Item 4

31st August 2022

Glasgow City Council

Finance and Audit Scrutiny Committee

Report by the Executive Director of Finance

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ALEO Quarterly Report: Quarter 1 2022/23

Purpose of Report:

To provide the Committee with quarterly information on Arms Length External Organisations. This report covers the first quarter of 2022/23 (1 April 2022 to 1 July 2022).

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 2022 to 1 July 2022. 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 2022-23. 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 £1.417m which compares to a budgeted deficit of £2.856m. Clyde Gateway have planned for a budgeted deficit in 2022-23 which is fully funded from accumulated reserves.

2.3 The 2022-23 budget includes approved savings of £0.830m. At this stage of the year, it is anticipated that actual savings will amount to £0.830m 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 Property (£3.965m), 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 – 2022-2023 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)	5,307	825	549	-276
City Building (Contracts)	2,000	140	154	14
City Property [1]	2,649	1,386	1,386	0
Clyde Gateway[2]	-12,974	-5,260	-3,534	1,726
Glasgow Life	0	0	0	0
Jobs & Business Glasgow	0	53	28	-25
Total	**-3,018**	**-2,856**	**-1,417**	**1,439**

[1] 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).

[2] 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 net position is an operating surplus of £0.549m against a budgeted surplus of £0.825m.

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

City Building (Contracts)

3.1.4 The net operating surplus to date is £0.154m against a budgeted surplus of £0.140m.

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

3.2 Glasgow Life

3.2.1 Glasgow Life continues to be affected by the ongoing impact of Covid – 19 with income levels still below pre pandemic levels. This results in an estimated deficit position for 2022-23 of £16.0m. This deficit is currently being supported by the council through the application of carried forward Covid funding and will result in an overall breakeven position at year end.

3.2.2 The projection at quarter 1 for 2022-23 is a deficit position of £16.0m in line with budget.

3.2.3 This position will continue to be closely monitored over the coming months.

3.3 Clyde Gateway

3.3.1 At quarter 1 (to 30 June 2022) the net deficit to date is £3.534m compared to a budgeted deficit of £5.260m. This is primarily due to phasing delays on capital projects and consequential timing of drawdown of the associated grant funding.

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3.3.2 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 2022 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 2022/23 to 2023/24 financial years.

3.4 City Property

3.4.1 At quarter 1 the actual net surplus is £1.386m in line with the budgeted surplus of £1.386m.

3.4.2 The annual forecast surplus for City Property at quarter 1 is £2.649m, in line with the budgeted surplus of £2.649m.

3.4.3 The position at quarter 1 and the annual forecast reflects the continuing impact on rental income of the ongoing Covid 19 pandemic, which was reflected in the revised financial strategy and budget approved for 2022-23.

3.4.4 Mitigation continues via the close monitoring of costs and a revised Debt Management Strategy.

3.5 Jobs & Business Glasgow

3.5.1 At quarter 1 (to 30 June 2022) the net surplus is £0.028m compared to a budgeted surplus of £0.053m resulting in an adverse variance of £0.025m. This position is mainly due to timing and JBG remains on target to outturn at a breakeven position operationally.

4. Policy and Resource Implications

Resource Implications:

Financial: None

Legal: None

Personnel: None

Procurement: None

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.	Supports the overall implementation of the strategic plan.

What are the potential equality impacts as a result of this report?	no significant impact
Please highlight if the policy/proposal will help address socio-economic disadvantage.	

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:	None
What are the potential climate impacts as a result of this proposal?	None
Will the proposal contribute to Glasgow's net zero carbon target?	No

Privacy and Data Protection Impacts:	None

5. Recommendations

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