



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by the Executive Director of Finance

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Item 6

20th November 2024

ALEO Quarterly Report: Quarter 2 2024/25

Purpose of Report:

To provide the Committee with quarterly information on Arms Length External Organisations. This report covers the second quarter of 2024/25 (1 April 2024 to 20 September 2024).

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 2024 to 20 September 2024. 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 2024-25. 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 2 of £0.959m which compares to a budgeted deficit of £4.633m. Clyde Gateway have planned for a budgeted deficit in 2024-25 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 deficit of £4.884m compared to a budgeted deficit of £3.050m, an adverse variance of £1.834m. This adverse variance reflects a lower return from City Building due to significantly reduced workload from the GCC investment programme.
- 2.4 The 2024-25 budget includes approved savings of £3.244m. At this stage of the year, it is anticipated that actual savings will amount to £3.184m representing 98.2% 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 (£3.965m), City Building Glasgow (£2.5m) and City Building Contracts (£2.0m). The probable outturn indicates that contributions from related companies are anticipated to be £0.360m under budget. This reflects a lower return from City Building of £3.855m. City Property is anticipating a return of £4.250m for 2024/25.

- 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 – 2024-2025 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)	6,385	4,943	5,420	477
City Building (Contracts)	2,381	239	447	208
City Property ¹	2,218	637	890	253
Clyde Gateway²	-14,034	-10,462	-8,243	2,219
Glasgow Life³	0	0	0	0
Jobs & Business Glasgow	0	10	527	517
Total	-3,050	-4,633	-959	3,674

¹ City Property includes figures for City Property (Glasgow) LLP, City Property Glasgow (Investments) LLP, CPG (Operations SL1) LLP, CPG (Operations SL2) LLP and CPG (Operations SL3) LLP.

² Clyde Gateway budget deficit is planned for and is funded from reserves brought forward and regeneration returns.

³ Glasgow Life financial position is being supported by £1.572m deficit funding to September 2024.

- 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 - 2024-2025 Forecast annual outturn against budget

	Annual Net Budgeted Operating Surplus (+) Deficit (-) £'000	Forecast Operating Surplus (+) Deficit (-) £'000	Variance Favourable (+) adverse (-) £'000
City Building (Glasgow)	6,385	6,292	-93
City Building (Contracts)	2,381	709	-1,672
City Property	2,218	2,165	-53
Clyde Gateway	-14,034	-14,034	0
Glasgow Life¹	0	0	0
Jobs & Business Glasgow	0	-16	-16
Total	-3,050	-4,884	-1,834

¹ Glasgow Life financial position is being supported by £4.223m deficit funding.

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 to date is an operating surplus of £5.420m against a budgeted surplus of £4.943m.
- 3.1.3 The original business case identified a return to the council of £2.500m and it is estimated £3.146m will be achieved.
- 3.1.4 This position will continue to be closely monitored going forward.

City Building (Contracts)

- 3.1.5 The net operating surplus to date is £0.447m against a budgeted surplus of £0.239m.
- 3.1.6 The original business case identified a return to the council of £2.0m and it is estimated that £0.709m will be achieved. This reduction is mainly due to reduced workload from the GCC investment programme.
- 3.1.8 This position will continue to be closely monitored going forward.

3.2 Glasgow Life

- 3.2.1 At quarter 2, a break even position is being reported following the provision of funding to support the deficit of £1.572m.
- 3.2.2 The annual forecast for 2024-25 is a breakeven position after the provision of deficit funding of £4.223m due to increased utilities and premises costs.
- 3.2.3 This position will continue to be closely monitored going forward.

3.3 Clyde Gateway

- 3.3.1 At quarter 2 (to 30 September 2024) the net deficit to date is £8.243m compared to a budgeted deficit of £10.462m. This is primarily due to phasing

delays on capital projects and consequential timing of drawdown of the associated grant funding.

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 2024 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 2024/25 to 2026/27 financial years.

3.3.3 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 2024-25 is a planned deficit of £14.034m 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.

3.4 City Property

3.4.1 At quarter 2 the actual net surplus is £0.890m, representing £0.253m more than the budgeted surplus of £0.637m.

3.4.2 The annual forecast surplus for City Property at quarter 2 is £2.165m, £0.053m lower than the budgeted surplus of £2.218m.

3.4.3 The position at quarter 2 and the annual forecast reflects the revised financial strategy and budget approved for 2024-25.

3.4.4 The financial position is continuously monitored in terms of costs, income generation and debt management, in line with the financial strategy.

3.5 Jobs & Business Glasgow

3.5.1 At quarter 2 (to 30 September 2024) the net surplus is £0.527m. This position is mainly due to the release of a dilapidation provision.

3.5.2 The annual forecast deficit at quarter 2 for Jobs & Business Glasgow is £0.016m.

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 Climate Impacts: None

4.5 Privacy and Data Protection impacts: None

5. Recommendations

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