
**GLASGOW CITY REGION - CITY DEAL CABINET
JOINT COMMITTEE**

Unaudited Annual Accounts

For the year ended 31 March 2018

GLASGOW CITY REGION – CITY DEAL CABINET JOINT COMMITTEE

Unaudited Annual Accounts Year ended 31 March 2018

| Contents | Page |
|---|-------------|
| • Management Commentary | 2 |
| • Statement of Responsibilities for the Statement of Accounts | 5 |
| • Comprehensive Income and Expenditure Statement | 7 |
| • Balance Sheet | 8 |
| • Cash Flow Statement | 9 |
| • Notes to the Accounts | 10 |
| • Annual Governance Statement | 15 |
| • Independent Auditor's Report | 18 |

❖ **Management Commentary**

History and Statutory Background

The Glasgow City Region is the largest city-region in Scotland and one of the largest in the United Kingdom, with a population of 1.75 million people. As such, Glasgow City Region is a key engine of economic growth for both the Scottish and UK economies, generating around 32% of Scotland's Gross Value Added, 33% of Scottish jobs and is home to 29% of all businesses in Scotland.

In 2014 eight Councils agreed in principle to establish a Joint Committee to govern the City Deal and determine the strategic economic development priorities for Glasgow City region.

The Glasgow City Region – City Deal is an agreement between the UK government, the Scottish government and the 8 local authorities across Glasgow City region.

The £1.13bn City Deal will fund major infrastructure projects, drive innovation and growth and address challenges in the region's labour market.

Glasgow City Region - City Deal Cabinet Joint Committee is comprised of eight local authorities: East Dunbartonshire Council, East Renfrewshire Council, Glasgow City Council, Inverclyde Council, North Lanarkshire Council, Renfrewshire Council, South Lanarkshire Council and West Dunbartonshire Council.

An Assurance Framework sets out the operational structure of the Joint Committee and how its functions are governed.

Glasgow City Council is the Lead Authority.

Structure

The Joint Committee is known as the Glasgow City Region City Deal Cabinet which has met bi-monthly, with six meetings taking place in 2017/18.

The Cabinet comprises the Leaders of the participating authorities and is responsible for the strategic direction of the City Deal and for approving the annual budget and business plan.

The Programme Management Office (PMO) provides administrative and technical support services to the Cabinet as may be required and acts as the central point for appraisal and monitoring of all aspects of City Deal.

The Cabinet is supported by a Chief Executives Group, which oversees the management of the PMO in its delivery of the operational functions of the Cabinet. The Group will also propose a programme of works and where required provide recommendations.

The Chief Executives Group is also supported by Sub-groups, comprised of officers from the participating councils, to provide advice as required, including a set of policy portfolios led by the respective Councils. The Cabinet takes advice from the Independent Commission on Urban Economic Growth (The Commission) and the Glasgow City Region Economic Leadership Board. The Commission is Chaired by Professor Muscatelli, Principal of Glasgow University, and 5 panel members.

Consultation and engagement with the UK and Scottish Governments has taken place through the Glasgow City Region Programme Liaison Group.

Strategic Aims

The City Deal is one of the largest agreed. It is an agreement between the UK Government, the Scottish Government and the eight local authorities across Glasgow City region. Over its 20 year lifetime, local leaders in Glasgow City Region estimate that the City Deal will:

- Support an overall increase in the economy of around 29,000 jobs in the city region.
- Work with 19,000 unemployed residents and support over 5,500 back into sustained employment.
- Secure £1 billion of Scottish Government and UK Government capital funding to support the proposed infrastructure investment programme for the area. This will be complemented by a minimum of £130 million of investment from Glasgow City Region City Deal local authorities.
- Lever in an estimated £3.3 billion of private sector investment into the proposed infrastructure investment programme.
- Spread the benefits of economic growth across Glasgow City Region, ensuring deprived areas benefit from this growth.

Programme Performance

A total of 27 high-level projects have been approved to date across seven member authorities with a value in excess of £1.1bn with all infrastructure projects status' being at either green or amber.

August 2017 marked the three-year anniversary of the formal signing of the Glasgow City Region City Deal agreement between the 8 City Region councils and the UK and Scottish Governments, one of the largest in the UK and the first in Scotland. Now almost four years into a twenty year programme, the partnership is working well and good progress continues to be made across all themes. Significant funding has been approved by Cabinet, the majority of our Infrastructure projects are underway to one extent or another, with Newton

Park Primary in South Lanarkshire completed during 2017/18 and the start of public realm works in Glasgow at Sauchiehall Street. All three Innovation and Business Growth projects are completed and work is now underway to monitor and evaluate outcomes. In relation to the three Employability and Skills projects -Youth Gateway completed in the period, while Working Matters and In Work Progression are well underway.

The main risks reflected in the risk register were largely unchanged over the year. The top financial risks include ensuring financial projections are realistic, delays in overall programme delivery leading to non-achievement of milestones and delay in development and approval of business cases leading to pressure on programme delivery and milestone achievement. More immediate operational risks are reviewed in a programme of internal and external audit. The City Deal Programme is funded over a twenty year period. The PMO is funded by the eight member authorities and this contribution is managed within each authorities financial resources. The PMO budget is set and recharged to member authorities annually and on the grounds of materiality the long-term funding of the PMO is currently not considered to be a major financial risk.

Financial Performance

The cost of running the Programme Management Office (PMO) is the main item of expenditure of the Cabinet. Salary costs and any administrative expenses incurred by the PMO are re-imbursed in full from the participating authorities.

The total gross budget for the Programme Management Office was set at £1,101,628 with an additional £117,400 Intelligence Hub and Portfolio Development costs making a total £1,219,028. There was an underspend of £216,735 on the total gross budget for 2017/18. This was in the main due to savings in employee costs and reductions in external consultant costs.

Expenditure of **£1,002,293** was incurred for the period and was re-charged in total to the participating authorities on the basis set out in the Joint Committee Agreement. There was a nil balance of funds as at 31 March 2018. The accounts have been prepared on a going concern basis

❖ **Statement of Responsibilities for the Statement of Accounts**

1. The lead authority's responsibilities

The lead authority is required:

- To make arrangements for the proper administration of the financial affairs of the Joint Committee and to ensure that one of its officers has the responsibility for the administration of those affairs. In Glasgow City Council, that officer is the Executive Director of Finance.
- To manage its affairs to secure economic, efficient and effective use of the resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve the Annual Accounts for signature.

submitted to the Cabinet to be approved for signature at its meeting on 5 June 2018.

2. Responsibilities of the Executive Director of Finance, Glasgow City Council

The Executive Director of Finance in Glasgow City Council is responsible for the preparation of the statement of accounts of the Joint Committee , in accordance with proper practices as required by legislation and as set out in the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing the Annual Accounts, the Executive Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the legislation; and
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Executive Director of Finance has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of Glasgow City Region City Deal Cabinet Joint Committee as at 31 March 2018 and the transactions for the year then ended.

Martin Booth BA, CPFA, MBA
Executive Director of Finance
Glasgow City Council
14 June 2018

3. Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

| 2016/17 Net Expenditure £ | Service | Note | 2017/18 Net Expenditure £ |
|---------------------------------|--|------|---------------------------------|
| 978,080 | Gross expenditure | 3 | 1,002,293 |
| (978,080) | Gross income | 3 | (1,002,293) |
| 0 | Cost of Services | | 0 |
| 0 | Interest and investment income | | 0 |
| 0 | Financing and Investment Income and Expenditure | | 0 |
| 0 | (Surplus) or Deficit on the Provision of Services | | 0 |
| 0 | Other Comprehensive (Income) and Expenditure | | 0 |
| 0 | Total Comprehensive (Income) and Expenditure | | 0 |

Comprehensive Income and Expenditure Statement – shows income and expenditure incurred in the year relating to the provision of services for the Joint Committee.

4. Balance Sheet as at 31 March 2018

| 31 March 2017 £ | | Note | 31 March 2018 £ |
|--------------------|-----------------------------------|------|--------------------|
| 228,710 | Short-term debtors | 6 | 0 |
| 0 | Cash and cash equivalents | | 392,700 |
| 228,710 | Current Assets | | 392,700 |
| (228,710) | Short-term creditors | 6 | (392,700) |
| (228,710) | Current Liabilities | | (392,700) |
| 0 | Net Assets / (Liabilities) | | 0 |
| 0 | Usable Reserves | | 0 |
| 0 | Unusable Reserves | | 0 |
| 0 | Total Reserves | | 0 |

Balance Sheet – The balance sheet of the Joint Committee shows that there were no reserve balances as at 31 March 2018.

The unaudited accounts were issued on
14 June 2018.

Martin Booth BA, CPFA, MBA
Executive Director of Finance
Glasgow City Council
14 June 2018

5. Cash Flow Statement for the Year ended 31 March 2018

| 2016/17 £ | Revenue Activities | 2016/17 £ |
|------------------|---|----------------|
| 0 | Surplus or (Deficit) on the Provision of Services | 0 |
| | Adjustments for non-cash items: | |
| (228,710) | (Increase) / decrease in debtors | 228,710 |
| 86,905 | Increase / (decrease) in creditors | 163,990 |
| (141,805) | | 392,700 |
| (141,805) | Net cash inflow / (outflow) from activities | 392,700 |
| 141,805 | Cash and cash equivalents at the beginning of the reporting period | 0 |
| 0 | Cash and cash equivalents at the end of the reporting period | 392,700 |

Cash Flow Statement – details the changes in cash and cash equivalents of the Joint Committee.

❖ Notes to the accounts

The main objective of these notes is to provide further explanation for certain aspects of the core Financial Statements.

1. Statement of accounting policies

- 1.1 The financial statements for the year ended 31 March 2018 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of the Joint Committee.
- 1.2 The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that the Joint Committee will not significantly curtail the scale of its operation. Wherever accounting principles and legislative requirements are in conflict the latter shall apply.
- 1.3 Suppliers' invoices received up to 31 March 2018 have been included in the accounts. In addition, expenditure has been accrued, in accordance with the Code, where the goods or services were received prior to 31 March 2018. Salaries and wages earned to 31 March 2018 are included in the accounts for 2017/18 irrespective of when the actual payments were made.
- 1.4 Income includes all sums due in respect of contributions from participating authorities. No interest was earned on fund balances for the year ended 31 March 2018.
- 1.5 There were no complex transactions or potential future uncertainties requiring critical judgments or estimations of uncertainty in preparing the 2017/18 accounts.

2. Accounting Standards Issued not Adopted

There are no accounting standards which have been issued, but not adopted, that would have a material effect on the 2017/18 Financial Statements of the Joint Committee.

3. Income and expenditure statement

The table below provides a detailed breakdown of income and expenditure of the Joint Committee during 2017/18.

| | Note | 2016/17 Net Expenditure £ | 2017/18 Net Expenditure £ |
|---|------|---------------------------------|---------------------------------|
| Income | | | |
| Expenditure re-imbursement from participating local authorities | 4 | (978,080) | (1,002,293) |
| Total income | | (978,080) | (1,002,293) |
| Expenditure | | | |
| Employee costs | | 694,283 | 701,764 |
| Transport | | 335 | 190 |
| Supplies and services | | 275,582 | 292,349 |
| Third Party Payments | | 7,880 | 7,990 |
| Total expenditure | | 978,080 | 1,002,293 |
| (Surplus) or deficit for period | | 0 | 0 |
| (Surplus) brought forward | | 0 | 0 |
| Accumulated (surplus) or deficit | | 0 | 0 |

4. PMO Budget and Funding

Based on the initial agreement signed by participating authorities, parameters were set out to determine the method for funding of the Programme Management Office (PMO). The Contribution Sum is to be calculated as a proportion of the PMO budget, based on the population of each Member Authority's area and expressed as a percentage of the total population within the areas of the Member Authorities.

A detailed breakdown of each member's contribution towards the cost of running the PMO is shown in the table below:-

| Local Authority | Contribution 2017/18 £ |
|-----------------------------|------------------------------|
| East Dunbartonshire Council | 58,864 |
| East Renfrewshire Council | 50,753 |
| Glasgow City Council | 332,734 |
| Inverclyde Council | 45,647 |
| North Lanarkshire Council | 189,467 |
| Renfrewshire Council | 98,059 |
| South Lanarkshire Council | 175,925 |
| West Dunbartonshire Council | 50,844 |
| Total | 1,002,293 |

5. Employee benefits

All 13 full time members of staff of the Joint committee were employed on a secondment basis. A total of 11 members of staff were employed by Glasgow City Council and 2 members of staff by Renfrewshire Council.

In accordance with International Accounting Standard 19 (IAS 19) – Employee Benefits, the employing councils are required to disclose certain information concerning assets, liabilities, income and expenditure, of the pension scheme. As the Cabinet does not directly employ staff, the staff pension costs of the PMO will be reflected in the figures disclosed in the financial statements of Glasgow City Council and Renfrewshire Council.

The Code requires that employee benefits are recognised in the accounts when they are earned rather than when they are paid. As a result, there is a requirement to consider notional entitlements to annual leave earned but not taken as at 31 March 2018. Employees providing professional services to the PMO are contracted to Glasgow City Council and Renfrewshire Council and therefore any notional liability will have been included within the accounts of these two Councils who hold the contracts of employment.

6. Short-term debtors and creditors

Short-term debtors are nil. The short-term creditors figure for 2017/18 of £392,700 comprises the following:-

| Short-term creditors | 31 March 2018 £ |
|-----------------------------------|--------------------|
| Gleeds Consultancy Services | 24,951 |
| Audit Scotland Audit Fee 17/18 | 7,990 |
| EKOS | 29,025 |
| National Panel and Commission | 39,643 |
| South Lanarkshire Council | 53,805 |
| Skills Development Plan | 18,000 |
| Training Bytesize | 9,215 |
| Renfrewshire Council | 54,120 |
| City Region 17/18 Credit Recharge | 155,951 |
| Total sundry creditors | 392,700 |

7. Remuneration Report

Glasgow City Region – City Deal Cabinet is a Joint Committee comprising eight participating local authorities. The Cabinet does not directly employ any members of staff, with all services being provided by staff of the participating authorities on a secondment basis.

A remuneration report providing disclosures in respect of elected members and chief officers of the Councils, including those with authority and responsibility for the Cabinet are included in the Annual Accounts of each of the participating local authorities.

8. Related Parties

Glasgow City Council is the administering body responsible for the Joint Committee. The Joint Committee uses the administering body's financial and payroll systems and banking facilities. The related party transactions between the Joint Committee and Glasgow City Council are shown in the table below:

| Related Party transactions and balances | 2017/18 Expenditure £ | 2017/18 Income £ | Debtor/(Creditor) at 31 March 2018 £ |
|---|--------------------------|---------------------|---|
| Related bodies | | | |
| Glasgow City Council | 367,127 | 367,127 | 392,700 |

9. Auditor remuneration

Audit Scotland has agreed with the Joint Committee that the audit fee would be £7,990 for the 2017/18 financial year. No fees were payable in respect of other services provided by the appointed auditor.

10. Events after the balance sheet date

There were no material events between 31 March 2018 and the date of signing that require to be reflected in the Financial Statements.

Draft Annual Governance Statement 2017/18

Role and responsibilities

The Glasgow City Region Cabinet is a Joint Committee established under Section 57 of the Local Government (Scotland) Act 1973, by the eight member authorities.

The lead body of the Joint Committee is Glasgow City Region Cabinet which meets six times annually. The Cabinet comprises the Leaders of the participating authorities and is responsible for the strategic direction of the organisation and for approving the annual budget and business plan. The Cabinet is supported by a Chief Executives' Group, and the Programme Management Office acts as a secretariat. The Cabinet takes advice from the Independent Commission on Urban Growth and the Glasgow City Region Economic Leadership Board.

The matters reserved to the member authorities for decision making which cannot be dealt with by the Cabinet are as follows:

- Any material financial decisions over and above what has been committed through the City Deal.
- Any amendment of the Joint Committee.
- Any requests for the addition of another local authority as member authority.
- Approval by a member authority to enter into a grant agreement in relation to a specific City Deal project.

Lead Authority

Glasgow City Council is the lead authority for the Glasgow City Region Cabinet and City Deal. As lead authority, the Council holds and disburses the City Deal grant funding through grant agreements with member authorities; manages the budget for the Project Management Office (PMO); signs grant offers with the Scottish and UK Governments, and where appropriate the Department for Work and Pensions (DWP) and the Department for Business Innovation and Skills (BIS); and makes disbursements to member authorities and other bodies as appropriate under the terms of the grant agreement.

Cabinet meetings

Regular meetings of the Glasgow City Region Cabinet are held on an 8 weekly basis. Occasional ad hoc meetings are also held as required. Cabinet meeting dates are listed in the Council Diary which is available at:

<http://www.glasgow.gov.uk/councillorsandcommittees/calendar.asp>

Representation

The Glasgow City Region Cabinet is comprised of the Council Leaders (or their nominee) of each of the eight member authorities, and is chaired by the Leader of Glasgow City Council as lead authority.

Chief Executives' Group

A management group has been established comprising the Chief Executive of each of the member authorities (or their nominee). The group has responsibility on a collective basis for the overall supervision and management and for the monitoring of the performance of the PMO in delivering the City Deal. The group is chaired by the Chief Executive of Glasgow City Council as lead authority.

Programme Management Office

The PMO undertakes the administrative role required to support the Cabinet, its sub-groups and portfolios. The PMO is delivered by Glasgow City Council as lead authority, and the role includes:

- Provision of administrative and technical support services
- Preparation and circulation of meeting minutes and agendas
- Publishing the Cabinet processes and outcomes
- Facilitating engagement by the stakeholders, and
- Managing Cabinet communications including the Glasgow City Region website.

Support Groups

A number of support groups have been created to support the delivery of the City Deal and share knowledge and information. The remit of these groups has been agreed by the Chief Executives and cover the following areas:

- Lead Officers Group
- Finance Strategy Group
- Legal and Procurement Support Group
- Skills and Employment Working Group
- Communications and Marketing Group
- Transport
- Audit

Scope of responsibility

As the lead authority for the Glasgow City Region Cabinet, Glasgow City Council is responsible for ensuring that its business, including that of the PMO, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Cabinet is responsible for putting in place proper arrangements (known as the governance framework) for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Key elements of the governance framework are noted below. The framework was in place throughout 2017/18.

The Council has approved and adopted a Local Code of Corporate Governance (the Code), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. A copy of The Code is available on the council's website at:

<https://glasgow.gov.uk/index.aspx?articleid=17539>

The work of the Cabinet is governed by the Code and by its Assurance Framework. This includes requirements for the preparation and production of a number of key policy documents including an Economic Strategy, a Procurement Strategy and a Risk Management Strategy. These documents set out the Cabinet's objectives together with the main risks facing the programme and the key controls in place to mitigate those risks. A Risk Register is maintained to facilitate detailed risk monitoring, and an Annual Implementation Plan is produced each year to support the Programme Business Case, which is the business case for overall delivery of the Programme. Scrutiny is provided by Internal Audit and by the Cabinet's External Auditor, Audit Scotland.

The Cabinet complies with the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government 2010*". The Glasgow City Council Executive Director of Finance has overall responsibility for the PMO's financial arrangements and is professionally qualified and suitably experienced to lead the finance function and to direct finance staff.

Review of effectiveness

The Council and Glasgow City Region Cabinet have systems of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of the Glasgow City Region Cabinet's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised.

The Assurance Framework is subject to regular review to ensure that it provides an effective governance platform for the Cabinet. Elements of the Assurance Framework are expected to be revised during 2018/19.

Update on Significant Governance Issues Previously Reported

There were no significant governance issues reported in 2016/17.

Internal Audit Opinion

Assurance work undertaken within the Glasgow City Region Cabinet in 2017/18 included:

- The arrangements for the governance and management of the skills and employability programme.
- The roles and responsibilities of the PMO and sought assurance that the functions are being carried out effectively.
- The arrangements in place to ensure compliance with the Assurance Framework by all member authorities, in relation to programme and project governance management arrangements.
- The implementation of recommended actions arising from previous audit work.

Glasgow City Council's Head of Audit and Inspection has confirmed that there are no significant governance issues that require to be reported as a result of the work undertaken by Internal Audit in 2017/18 in relation to the remit of the Glasgow City Region Cabinet, and no significant governance issues have been reported by the Internal Audit teams of the member authorities during the year.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance that operate in the Glasgow City Region Cabinet. We consider the governance and internal control environment operating during 2017/18 to provide reasonable and objective assurance that any significant risks impacting on the Glasgow City Region Cabinet's ability to achieve its objectives will be identified and actions taken to avoid or mitigate the impact.

Where areas for improvement have been identified and action plans agreed, we will ensure that they are treated as priority and progress towards implementation is reviewed by the Chief Executives' Group and the Cabinet.

We will continue to review and enhance, as necessary, our governance arrangements.

❖ **Independent Auditor's Report**

Independent auditor's report to the members of Glasgow City Region – City Deal Cabinet Joint Committee and the Accounts Commission for Scotland

To be inserted