financial position includes furlough income of £1.629m at quarter 2.

⁷ Jobs & Business Glasgow financial position includes furlough income of £0.133m as at 30 September 2021.

2.7 The forecast outturn against budget for each ALEO is shown in Table 2 below. It is this comparison between the annual net budgeted operating surplus and the forecast operating surplus/deficit at the year-end which could impact on the general fund reserves of the Council.

Table 2 - 2021-2022 Forecast annual outturn against budget

	Annual Net Budgeted Operating Surplus (+) Deficit (-) £'000	Forecast Operating Surplus (+) Deficit (-) £'000	Variance Favourable (+) adverse (-) £'000
City Building (Glasgow)¹	8,343	7,719	-624
City Building (Contracts)²	2,033	1,544	-489
City Property ³	-908	-493	415
Clyde Gateway⁴	-2,080	-2,080	0
Glasgow Life⁵	0	0	0
Jobs & Business Glasgow⁶	0	0	0
Total	7,388	6,690	-698

¹ City Building (Glasgow) LLP financial position includes furlough income of £0.590m.

² City Building (Contracts) LLP financial position includes furlough income of £0.135m.

³ 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) LLP.

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

⁵ Glasgow Life financial position includes furlough income of £1.629m.

⁶ Jobs & Business Glasgow financial position includes furlough income of £0.133m.

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 Housing 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 net position to quarter 2 is an operating surplus of £3.665m against a budgeted surplus of £3.627m.

3.1.3 The original business case identified a return to the council of £3.600m. Due to the impact of Covid 19 and ongoing global supply chain crisis it is estimated £2.068m will be achieved. This position assumes £3.583m of additional material costs.

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

City Building (Contracts)

3.1.5 The net operating surplus to quarter 2 is £0.682m against a budget surplus of £0.735m.

3.1.6 The original business case identified a return to the council of £2.4m. Due to a number of projects being delayed, the impact of Covid 19, and the ongoing global supply chain crisis, it is estimated that £1.544m will be achieved. This position assumes that £2.5m of estimated additional material costs as a result of the global supply chain crisis will be met by Glasgow City Council investment programme.

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

3.2 City Parking

3.2.1 As at 1st August 2021 City Parking ceased trading and all services delivered by City Parking transferred back to Glasgow City Council in line with the Council Family Review changes approved by the City Administration Committee on 14 January 2021.

3.2.2 The position to 31st July shows an actual surplus of £0.232m against a budgeted operating deficit of £0.315m to date, resulting in a favourable variance of £0.547m due to savings in expenditure.

3.3 Glasgow Life

3.3.1 The net operating surplus to quarter 2 is £0.187m against a budget deficit of £9.464m. The forecast outturn reflects a breakeven position.

3.3.2 This reflects underspends in staffing mainly due to vacancies, supplies and services and an over-recovery in income mainly due to furlough income.

3.3.3 Income recovery is still well below pre-pandemic levels and therefore Glasgow Life is forecasting a requirement for significant Covid funding of £20.6m from the council during the current financial year.

3.3.4 This position will continue to be closely monitored.

3.4 Clyde Gateway

3.4.1 At quarter 2 (to 30 September 2021) the net deficit to date is £4.602m compared to a budgeted deficit of £10.463m. 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 2021 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 2021/22 to 2023/24 financial years.

3.4.3 As in previous years, a re-forecasting exercise was undertaken based on actual income and expenditure at the 6 month point. The re-forecast annual net budget for 2021-22 is a planned deficit of £2.080m and the current outturn projection remains in line with this forecast. This will be funded from a combination of deferred grant income and accumulated reserves.

3.5 City Property

3.5.1 At quarter 2 the actual net surplus is £0.588m which is £0.325m more than the budgeted surplus of £0.263m.

3.5.2 The annual forecast deficit for City Property at quarter 2 is £0.493m which is £0.415m better than the budgeted deficit of £0.908m.

3.5.3 The position at quarter 2 and the annual forecast reflect the continuing impact on rental income of the ongoing Covid 19 situation, which was reflected in the

revised financial strategy and budget for 2021-22. Income recovery for both CPG and CPGI is currently running ahead of budget as payment levels have been slightly better than predicted.

3.5.4 Mitigation continues via the close monitoring of costs and the Debt Recovery Strategy. City Property have also engaged the services of a Credit Controller to assist with Covid debt recovery.

3.6 Jobs & Business Glasgow

3.6.1 For the latest period (to 30 September 2021) there is a surplus of £0.088m. This position is mainly due to reduced levels of supplies and services expenditure.

3.6.2 The forecast outturn reflects a break-even 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.