
GLASGOW CITY COUNCIL

ANNUAL ACCOUNTS

For the year ended 31 March 2018

(Pre-Audit Inspection Copy)

GLASGOW CITY COUNCIL

Annual Accounts for the Year ended 31 March 2018

Contents	Page
• Management Commentary	3
• Statement of Responsibilities	12
• The Financial Statements	14
• Comprehensive Income and Expenditure Statement	16
• Movement in Reserves Statement	17
• Balance Sheet	18
• Cash Flow Statement	19
• Notes to the Financial Statements	
Note 1 - Statement of accounting policies	20
Note 2 - New standards issued but not yet adopted	31
Note 3 - Critical judgements made in applying accounting policies	31
Note 4 - Assumptions about the future and other sources of estimation uncertainty	32
Note 5 - Expenditure and Funding Analysis	33
Note 6 - Reserves	34
Note 7 - Adjustments between accounting basis and funding basis under regulation	39
Note 8 - Transfers to or from statutory reserves	41
Note 9 - Subjective analysis	42
Note 10 - Material items	43
Note 11 - Education Services - Public Private Partnership	43
Note 12 - Trading Operations	44
Note 13 - Pension costs	45
Note 14 - Grant income	51
Note 15 - Agency income and expenditure	51
Note 16 - Auditor remuneration	52
Note 17 - Related party transactions	52
Note 18 - Operating leases	53
Note 19 - Long-term assets	54
Note 20 - Property, Plant and Equipment	58
Note 21 - Heritage assets	60
Note 22 - Intangible assets	60
Note 23 - Assets held for sale	61
Note 24 - Inventories	61
Note 25 - Net short-term debtors	62
Note 26 - Cash and cash equivalents	62
Note 27 - Short-term creditors	62
Note 28 - Short and long-term provisions	63
Note 29 - Financial instruments	64
Note 30 - Deferred liabilities	68
Note 31 - Contingent liabilities	68
Note 32 - Events after the balance sheet date	69
Note 33 - Cash flow statement - Operating activities	70
Note 34 - Cash flow statement - Investment activities	70
Note 35 - Cash flow statement - Financing activities	70

Contents (continued)	Page
• Council Tax Income Account	71
• Non-Domestic Rates Income Account	72
• Common Good Fund	73
• Sundry Trusts and Funds	78
• Group Financial Statements	82
• Group Comprehensive Income and Expenditure Statement	84
• Group Movement in Reserves Statement	85
• Group Balance Sheet	86
• Group Cash Flow Statement	87
• Notes to the Group Financial Statements	
Note 1 - Group accounting policies	88
Note 2 - Assumptions about the future and other sources of estimation uncertainty	89
Note 3 - Group Expenditure and Funding Analysis	90
Note 4 - Combining entities	91
Note 5 - Nature of combination	98
Note 6 - Reporting authority adjustments to align to IFRS	98
Note 7 - Financial impact of consolidation	98
Note 8 - Non-material interest in subsidiaries, associates and joint committees	99
Note 9 - Adjustments between group financial statements and authority financial statements in the group movement in reserves statement	101
Note 10 - Group subjective analysis	102
Note 11 - Pension costs	103
Note 12 - Minority interest	107
Note 13 - Taxation	107
Note 14 - Long-term assets	108
Note 15 - Investment property	110
Note 16 - Fair value measurement of assets and liabilities	111
Note 17 - Investments / Liabilities in associates and joint boards	111
Note 18 - Inventories	112
Note 19 - Cash and cash equivalents	112
Note 20 - Deferred taxation	113
Note 21 - Deferred grants	113
Note 22 - Deferred income	113
Note 23 - Charitable reserves	113
• Annual Governance Statement	114
• Remuneration Report	124

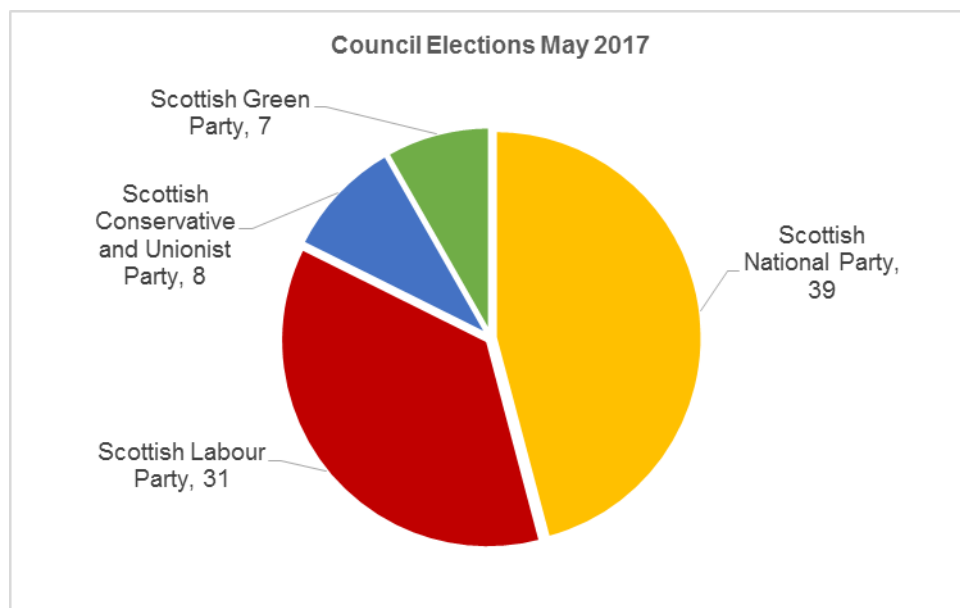
❖ Management Commentary

Introduction

Glasgow City Council is the main provider of services to the city's growing population of 621,020 residents and those who visit, work and do business in the city. Our resources are focused on the provision of Education, Social Work and other services, as well as supporting investment in the city's infrastructure.

These accounts cover a period of significant change in the composition of the council, as a result of elections in May 2017. Boundary changes agreed prior to the poll saw the number of wards within the city increase from 21 to 23, with the number of councillors to be elected rising from 79 to 85.

For the first time since the 1977 elections to Glasgow District Council, election results did not deliver one party with overall control of the authority.



The return of four relatively sizable political groups was another departure from previous elections. No formal coalition agreements were made and the Scottish National Party formed a minority administration.

A review of governance and committee structures was carried out, a new Strategic Plan agreed and the council consulted on and published Glasgow's first ever City Charter – a contract with the public that establishes a set of values and begins to define the distinct roles of citizens and the council in our communities.

In the year ahead, the city will deliver - with Berlin - the first multi-sport European Championships, with around 3,000 athletes expected to compete in six sports at venues across the city and beyond over 11 days in August 2018.

This event will be accompanied by Festival 2018, a major arts and culture programme including collaboration between artists and musicians in Glasgow and Berlin.

The council is working in partnership with Transport Scotland to establish the country's first Low Emission Zone (LEZ), covering much of Glasgow City Centre. The first phase of the LEZ is scheduled to come into operation on 31 December 2018.

This publication represents the Annual Accounts of both Glasgow City Council (the council) and its group for the year ended 31 March 2018, which have been compiled 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.

Strategic objectives

The council's new Strategic Plan 2017 to 2022 was approved at Council on 2 November 2017. This sets out the council's vision to have a world class city with a thriving, inclusive economy where everyone can flourish and benefit from the city's success. The Plan sets out 7 cross cutting themes

- A Thriving Economy
- A Vibrant City
- A Healthier City
- Excellent and Inclusive Education
- A Sustainable and Low Carbon City
- Resilient and Empowered Neighbourhoods
- A Well Governed City that listens and responds

Each theme has a number of outcomes that we wish to achieve over the life of the plan and in turn is supported by a number of detailed actions. The full plan can be found on the council's website at: <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=40052&p=0>

The Glasgow Community Plan sets out 3 focus areas (economic growth, resilient communities and a fairer more equal Glasgow) and 2 priority areas (childcare and transport). These are the important issues where we believe we can make a difference by acting with our partners. The full plan can be found at: <https://www.glasgowcpp.org.uk/CHttpHandler.ashx?id=39367&p=0>

Alignment of the Strategic and Community Plan

Community Plan Theme	ECONOMIC GROWTH	RESILIENT COMMUNITIES	A FAIRER MORE EQUAL GLASGOW
Lead Strategy	GLASGOW ECONOMIC STRATEGY	RESILIENT CITY STRATEGY	FAIRER GLASGOW STRATEGY
Specific Aspects of the Strategy Community Planning will focus on	<ul style="list-style-type: none"> • Raising Health • Skills for all • Linking Education to Employment opportunities • Ensuring Inclusive Growth is part of city deal/master planning of projects 	<ul style="list-style-type: none"> • Mental health and wellbeing • Social isolation • Empowering Glaswegians 	<ul style="list-style-type: none"> • Attitudes • Child poverty • Participation • Work and worth

Community Plan Theme	ECONOMIC GROWTH	RESILIENT COMMUNITIES	A FAIRER MORE EQUAL GLASGOW
Lead Strategy	GLASGOW ECONOMIC STRATEGY	RESILIENT CITY STRATEGY	FAIRER GLASGOW STRATEGY
Linked Council Strategic Plan Themes	<ul style="list-style-type: none"> • A Thriving Economy • A Healthier City • Excellent & Inclusive Education • A Vibrant City 	<ul style="list-style-type: none"> • Resilient & Empowered Neighbourhoods • A Healthier Glasgow • Excellent & Inclusive Education • A Well Governed City that Listens & Responds 	<ul style="list-style-type: none"> • A Healthier Glasgow • A Thriving Economy • A Well Governed City that Listens & Responds • Excellent & Inclusive Education • A Vibrant City
Linked Council Strategic Plan Commitments that Deliver Community Plan Priorities	<ul style="list-style-type: none"> • Deliver Economic Strategy & City Deal • Ensure Benefits to Glaswegians • Improve Attainment • Improve % Positive Destination • Employer Connections • Community Learning • Tourism & Visitor Strategy • Cultural Strategy 	<ul style="list-style-type: none"> • Neighbourhood Empowerment • Participatory Budgeting • Invest in Community Facilities • Community Asset Management • Volunteers/skills • City Charter • Consult on Service Redesign • Review Funding to 3rd Sector • Liveable communities • Planning and licensing decisions • Local festivals fund • Housing 	<ul style="list-style-type: none"> • Address Child Poverty, Summer Schemes & Free School Meals • Support for Carers • Age Friendly • Financial Inclusion Strategy • Employment Programmes • Cost of the School Day • Outdoor Play • Equality & Diversity in Education • Financial inclusion

Performance management

The Council Family's Corporate Performance Management Arrangements were reviewed early 2017 and the review reported to the Extended Corporate Management Team (ECMT) in April 2017. The updated Corporate Performance Management Framework was presented to Operational Performance and Delivery Scrutiny Committee (OPDSC) on 31 January 2018.

The Framework sets out our approach to reporting on performance at both a corporate and service level to ensure that we can monitor and report progress against the council's commitments and programmes, improve benchmarking reporting and activity, and streamline how we gather residents' views on services.

The target audience for much of the reporting output is the City Administration Committee, the OPDSC, the Finance and Audit Scrutiny Committee (FASC) and the ECMT. Information is also provided to other committees and to the public, as part of our Public Performance Reporting arrangements.

A number of reports form the core of the framework including the council's Strategic Plan and the Annual Performance Report (APR), Annual Service Plan and Improvement Reports (ASPIRs), the Glasgow Community Plan and associated performance reports, Equality Outcomes, Equality Monitoring reports and Local Government Benchmarking Framework Indicators and activity.

Our performance information is hosted on a performance page on our website. Performance reporting to council committees also incorporates thematic scrutiny reporting, as well as operational performance reporting. The Corporate Performance Management Framework also includes financial reports, human

resources reports, Service Reform Programme reports, risk registers and Annual Household Survey reports. The annual performance against the council's Strategic Plan 2012 to 2017 is incorporated with the council's APR.

Some key achievements this year are listed below:

- Finalised planning for the first multi-sport European Championships which opens 2 August 2018.
- Delivering further regeneration in areas such as Sighthill.
- Establishing the Connectivity Commission to look at challenges and opportunities with the City Centre, measures to effectively tackle congestion and pollution and improve public transport.
- Agreed plans to have Scotland's first Low Emission Zone in place by the end of 2018.
- On schedule to deliver the refurbishment and relaunch of the Burrell Collection
- Took forward measures to expand participatory budgeting, giving local people a say in how budgets are spent and services delivered. To this end £1million was committed to this as part of the 2018/19 Budget.
- Educational attainment continued to increase and is at an all time high.
- More pupils are staying on at school at S4 and S5 and school leavers achieving positive destinations are at an all time high.
- Developed our City Charter, setting out our values, ways of working and how we can work with citizens to meet this vision.

We will report on Year 1 performance through the Annual Performance Report 2017 to 2018. This will be finalised over the summer and reported to City Administration Committee in August 2018. It will then be considered by Operational Performance and Delivery Scrutiny Committee and published by end September 2018.

Risk management

The council operates a risk management policy and strategy which identifies risks affecting the council, aligned to the strategic plan objectives. All risks are reviewed on a six monthly basis by the Corporate Governance Unit and informed by the Operational Risk Management Forum which consists of service representatives.

Individual Services maintain and report their own risk registers to their management teams with the corporate risk register reported to the Corporate Management Team and thereafter to FASC. The latest report as at 31 March 2018 was considered by FASC on 12 June 2018.

The top risks identified within that report were:

Theme	Risk	Mitigation
A Thriving Economy	Constitutional and Political Uncertainty	Production of Brexit and Glasgow Economy report outlining the impacts, actions and asks of the UK and Scottish Governments
	Poverty and Inequality	Development of the Glasgow Economic Commission and Joint Economic Strategy and other strategic plans to address inequality.
A Healthier City	Impact of welfare reform	Improved communication and training across all sectors and promotion of access to benefits.
A Well Governed City that listens and responds	Equal Pay liability	Governance structures established and regular meetings with claimants representatives are scheduled and will continue.
	Budget Provision	Established budgetary management and control framework and ongoing review of financial position.
	Catastrophic service / ICT outage	Business Continuity Plans are in place across the organisation to ensure resilience of critical functions

Financial review

The financial review outlines some of the key financial issues affecting the council during the year and the overall financial position of the council, in line with the reporting requirement of the Code.

• Income and expenditure

In 2017/18 the council managed its operational net expenditure within its overall budget. During the year overspends were reported within Education Services relating to teacher and support staff costs associated with increasing school rolls offset by savings in early years due to the timing of the service expansion programme and a reduction in Additional Support for Learning external placements. This overspend was more than offset by lower level of commitment in respect of Council Tax Reduction. Financial pressures across service budgets were closely monitored and corrective action was identified by Executive Directors to contain net expenditure within approved budgets as far as possible. This process was supported by the establishment of the probable outturn and the provision of updates throughout the year.

The Council's Transformation programme incorporated initiatives amounting to £53.2 million within the 2017/18 budget. The progress of the transformation programme was regularly monitored and reported to committee throughout the year. The outturn position shows that the programme achieved £47.9 million (90.1%) of savings within 2017/18. Transformation investment costs amounted to £2.0 million in 2017/18.

Services have spent between 97.4% and 100.1% of their final budget resulting in a net underspend in total net direct service expenditure of £5.1m. This underspend related mainly to an underspend in Financial Services due to a lower level of commitment in respect of Council Tax Reduction. In addition there was an underspend in Related Companies as a result of an underspend in ICT costs. These underspends were partly offset by an overspend in Education Services relating to teacher and support staff costs associated with increasing school rolls offset by savings in early years due to the timing of the service expansion programme and a reduction in Additional Support for Learning external placements. In addition within Land and Environmental Services there was an overspend due to the shortfall in commercial income offset by savings within the service.

The Glasgow City Integration Joint Board (IJB) assumed responsibility for the planning and commissioning of health and social care services within the city on 1 April 2016. While the financial position of Social Work Services continued to be monitored through the Council's existing reporting structures the overall financial position is now the responsibility of the IJB.

The financial outturn for the IJB reflects a gross surplus of £19.6 million. This surplus reflects an underspend of £4.2 million and a number of 2017/18 commitments to the value of £15.4 million which will not complete until future years. This sum will be applied within the IJB accounts to support expenditure commitments in 2018/19 and contribute to the general reserves of the IJB. In line with proper accounting practice this underspend is reflected within the council's accounts as a prepayment of income from the IJB. This has no net impact on the council's overall financial position.

The principal sources of finance utilised by the council in 2017/18 were General Revenue Grant £834.785 million and Non-Domestic Rate Income £373.374 million provided by the Scottish Government and Council Tax £207.866 million raised from local taxpayers.

As part of the final allocation of General Revenue Grant for 2017/18 the Council received an allocation £1.6 million higher than budgeted for Council Tax Reduction Scheme funding. In addition Non-Domestic Rate Income in relation to a prior year claim was £0.1 million more than anticipated.

Council Tax income is the only significant funding source within the council's control, albeit restricted by the Scottish Government's budget commitments in recent years. This funding represents only around 14% of total funding, limiting the council's capacity to vary expenditure through raising Council Tax income.

The Scottish Government operates a pooling arrangement for the collection and re-distribution of Non-Domestic Rates Income, whereby the council acts as an agent, collecting income on its behalf. A 'pool' account is maintained and reported by the Scottish Government, outlining the amount collected on its behalf by councils and the amount re-distributed to authorities. The amount retained by local authorities reflects the amount raised within their local area. The balance of government funding is provided by amending the amount of General Revenue Grant received to meet the total government funding available.

In year collection levels for Council Tax have increased to 95.0% (2016/17 94.92%). The actual value of Council Tax income received was £207.866 million, £4.088 million more than budgeted (2016/17 £0.829 million more than budgeted). This is due to improved collections and a related review of bad debt provisions.

The Local Government in Scotland Act 2003 created a requirement to maintain statutory trading accounts and report on the performance of significant Trading Operations in a best value environment. Over the year the Area Operations Trading Operation reported a surplus of £1.524 million, in line with budget and the Transport Trading Operation reported a surplus of £0.445 million, £0.300 million less than budget.

In terms of the statutory requirement to break-even over a three year period, both Trading Operations reported a surplus over the current cycle. Note 12 on page 44 summarises the performance of the Trading Operations.

Surpluses received from related companies amounted to £9.956 million, some £3.317 million less than budgeted. This is mainly as a result of the impact of delayed transformation savings within Cordia and the settlement of outstanding workforce issues related to holiday pay and working patterns.

Financing costs (see note 1.11 on page 22) associated with the council's debt portfolio were underspent by £19.905 million. This reflects the application of capital receipts from asset sales (£12.410 million) and the ongoing impact of lower interest rates. The capital interest rate charged by the council's Loans Fund in the

year was 4.23%. Further details can be found in note 29 on pages 64 to 68. The application of asset sales in the year allowed for resources to be contributed to the Culture and Recreational Fund (£10.210 million) to support ongoing cultural activities including the 2018 European Championships and to the Insurance Fund (£2.200 million) to meet insurance liabilities.

A provision of £35.0 million has been included within the 2017/18 accounts in respect of the assessment of pay protection obligations. As part of reports approved by the City Administration Committee of 16 November 2017 savings in respect of the provision for auto-enrolment (£5.9 million) and the reclassification of community facilities and open spaces (£4.0 million) to the investment programme were identified and earmarked to support the council's pay protection obligations.

The Comprehensive Income and Expenditure Statement records an accounting surplus of £542.779 million, represented by a movement in Unusable Reserves of £540.685 million and Usable Reserves of £2.094 million (as shown in the Movement in Reserves Statement and detailed in note 6, page 34 to 38). The Financial Statements show a decrease in the General Fund Reserve balance of £11.414 million for the year. This results in a total General Fund Reserve balance of £47.818 million. Having accounted for earmarked reserves of £24.598 million, General Fund unearmarked reserves total £23.220 million, which represents 1.5% of the net budgeted expenditure. The council's policy remains to maintain balances at 2% of the net budgeted expenditure over the medium term.

Assets and liabilities

The council's Balance Sheet shows Net Assets of £1,743.610 million as at 31 March 2018 (£1,200.831 million at 31 March 2017).

Long-term assets amount to £4,651.996 million as at 31 March 2018 (2016/17 £4,622.891 million) and mainly reflect Property, Plant and Equipment and Heritage assets.

The Financial Statements reflect provisions for anticipated future liabilities, including estimated future costs in respect of former landfill site decommissioning and those associated with the council's schools PPP scheme. Council Tax debtors of £15.187 million (2016/17 £14.997 million) have been written off in accordance with the council's policy of writing off such debt more than five years old from the Balance Sheet. In addition, sundry debtors over two years old totalling £9.342 million (2016/17 £3.579 million) have been written off in the year in accordance with the council's accounting policy. In both cases these debts were fully provided for in previous years and the council continues to pursue collection.

The council's total debt outstanding amounts to £1,532.543 million (2016/17 £1,683.997 million). The majority of the council's borrowing comes from the Public Works Loans Board (PWLb), with the remainder coming from Lender Option Buyer Options (LOBOs) and temporary borrowing from various public bodies and financial institutions. The management of this debt is governed by the council's Treasury Management Strategy which is approved annually by the City Administration Committee.

Council employees are entitled to join the Local Government Pension Scheme (LGPS) or, for teachers, the Scottish Teachers' Superannuation Scheme (STSS). The STSS is accounted for as a defined contribution scheme and, therefore, the Annual Accounts show the amounts contributed by the council to the scheme in the year. The LGPS is a defined benefit scheme, requiring an actuarial assessment of the council's overall assets and liabilities to be included in the Annual Accounts. The 2017/18 actuarial report shows a £484 million decrease in the net pension liability, which is £1,148 million as at 31 March 2018.

- **Capital investment expenditure and income**

The council's Capital Expenditure and Income Statement is detailed in note 19.7 on page 56. Gross Capital Expenditure for the year totalled £161.402 million. The major elements of expenditure are 4R's for Glasgow, which represents further investment in the primary school estate £36.293 million, City Deal - Sighthill Regeneration £19.406 million, Local Authority Care Homes £11.542 million and Roads Infrastructure Investment £9.964 million.

Of the total expenditure, £122.264 million was met from finance leasing, revenue contributions, government grants and other receipts. This resulted in a balance of £39.138 million to be met from borrowing. The council has an investment programme capital fund to provide resources for tackling investment priorities within the authority. The balance on this fund at 31 March 2018 was £10.885 million (see note 8 on page 41). Capital receipts from asset sales achieved during the year totalled £12.410 million.

- **Prudential indicators**

The Capital Financing Requirement (CFR) defines the underlying need to borrow for capital purposes. As at 31 March 2018, the CFR was £1,797 million, while net external borrowing stood £168 million lower at £1,629 million. This is a measure of prudence, demonstrating that borrowing has only been undertaken for capital investment purposes and to meet short-term cash flow requirements. It is also reflective of the council's Treasury Management Strategy, where it has been deemed prudent to make use of internal funds held for longer-term purposes, to minimise exposure to investment risk.

The Ratio of Financing Costs to Net Revenue Stream provides an indication of affordability of capital investment. As at 31 March 2017, the ratio of financing costs to net revenue stream was 10.82%. The council's ability to service the borrowing costs is integral to capital investment decisions. Both capital and revenue budget forecasts are therefore inextricably linked, with the revenue implications of capital investment plans reflected within the council's revenue budget forecasts.

- **Group accounts**

The Code requires the council to include summary Group Accounts in the Annual Accounts, showing the joint financial position of the council and its subsidiaries and associates. The Group Balance Sheet shows Net Assets of £1,919.233 million as at 31 March 2018 (£1,211.945 million at 31 March 2017 restated).

The 2017/18 Annual Accounts show an overall group pension liability of £1,184.935 million. These liabilities, falling due in future years, will be financed by future years' annual pension contributions and returns on investments. It is expected that future revenue streams, aligned with the group's budget process and service reform programme, will provide sufficient resources to finance future liabilities.

Outlook

The financial outlook remains challenging due to anticipated funding gaps between revenues from central government income and local taxation, and increasing demand for council services and other cost pressures. The council has established a Financial Framework for 2018-2023 which anticipates spending gaps at least to the level of those experienced in the last five years (£220 million) are to be expected over the period of 2018-2023. The council will update its current three year financial forecast later in the year in preparation for the 2019/20 budget process.

Following decisions of the Court of Session in relation to equal pay, these accounts include provision to meet the council's obligations in relation to pay protection. The council continues to engage with claimants representatives in relation to the wider aspect of equal pay and while this may have a significant effect on the council's overall finances over time, it is too early to assess the specific financial implications. The council has however included an appropriate contingent liability within these accounts.

Further information on the Annual Accounts, or on any aspect of the council's finances, can be obtained from the Executive Director of Finance, City Chambers, Glasgow G2 1DU. Telephone 0141 287 3837 or e-mail financial@glasgow.gov.uk.

❖ **Statement of Responsibilities**

1. The Council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that the proper officer of the council has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this council, that officer is the Executive Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of 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 Scotland Act 2003); and
- Approve the Annual Accounts for signature.

These Annual Accounts were considered by the Finance and Audit Scrutiny Committee at its meeting on 12 June 2018 and will be submitted to the City Administration Committee to be approved for signature no later than 30 September 2018.

2. The Executive Director of Finance Responsibilities

The Executive Director of Finance is responsible for the preparation of the council's Annual Accounts, 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 judgements and estimates that were reasonable and prudent;
- Complied with legislation; and
- Complied with the Code (in so far as it is compatible with legislation).

The Executive Director of Finance has also:

- Kept adequate 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 Council and its group as at 31 March 2018 and the transactions for the year then ended.

Martin Booth BA CPFA MBA
Executive Director of Finance
14 June 2018

❖ The Financial Statements

A summary of the main financial statements is provided below.

Comprehensive Income and Expenditure Statement - shows income and expenditure incurred in the year relating to the provision of council services, financing and investing activities, taxation and grant income, and other unrealised gains and losses. In total, this reflects the movement in the overall council reserves shown in the Balance Sheet but excludes the statutory adjustments to the General Fund balance.

Movement in Reserves Statement - summarises the movement in the different reserves held by the council, analysed into Usable Reserves (that is, those that can be applied to fund expenditure or reduce local taxation) and Unusable Reserves, required by statute or regulation to adjust between proper accounting practice and the funding basis (these reserves are not available to fund expenditure or reduce local taxation). The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes. The main statutory adjustments to the General Fund balance relate to capital investment (which is accounted for as it is financed, rather than when the fixed assets are consumed) and retirement benefits (which are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned). The 'Net Increase or (Decrease) before transfers to other statutory reserves' line shows the statutory General Fund balance before any discretionary transfers to or from statutory reserves undertaken by the council. The opening and closing reserves reflect the balances shown in the Balance Sheet.

Balance Sheet - represents the value of the assets and liabilities of the council as at 31 March. The Net Assets (assets less liabilities) are matched by the total Usable and Unusable Reserves. Usable Reserves are those that the council may use to fund expenditure or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve Funds may only be used to fund capital expenditure or repay debt).

Unusable Reserves are those that the council is not able to use to provide services and include reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences (for example, the Pension Reserve), where amounts will fall to be paid when they are due and not when they are earned. The effect of these reserves is shown in the 'Adjustments between accounting basis and funding basis under regulations' line within the Movement in Reserves Statement.

Cash Flow Statement - details the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income, or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the council.

Other statements - there are a number of other statements included in the Annual Accounts, which provide more detail behind the main statements outlined above.

Statement	Information provided
Council Tax Income Account	Council Tax collectable by the council and the basis on which it is levied.
Non-Domestic Rates Income Account	Non-Domestic Rates Income collectable by the council and the amount contributable to the national pool.
Common Good Fund	Funds held under statute for the people of Glasgow. Expenditure from the fund does not represent a charge to council tax payers and primarily meets the costs of civic ceremonies and hospitality for distinguished visitors to the city.
Sundry Trusts and Funds	The income and expenditure in respect of donations made by individuals and organisations. The Balance Sheet shows the balance on these funds as at 31 March, represented by investments and other net assets.
Group Financial Statements	Consolidates the Financial Statements of the council and its subsidiaries, associates and joint boards. The Group Financial Statements comprise the same primary statements as the council: Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2018

2016/17 Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000	Service	Note	2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000
76,817	(12,546)	64,271	Chief Executive's Office		105,039	(27,891)	77,148
183,642	(115,114)	68,528	Development and Regeneration Services		194,671	(116,917)	77,754
578,413	(30,829)	547,584	Education Services		554,972	(54,254)	500,718
422,783	(349,894)	72,889	Financial Services		410,655	(341,225)	69,430
187,895	(49,029)	138,866	Land and Environmental Services		201,837	(49,333)	152,504
1,006,783	(604,332)	402,451	Social Work Services		1,009,140	(576,292)	432,848
178,722	(29,278)	149,444	Related Companies and Joint Boards		165,239	(19,326)	145,913
0	0	0	Pay protection obligations (material item)	10	35,055	0	35,055
2,635,055	(1,191,022)	1,444,033	Cost of Services		2,676,608	(1,185,238)	1,491,370
0	(2,980)	(2,980)	(Gain) or loss on the disposal of Property, Plant and Equipment		0	(705)	(705)
0	(2,980)	(2,980)	Other Operating (Income) and Expenditure		0	(705)	(705)
2,647	(5,120)	(2,473)	(Surplus) or deficit on Trading Operations (where not included elsewhere)		3,019	(4,985)	(1,966)
91,761	0	91,761	Interest payable		88,296	0	88,296
0	(6,383)	(6,383)	Interest and investment income		0	(6,019)	(6,019)
42,000	0	42,000	Net interest on the net defined benefit liability	13	43,000	0	43,000
136,408	(11,503)	124,905	Financing and Investment (Income) and Expenditure		134,315	(11,004)	123,311
0	(851,404)	(851,404)	Non-ring fenced government grants	14	0	(834,785)	(834,785)
0	(374,865)	(374,865)	Non-Domestic Rates	14	0	(373,374)	(373,374)
0	(189,732)	(189,732)	Council Tax		0	(207,866)	(207,866)
0	(89,494)	(89,494)	Capital grants and contributions	14	0	(106,744)	(106,744)
0	(1,505,495)	(1,505,495)	Taxation and Non-specific Grant Income		0	(1,522,769)	(1,522,769)
2,771,463	(2,711,000)	60,463	(Surplus) or Deficit on the Provision of Services		2,810,923	(2,719,716)	91,207
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(135,616)	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(75,441)
		406,000	Actuarial (gains) or losses on Pension Assets and Liabilities	13			(559,000)
		62	Other unrealised (gains) or losses				0
		270,446					(634,441)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(410)	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets				455
		270,036	Other Comprehensive (Income) and Expenditure				(633,986)
		330,499	Total Comprehensive (Income) and Expenditure				(542,779)

Movement in Reserves Statement for the Year ended 31 March 2018

	General Fund Reserve £000	Revenue Reserve Funds £000	Capital Reserve Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016	61,536	36,964	12,362	1,172	112,034	1,419,296	1,531,330
Movement in reserves during 2016/17:							
Total Comprehensive Income and (Expenditure)	(60,463)	0	0	0	(60,463)	(270,036)	(330,499)
Adjustments between accounting basis and funding basis under regulations (note 7)	58,371	0	0	(302)	58,069	(58,069)	0
Net Increase or (Decrease) before transfers to other statutory reserves	(2,092)	0	0	(302)	(2,394)	(328,105)	(330,499)
Transfers (to) or from other statutory reserves (note 8)	(212)	4,577	(4,365)	0	0	0	0
Increase or (Decrease) in the year	(2,304)	4,577	(4,365)	(302)	(2,394)	(328,105)	(330,499)
Balance at 31 March 2017	59,232	41,541	7,997	870	109,640	1,091,191	1,200,831
Movement in reserves during 2017/18:							
Total Comprehensive Income and (Expenditure)	(91,207)	0	0	0	(91,207)	633,986	542,779
Adjustments between accounting basis and funding basis under regulations (note 7)	86,724	0	0	6,577	93,301	(93,301)	0
Net Increase or (Decrease) before transfers to other statutory reserves	(4,483)	0	0	6,577	2,094	540,685	542,779
Transfers (to) or from other statutory reserves (note 8)	(6,931)	4,043	2,888	0	0	0	0
Increase or (Decrease) in the year	(11,414)	4,043	2,888	6,577	2,094	540,685	542,779
Balance at 31 March 2018	47,818	45,584	10,885	7,447	111,734	1,631,876	1,743,610

Notes 6 to 8 on pages 34 to 41 provide further details on the Movement in Reserves Statement

Balance Sheet as at 31 March 2018

31 March 17 £000		Note	£000	31 March 18 £000
2,200,004	Other land and buildings		2,229,863	
118,904	Vehicles, plant, furniture and equipment		97,743	
583,686	Infrastructure assets		642,838	
24,699	Community assets		24,699	
87,338	Assets under construction		56,013	
47,183	Corporate surplus assets		39,831	
3,061,814	Property, Plant and Equipment	20		3,090,987
1,417,158	Heritage assets	21		1,417,158
6,629	Intangible assets	22		9,810
27,695	Long-term investments	29		24,413
109,595	Long-term debtors	29		109,628
4,622,891	Long-term Assets			4,651,996
50,865	Short-term investments	29		275
1,365	Inventories	24		1,339
191,989	Net short-term debtors	25		192,879
155,205	Cash and cash equivalents	26		106,406
1,637	Intangible assets			358
32,950	Assets held for sale	23		28,915
434,011	Current Assets			330,172
(363,501)	Short-term borrowing	29		(293,208)
(282,634)	Short-term creditors	27		(261,374)
(5,926)	Short-term provisions	28		(40,107)
(652,061)	Current Liabilities			(594,689)
(21,614)	Long-term provisions	28		(21,894)
(1,320,496)	Long-term borrowing	29		(1,239,335)
(1,632,000)	Net pensions liability	13		(1,148,000)
(229,900)	Deferred liabilities	30		(234,640)
(3,204,010)	Long-term Liabilities			(2,643,869)
1,200,831	Net Assets			1,743,610
59,232	General Fund Reserve	6,7		47,818
41,541	Revenue Reserve Funds	6,8		45,584
7,997	Capital Reserve Fund	6,8		10,885
870	Capital Grants Unapplied Account	6,7		7,447
109,640	Usable Reserves			111,734
1,091,191	Unusable Reserves	6,7		1,631,876
1,200,831	Total Reserves			1,743,610

The unaudited accounts were
issued on 14 June 2018

Martin Booth BA CPFA MBA
Executive Director of Finance
14 June 2018

Cash Flow Statement for the Year ended 31 March 2018

2016/17 £000		Note	2017/18 £000
60,463	(Surplus) or Deficit on the Provision of Services		91,207
(185,866)	Adjustments to (Surplus) or Deficit on the Provision of Services for non-cash movements		(220,013)
4,318	Adjustments for items included in the (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		10,639
(121,085)	Net cash flows from Operating Activities	33	(118,167)
78,947	Investing Activities	34	(7,295)
(59,645)	Financing Activities	35	174,261
(101,783)	Net (increase) or decrease in Cash and cash equivalents		48,799
(53,422)	Cash and cash equivalents at the beginning of the reporting period		(155,205)
(155,205)	Cash and cash equivalents at the end of the reporting period		(106,406)

❖ Notes to the Financial Statements

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

1. Statement of accounting policies

The Financial Statements for the year ended 31 March 2018 have been prepared on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and 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 council and its group.

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 council will not significantly curtail the scale of its operation. Wherever accounting principles and legislative requirements are in conflict, the latter shall apply.

The accounting convention adopted is historical cost modified by the revaluation of certain categories of long-term assets and the fair value of investments and pensions.

1.1. Income and debtors

Income includes all sums due to the council for the year of account. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received. An appropriate provision has been made for bad and doubtful debts.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

1.2. Supplies and services

Suppliers' invoices received up to 31 March 2018 are included, together with the specific accrual of invoices received after that date for material amounts, provided the goods or services were received in 2017/18. Where applicable, expenditure and income are reduced by the value of recharges to other council services under the heading inter-departmental recharges. This ensures that the cost is only reflected in the receiving service.

1.3. Long-term contracts

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion of contract costs incurred for work performed to date, as compared to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred, where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.4. Overheads and support services

The full cost of overheads and support services are allocated to services in proportion to the benefits received, with the exception of charges to capital projects. Costs relating to capital projects incurred by services are charged to capital projects.

1.5. Employee benefits

Short-term employee benefits, such as wages and salaries and paid annual leave for current employees, are recognised as an expense in the year in which the employee renders service to the council. An accrual is made for the value of holiday entitlements earned by employees but not taken before the financial year end, which employees can carry forward into the next financial year.

Termination benefits are amounts payable as a result of a decision by the council to terminate an employment before the normal retirement date, or following an employee's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the council is demonstrably committed to a termination.

1.6. Retirement benefits

The council participates in two formal pension schemes, the Local Government Pension Scheme, which is administered by Strathclyde Pension Fund, and the Scottish Teachers' Superannuation Scheme, which is administered by the Scottish Government.

The Local Government Pension Scheme is accounted for as a defined benefits scheme as follows:

- (i) Attributable assets are measured at fair value at the balance sheet date, after deducting accrued expenses. Attributable liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. Net pension assets are recognised only to the extent that the council is able to recover a surplus, either through reduced contributions in the future or through refunds from the scheme. Unpaid contributions to the schemes are recorded as creditors due within one year.
- (ii) For pension charges, the change in defined benefit asset or liability is analysed and charged to the Comprehensive Income and Expenditure Statement as follows:
 - Current service cost, past service cost and gains / losses on curtailments and settlements are included within Cost of Services;
 - Net interest on the net defined benefit liability is included within Financing and Investment Income and Expenditure; and
 - Actuarial gains / losses are incorporated within Other Comprehensive Income and Expenditure.

The nature of the teachers' scheme prevents the council's individual share of the pension liability from being separately identified. The scheme is therefore accounted for as if it were a defined contribution scheme. Further details of pension costs can be found in note 13 on pages 45 to 50.

1.7. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.8. Trading Operations

The Local Government in Scotland Act 2003 requires the council to maintain statutory trading accounts and report on Trading Operations in a best value environment. The Act requires the Trading Operations to break-even over a rolling three year period.

Trading Operations form part of the council's overall activities and as such, their performance is reported within Financing and Investment Income and Expenditure supported by note 12 on page 44.

1.9. Service expenditure analysis

The Comprehensive Income and Expenditure Statement is presented in accordance with the council's management structure.

1.10. Charges to revenue for long-term assets

Services are debited with the following to recognise the cost of holding long-term assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service, where there are no accumulated gains in the Revaluation Reserve, against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The council is not required to raise Council Tax to fund these items. However, it is required to make an annual loans fund principal repayment from revenue to reduce the overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the loans fund principal, by way of an adjusting transaction between the General Fund and the Capital Adjustment Account within the Movement in Reserves Statement.

1.11. Financing costs

Repayment of debt to the consolidated Loans Fund is based on annuity principles. Repayment periods are in line with asset useful lives, for which debt has been incurred. They generally range from 5 to 10 years for major items of vehicles, plant, furniture and equipment to 40 years for infrastructure and buildings. The repayment of debt incurred in respect of significant components with specific useful lives is in line with the useful life of the component. Capital receipts from asset sales are applied in line with the council's overall financial planning model.

Interest is allocated by the Loans Fund on the basis of the debt outstanding at the start of the financial year with a proportionate adjustment in respect of borrowings or repayments during the financial year. Interest payable on external borrowings and interest receivable are accounted for on an accruals basis.

Financing costs comprise principal and interest. Interest is debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement, while the principal is debited to the General Fund through the Movement in Reserves Statement.

1.12. Leases and lease type arrangements

1.12.1. Finance leases

Leases are accounted for as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the lessee. Finance leases have a number of characteristics, however, the council has determined the principal factor in defining a finance lease to be where the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset. Substantially all of the fair value will generally be at least 80%.

Property leases are classified and accounted for as separate leases of land and buildings. The council implements the requirements of International Financial Reporting Interpretations Committee 4 (IFRIC 4), to assess whether an arrangement contains the substance of a lease. This includes lease rental payments embedded within service payments, where this is significant.

The acquisition of the interest in assets under the terms of a finance lease is recognised in the Balance Sheet as a Deferred Liability at the inception of the lease, matched by a Long-term Asset. This liability is written down as rentals become payable. Rentals payable under finance leases are apportioned between principal and interest. Interest is debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement, while the principal is debited to the General Fund through the Movement in Reserves Statement.

The interest in assets disposed of under the terms of a finance lease is recognised in the Balance Sheet as a Long-term Asset. Rentals receivable under finance leases are apportioned between finance income and a reduction in the finance lease receivable. Finance income is credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement, with the balance applied to reduce the debtor.

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to Long-term Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

1.12.2. Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

1.13. Public Private Partnership

The Public Private Partnership (PPP) agreement for the provision of secondary school buildings, maintenance and other facilities is accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The standard recognises that the council is in control of services provided under the PPP scheme. As ownership of the Long-term Assets will pass to the council at the end of the contract for no additional charge, the council carries the assets on the Balance Sheet.

The amounts payable to the PPP operator, 3ED Glasgow Limited each year are analysed into 5 elements:

- Fair value of the services received during the year – charged to the Comprehensive Income and Expenditure Statement within Education Services;
- Finance cost – the interest charge of 8.37% on the outstanding Balance Sheet liability charged to the Comprehensive Income and Expenditure Statement within Financing and Investment Income and Expenditure;
- Contingent rent – increase in the amount to be paid for the property arising during the contract charged to the Comprehensive Income and Expenditure Statement within Financing and Investment Income and Expenditure;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator; and
- Lifecycle replacement costs – recognised as Long-term Assets on the Balance Sheet.

1.14. Revenue expenditure funded from capital under statute

Revenue expenditure incurred during the year that may be capitalised under statutory provisions has been charged to the relevant service in the Comprehensive Income and Expenditure Statement. However, this is reversed out to the Capital Adjustment Account through the Movement in Reserves Statement, so that there is no impact on the General Fund balance.

1.15. Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

1.15.1. Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Property, Plant and Equipment purchased from revenue in excess of the council's *de minimis* level of £6,000 is recognised as a Long-term Asset. Enhancement expenditure, which substantially lengthens the useful life, value or extent to which the council will receive benefits from the asset, is capitalised. Expenditure on repairs and maintenance that does not add to an asset's potential to deliver future economic benefits is charged to the appropriate service revenue account.

1.15.2. Measurement

Assets are initially measured at cost. The council does not capitalise borrowing costs incurred whilst assets are under construction. Where an asset is acquired via an exchange, the cost of the acquisition is deemed to be equivalent to the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets, vehicles, plant, furniture and equipment assets and intangible assets – depreciated historic cost.
- Community assets - valued at £1 on 1 April 1994, with any additions or enhancement from that date included at cost. The major assets in this category are areas of open parkland.
- Assets held for sale – lower of carrying value of the asset at the date it was declared held for sale and fair value less cost of sale.
- Corporate surplus assets (i.e. surplus assets that do not meet the criteria to be held for sale) – fair value.
- Other land and buildings – current value.

1.15.3. Componentisation

Componentisation refers to accounting separately for the different component parts of assets. A *de minimis* level of £1 million is applied to the overall asset value in this respect. The council separately accounts for significant components with substantially different useful economic lives. Components are deemed to be significant where the cost is more than 10% of the cost of the asset. In practice, the following components are accounted for separately, where material:

- Land (useful life not applicable);
- Buildings (useful life 40 years);
- Plant and equipment (useful life 5 to 10 years); and
- Other components with substantially different useful economic lives.

As assets under construction become operational and existing assets are revalued, componentisation will apply. Where a component is replaced, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount.

1.15.4. Revaluation

Assets held at current value, including significant components, are revalued on a five year rolling basis, in accordance with the guidelines provided within the Royal Institution of Chartered Surveyors Valuation Standards Manual. In addition, any material changes in the value of individual assets that arise between the periodic valuations are immediately reflected in the Balance Sheet.

Where a significant component of an existing asset is replaced, prior to the componentisation of the asset, as part of the five year rolling programme of revaluations, the carrying value of the component being replaced is assumed not to be material.

Increases in valuations are matched by credits to the Revaluation Reserve, to recognise unrealised gains, except where they arise from the reversal of a loss previously charged to a service revenue account.

In respect of decreases in value, where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance, up to the amount

of the accumulated gains. Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve represents revaluation gains recognised since its formal implementation on 1 April 2007 only. Gains arising before that date have been consolidated into the Capital Adjustment Account.

1.15.5. Depreciation and impairment

Depreciation is calculated on a straight-line basis and is provided for on all Property, Plant and Equipment over their useful lives. An exception is made for assets without a determinable finite useful life, that is, freehold land, community assets and assets under construction. Where an item of Property, Plant and Equipment has significant components, the components are depreciated separately, in accordance with their useful lives. Depreciation is applied in the year from 1 April based on asset valuations as at 31 March of the previous financial year.

The useful lives of property assets are determined in consultation with City Property (Glasgow) LLP. Technical officers within services determine non-property asset lives.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value and the historic cost depreciation transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. All impairment losses are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess thereafter charged to the relevant service line within the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original impairment, and adjusted for depreciation that would have been charged if the loss had not been recognised in the first place.

1.15.6. Disposals and Long-term Assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued upon reclassification and held at the lower of the carrying value and fair value less cost of sale. Where there is a subsequent decrease in fair value less costs to sell, the loss is debited to the Cost of Services line in the Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria of assets held for sale, they are reclassified back to Property, Plant and Equipment assets and revalued the subsequent year at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation and revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Receipts from disposals are credited to the same line to give the gain or loss on disposal. Any accumulated revaluation gains are transferred from the Revaluation Reserve to the Capital Adjustment Account.

Amounts received for disposals are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts are appropriated to this reserve from the General Fund balance through the Movement in Reserves Statement. Similarly, the written-off value of disposals is appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement. Disposals have no impact on Council Tax as long-term assets are fully provided for under separate capital financing arrangements. Balances are transferred from the Capital Receipts Reserve to the Capital Adjustment Account as they are applied.

1.16. Intangible assets

Expenditure on assets that do not have physical substance but are controlled by the council as a result of past events (for example, software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council. Internally generated assets would also be capitalised, where it could be demonstrated that a project will be able to generate future economic benefits by being able to sell or use the asset.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost.

Intangible assets are amortised over their useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any impairment losses are recognised within the relevant service lines, while any gains or losses arising from disposal are recognised within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

1.17. Heritage assets

Heritage assets have historical, cultural, artistic, scientific, geophysical or environmental qualities and are held and maintained for future generations for their contribution to knowledge and culture. Operational heritage assets that are also used to provide other services are accounted for as operational assets. The Code relaxes some of the measurement rules where information on cost or value is not available and where the cost of obtaining information outweighs benefit to users of the annual accounts.

The council's heritage assets comprise museum and gallery collections, which are held according to valuations for insurance purposes, and civic regalia, held at fair value. These valuations include some pieces of artwork, which are held on long-term loan to the council but are not significant compared to the overall valuation. Where the council holds information on the cost of statues and fountains, these are included at cost.

Heritage assets are deemed to have indeterminate lives and high residual values; hence the council does not consider it appropriate to charge depreciation on these assets.

There are a number of other public space statues, monuments, memorials, fountains and outdoor artworks at various locations throughout the city. The council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held, the number of assets held and the lack of comparable market values. Such assets are therefore excluded from the Balance Sheet.

The council's museum and gallery collections are managed by Culture and Sport Glasgow (trading as Glasgow Life) on behalf of the council, in accordance with the council's policy for acquisition, preservation, management and disposal of collections outlined within the Museums Acquisition and Disposal Policy.

1.18. Interest in companies and other entities

The council has interests in companies and other entities that have the nature of subsidiaries, associates and joint boards and these are included in the council's Group Financial Statements. In the council's single entity accounts, the interests in these companies are recorded as long-term investments at cost.

1.19. Valuation of other assets and investments

Inventories are included at the lower of cost and net realisable value of the separate items of inventory or of groups of similar items, calculated on the basis of weighted average cost. Work in progress has been valued at cost plus an appropriate proportion of overheads, together with allowances for foreseeable losses.

1.20. Cash and cash equivalents

Cash is represented as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

1.21. Foreign currency translation

Where the council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the transaction date. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the exchange rate as at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.22. Provisions

The value of provisions is based upon the council's obligations arising from past events, the probability that a transfer of economic benefit will take place, and a reasonable estimate of the obligation. Provisions are charged to the appropriate service revenue account in the year the obligation becomes known and are reviewed at each balance sheet date. Any related reimbursement to be met by another party is only recognised where the receipt is virtually certain on settlement of the obligation.

Further details of provisions can be found in note 28 on page 63.

1.23. Contingent liabilities

Contingent liabilities are included in note 31 on page 68 to 69 and reflect possible liabilities facing the council where the potential amount is unable to be estimated, and/or it is still not deemed probable that an obligating event has arisen.

1.24. Deferred liabilities

Deferred liabilities are released to the Comprehensive Income and Expenditure Statement to match future payments. Further detail on deferred liabilities can be found within note 30 on page 68.

1.25. Financial instruments

Loans and receivables, and loans payable are carried at amortised cost on the Balance Sheet. Available-for-Sale investments are carried at fair value based on quoted market price. The council has financial guarantees on bank loans taken out by City Parking (Glasgow) Limited Liability Partnership (LLP) and City Property Glasgow (Investments) LLP, which are measured at fair value and estimated by considering the probability of the guarantee being called. Premiums and discounts arising from debt restructuring are written off through the Movement in Reserves Statement to the Financial Instruments Adjustment Account. Amortisation is undertaken in line with statutory instruction.

The interest receivable or payable that is recognised within Financing and Investment Income and Expenditure is based on the effective interest rate chargeable to the carrying amount.

There are two accounting reserves arising from the re-measurement of financial instruments:

- (i) The Available-for-sale Financial Instruments Reserve holds the gains or losses arising from the policy of carrying the available-for-sale investments at fair value;
- (ii) The Financial Instruments Adjustment Account holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with the regulations to be charged to the General Fund balance.

Further details can be found in note 29 on pages 64 to 68.

1.26. Fair value measurement

Non-financial assets within the balance sheet such as surplus assets, assets held for sale and financial instruments such as available-for-sale financial assets are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability take place either in the principal market for that asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, account is taken of a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques used are appropriate in the circumstances and have sufficient data available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.27. Capital grants and contributions

Capital grants or contributions and donated assets are recognised as due to the council when there is reasonable assurance that the council will comply with any conditions attached to the payments and the grants or contributions will be received.

Amounts recognised as due to the council are credited to the Capital Grants and Contributions line in the Comprehensive Income and Expenditure Statement when grant conditions have been complied with. Amounts credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance in the Movement in Reserves Statement. Where grant conditions have not been met, the grant will be accounted for as Capital Grants Receipts in Advance on the Balance Sheet and donated assets will be accounted for in the Donated Assets Account. Where grant conditions have been met but the grant has not yet been used to finance capital expenditure, the grant will be held within the Capital Grants Unapplied Account and transferred to the Capital Adjustment Account as expenditure is incurred.

1.28. Usable and unusable reserves

Usable Reserves represent funds available to the council. The Capital Fund and various Revenue Reserve Funds, such as the Repairs and Renewals Fund, the Cultural and Recreational Fund and the Insurance Fund, are Usable Reserves which have been set up by the council for specific purposes.

Unusable reserves represent funds that are not available to the council. These balances are recognised as part of the accounting arrangements for capital, financial instruments, pensions and employee benefits. The Capital Adjustment Account contains entries relating to the financing of capital expenditure and the Revaluation Reserve reflects movements in the value of assets. The Available-for-sale Financial Instruments Reserve and the Financial Instruments Adjustment Account are required to permit the re-measurement of financial instruments. The Pension Reserve has been set up in accordance with statutory accounting requirements to absorb the timing differences arising from accounting and funding for post-employment benefits. The Employee Statutory Adjustment Account has been created to negate the impact of the employee benefits accrual on the General Fund. Details of the movement in these reserves can be found in note 6 on pages 34 to 38, and in note 8 on page 41.

1.29. Material items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the council's financial performance.

1.30. Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events may be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events; and

- Those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where this would have a material effect, the nature and estimated financial impact of such events is disclosed in the notes.

1.31. Prior period adjustments, changes in accounting policies and estimates

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting policy are only made when required by proper accounting practice or to provide more reliable or relevant information on the council's financial position. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always been applied. Changes in accounting estimation techniques are applied in the current and future years and do not give rise to a prior period adjustment.

2. New standards issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS9 Financial Instruments
- IFRS15 Revenue from Contracts with Customers
- IAS12 Income Taxes
- IAS7 Statement of Cash Flows

The Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 annual accounts.

IFRS9 is a new standard that authorities are required to adhere to in relation to financial instruments. IFRS15 is a new standard that authorities are required to adhere to in relation to contracts with customers. IAS12 recognises amendments in relation to recognition of deferred tax assets for unrealised losses. IAS7 recognises amendments in relation to disclosure initiatives. Overall, these new or amended standards are not expected to have a significant impact on the Annual Accounts.

3. Critical judgements made in applying accounting policies

In applying the accounting policies set out in note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the annual accounts are as follows:

- Judgements made in assessing lease-type arrangements are set out in the accounting policy at 1.12.
- Judgements made in respect of accounting for asset components are set out in the accounting policy at 1.15.3.
- Assets held at current value are revalued on a five year rolling basis, as set out in the accounting policy at 1.15.4. Additional valuations may be carried out on an ad hoc basis outwith the rolling programme arrangements, for example, when assets change category. The authority asserts that at any point in time, the carrying amount does not differ materially from that which would be determined using current value.

- In assessing potential liabilities arising from legal claims against the council, legal opinion has been sought. Where it is judged that there is more than 50% chance of a liability arising and the amount can be reliably estimated, then a provision has been made. Where the council is challenging a claim through the legal system and is of the view that there is a less than 50% chance of a significant liability arising, then no provision has been made. However, such cases continue to be monitored for potential liabilities that require to be recognised, including any developments up to the point of signing the Annual Accounts.
- The annual unitary charge payable by the council in respect of the PPP contract for secondary schools is allocated across various expenditure headings based on a detailed financial model, in line with assumptions contained within the service provider's operating model.

4. Assumptions about the future and other sources of estimation uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The item in the council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. The actuary has estimated that a 0.5% decrease in the real discount rate would result in an increase to the pension liability of £413 million. Similarly, a 0.5% increase in the rate of salary increase and pension increase rates would increase the liability by £76 million and £330 million respectively. In terms of life expectancy, an increase of 1 year is estimated to equate to an increased liability of between £139 million and £232 million.

5. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with proper accounting practice. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under proper accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

5.1. Expenditure and Funding Analysis for the Year ended 31 March 2018

2016/17 Expenditure Chargeable to the General Fund £000	2016/17 Adjustments between the Funding and Accounting basis £000	2016/17 Net Expenditure in the CIES £000	Service	2017/18 Expenditure Chargeable to the General Fund £000	2017/18 Adjustments between the Funding and Accounting basis £000	2017/18 Net Expenditure in the CIES £000
50,865	13,406	64,271	Chief Executive's Office	52,714	24,434	77,148
22,467	46,061	68,528	Development and Regeneration Services	22,665	55,089	77,754
475,642	71,942	547,584	Education Services	478,593	22,125	500,718
129,887	(56,998)	72,889	Financial Services	125,853	(56,423)	69,430
109,924	28,942	138,866	Land and Environmental Services	114,099	38,405	152,504
395,326	7,125	402,451	Social Work Services	385,505	47,343	432,848
146,239	3,205	149,444	Related Companies and Joint Boards	143,172	2,741	145,913
0	0	0	Pay protection obligations (material item)	35,055	0	35,055
1,330,350	113,683	1,444,033	Cost of Services	1,357,656	133,714	1,491,370
(1,328,258)	(55,312)	(1,383,570)	Other (Income) and Expenditure	(1,353,173)	(46,990)	(1,400,163)
2,092	58,371	60,463	(Surplus) or Deficit on the Provision of Services	4,483	86,724	91,207
		61,536	Opening General Fund Balance			59,232
		(2,092)	Surplus/(Deficit) on General Fund in Year			(4,483)
		(212)	Transfers (to)/from Other Statutory Reserves			(6,931)
		59,232	Closing General Fund Balance			47,818

5.2. Note to the Expenditure and Funding Analysis – Adjustments between the Funding and Accounting basis

2016/17 Adjustments for Capital Purposes £000	2016/17 Net Change for the Pensions Adjustments £000	2016/17 Other Differences £000	2016/17 Total Adjustments £000	Service	2017/18 Adjustments for Capital Purposes £000	2017/18 Net Change for the Pensions Adjustments £000	2017/18 Other Differences £000	2017/18 Total Adjustments £000
12,897	(466)	975	13,406	Chief Executive's Office	21,424	1,150	1,860	24,434
49,343	(2,710)	(572)	46,061	Development and Regeneration Services	57,223	(938)	(1,196)	55,089
76,148	(4,335)	129	71,942	Education Services	17,480	3,494	1,151	22,125
411	2,273	(59,682)	(56,998)	Financial Services	203	5,560	(62,186)	(56,423)
28,149	1,850	(1,057)	28,942	Land and Environmental Services	31,218	8,526	(1,339)	38,405
2,830	3,873	422	7,125	Social Work Services	33,531	13,955	(143)	47,343
(35)	193	3,047	3,205	Related Companies and Joint Boards	(170)	843	2,068	2,741
169,743	678	(56,738)	113,683	Cost of Services	160,909	32,590	(59,785)	133,714
(154,392)	41,322	57,758	(55,312)	Other (Income) and Expenditure	(150,069)	42,410	60,669	(46,990)
15,351	42,000	1,020	58,371	(Surplus) or Deficit on the Provision of Services	10,840	75,000	884	86,724

Note 7 on page 39 provides further detail on the adjustments contained in the table above.

6. Reserves

The council holds a number of reserves in the Balance Sheet for a variety of purposes. These are classified as either 'Usable' or 'Unusable' Reserves. Usable Reserves are those that can be applied to fund expenditure or reduce taxation. Usable Reserves can also be earmarked for future spending plans. Unusable Reserves are generally required to comply with proper accounting practice or statute.

6.1. Usable Reserves

6.1.1. General Fund Reserve

The General Fund Reserve represents the accumulated surplus of the council. The balance on the General Fund Reserve as at 31 March 2018 stands at £47.818 million, a decrease of £11.414 million from the previous year. A cumulative total of £24.598 million has been earmarked to meet expenditure in future years, leaving an uncommitted balance of £23.220 million (31 March 2017 £32.544 million).

6.1.2. Revenue and Capital Reserve Funds

The council also has statutory powers to hold Revenue Reserve Funds (Repairs and Renewals, Culture and Recreational, and Insurance Funds) and Capital Reserve Funds to meet future service revenue costs and capital investment respectively. Note 8 on page 41 provides information on these reserves showing the purpose of the reserve and an analysis of the movement in reserves from 1 April 2016 to 31 March 2018.

6.1.3. Capital Grants Unapplied Account

In accounting for grants and other contributions related to capital investment, the Capital Grant Unapplied represents the total grant and other contributions received, for which expenditure has not yet been incurred.

6.2. Unusable Reserves

Unusable Reserves in the Balance Sheet comprises the following reserves:

2016/17 £000	Unusable Reserves	2017/18 £000
786,315	Capital Adjustment Account	787,229
2,017,375	Revaluation Reserve	2,070,565
(70,099)	Financial Instruments Adjustment Account	(66,179)
1,461	Available-for-sale Financial Instruments Reserve	1,006
(1,632,000)	Pensions Reserve	(1,148,000)
(11,861)	Employee Statutory Adjustment Account	(12,745)
1,091,191	Total	1,631,876

6.2.1. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of long-term assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The following table shows the movement on the Capital Adjustment Account during the year:

2016/17 £000	Capital Adjustment Account	2017/18 £000
782,751	Balance at 1 April	786,315
	Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(114,439)	Charges for depreciation and impairment	(121,977)
(90,059)	Revaluation losses	(72,496)
(2,041)	Amortisation of Intangible assets	(2,109)
(9,421)	Disposals	(11,705)
22,434	Adjusting amounts written out of the Revaluation Reserve	22,251
	Capital financing applied in the year:	
89,371	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	99,952
425	Application of grants to capital financing from Capital Grant Unapplied	215
103,293	Loans Fund principal repayment	83,741
(62)	Home loans principal repayment	(54)
4,063	Capital expenditure charged against the General Fund Reserve	3,096
786,315	Balance at 31 March	787,229

6.2.2. Revaluation Reserve

The Revaluation Reserve contains the unrealised gains made by the council arising from the increases in the value of its Property, Plant and Equipment. The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. The following table shows the movement on the Revaluation Reserve during the year:

2016/17 £000	Revaluation Reserve	2017/18 £000
1,904,193	Balance at 1 April	2,017,375
227,222	Upward revaluation of assets	110,191
(91,606)	Downward revaluation of assets and impairment losses not charged to (Surplus) or Deficit on the Provision of Services	(34,750)
135,616	Surplus or deficit on revaluation of Property, Plant and Equipment not posted to (Surplus) or Deficit on the Provision of Services	75,441
(11,950)	Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(14,309)
(10,484)	Accumulated gains on assets sold or scrapped	(7,942)
(22,434)	Amounts written off to the Capital Adjustment Account	(22,251)
2,017,375	Balance at 31 March	2,070,565

6.2.3. Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments. The council uses the account primarily to manage premiums paid on the early redemption of loans in line with the Treasury Management Strategy. Over time the expense is posted to the General Fund Reserve balance in accordance with statutory arrangements to spread the burden on Council Tax. The following table shows the movement on the Financial Instruments Adjustment Account during the year:

2016/17 £000	Financial Instruments Adjustment Account	2017/18 £000
(73,858)	Balance at 1 April	(70,099)
3,759	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3,920
(70,099)	Balance at 31 March	(66,179)

6.2.4. Available-for-sale Financial Instruments Reserve

The Available-for-sale Financial Instruments Reserve contains the gains or losses made by the council arising from changes in the value of its investments that have quoted market prices. The balance is reduced when investments are revalued downward or impaired, or disposed of and the gains are realised. The following table shows the movement on the Available-for-sale Financial Instruments Reserve during the year:

<i>2016/17 £000</i>	Available-for-sale Financial Instruments Reserve	<i>2017/18 £000</i>
1,051	Balance at 1 April	1,461
410	Surplus/(Deficit) arising on revaluation of Available-for-Sale financial assets	(455)
1,461	Balance at 31 March	1,006

6.2.5. Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Pension Reserve shows a significant shortfall in the benefits earned by past and current employees and the council's share of Strathclyde Pension Fund resources available to meet them. Employers' contribution rates and contribution strategy will be reviewed following the next formal valuation as at 31 March 2018. The following table shows the movement on the Pension Reserve during the year:

<i>2016/17 £000</i>	Pension Reserve	<i>2017/18 £000</i>
(1,184,000)	Balance at 1 April	(1,632,000)
(406,000)	Actuarial gains or (losses) on Pension Assets/Liabilities	559,000
(112,000)	Reversal of items relating to net charges for retirement benefits charged to (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(146,000)
70,000	Employers' pension contributions paid to Strathclyde Pension Fund	71,000
(1,632,000)	Balance at 31 March	(1,148,000)

6.2.6. Employee Statutory Adjustment Account

This account absorbs the differences that would otherwise arise on the General Fund Reserve balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement accrued, but not taken as at 31 March. Statutory arrangements require that the impact on the General Fund Reserve balance is neutralised by transfers to or from the Employee Statutory Adjustment Account. The following table shows the movement on the Employee Statutory Adjustment Account during the year:

2016/17 £000	Employee Statutory Adjustment Account	2017/18 £000
(10,841)	Balance at 1 April	(11,861)
10,841	Settlement or cancellation of accrual made at the end of the preceding year	11,861
(11,861)	Amounts accrued at the end of the current year	(12,745)
(11,861)	Balance at 31 March	(12,745)

7. Adjustments between accounting basis and funding basis under regulation

This note details the adjustments required to total Comprehensive Income and Expenditure for the year in accordance with either proper accounting practice or statutory provisions and applied to the General Fund Reserve. Figures for 2016/17 are provided in an additional table to allow comparison:

Accounting adjustments permitted under regulation during 2017/18	31 March 2018		
	Usable Reserves		Unusable Reserves £000
	General Fund Reserve £000	Capital Grants Unapplied Account £000	
Adjustments primarily involving the Capital Adjustment Account:			
Charges for depreciation and impairment, and downward revaluation of Property, Plant and Equipment and Assets held for sale	194,473		(194,473)
Amortisation of Intangible assets	2,109		(2,109)
Capital grant and contributions applied to the Comprehensive Income and Expenditure Statement	(106,744)	6,577	100,167
Net gain on sale of Property, Plant and Equipment and Assets held for sale	(705)		705
Loans Fund principal	(83,687)		83,687
Capital receipts applied	12,410		(12,410)
Capital expenditure charged to General Fund Reserve	(3,096)		3,096
Adjustments primarily involving the Financial Instruments Adjustment Account:			
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement differ to that calculated under statute	(3,920)		3,920
Adjustments primarily involving the Pension Reserve:			
Amounts by which pension costs debited or credited to the Comprehensive Income and Expenditure Statement differ to that calculated under statute	75,000		(75,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:			
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	884		(884)
Totals	86,724	6,577	(93,301)

Comparative Information 2016/17

Accounting adjustments permitted under regulation during 2016/17	31 March 2017		
	Usable Reserves	Capital Grants	Unusable Reserves
	General Fund Reserve	Unapplied Account	
	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:			
Charges for depreciation and impairment, and downward revaluation of Property, Plant and Equipment and Assets held for sale	204,498		(204,498)
Amortisation of Intangible assets	2,041		(2,041)
Capital grant and contributions applied to the Comprehensive Income and Expenditure Statement	(89,494)	(302)	89,796
Net gain on sale of Property, Plant and Equipment and Assets held for sale	(2,980)		2,980
Loans Fund principal	(103,293)		103,293
Capital receipts applied	12,401		(12,401)
Capital expenditure charged to General Fund Reserve	(4,063)		4,063
Adjustments primarily involving the Financial Instruments Adjustment Account:			
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement differ to that calculated under statute	(3,759)		3,759
Adjustments primarily involving the Pension Reserve:			
Amounts by which pension costs debited or credited to the Comprehensive Income and Expenditure Statement differ to that calculated under statute	42,000		(42,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:			
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1,020		(1,020)
Totals	58,371	(302)	(58,069)

8. Transfers to or from statutory reserves

Under statute, the council is permitted to hold a number of revenue and capital reserves to provide financing for future expenditure plans. These funds include Repairs and Renewals Funds, the Culture and Recreational Fund, Insurance Fund and Capital Reserve Fund. The table below provides an analysis of the movement in reserve funds from 1 April 2016 to 31 March 2018. The Code requires that all income and expenditure associated with statutory reserves is reported within the Comprehensive Income and Expenditure Statement and transferred to the appropriate reserve in the Movement in Reserves Statement.

Reserve	Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Purpose of the reserve
Property Repairs and Renewals	5,807	(2,205)	1,711	5,313	(1,705)	1,524	5,132	For the repair and renewal of council property
Winter Gardens Appeal	39	0	0	39	0	0	39	For the upkeep of the Winter Gardens
Energy Efficiency	596	(794)	786	588	(934)	498	152	For energy efficiency initiatives in council properties
New Technology	4,244	(653)	2,771	6,362	(1,297)	3,176	8,241	To fund new technology projects
Douglas Flagpole Appeal	17	0	0	17	0	0	17	For maintenance of the flagpole in the Botanic Gardens
Botanic Book Fund Appeal	18	0	0	18	0	0	18	For the purchase of books for the Botanic Gardens
Winter Maintenance Reserve Fund	1,558	0	10	1,568	(1,270)	8	306	To equalise the effect of severe, mild and average winters
Total Repairs and Renewals Funds	12,279	(3,652)	5,278	13,905	(5,206)	5,206	13,905	
Culture and Recreational Fund	13,046	(5,038)	9,985	17,993	(6,275)	10,658	22,376	For the provision of social, cultural, and recreational activities
Insurance Fund	11,639	(8,815)	6,819	9,643	(9,445)	9,105	9,303	For property, motor and liability insurance
Total Revenue Reserves	36,964	(17,505)	22,082	41,541	(20,926)	24,969	45,584	
Capital Reserve Fund	12,362	(11,166)	6,801	7,997	(2,206)	5,094	10,885	To fund capital investment projects
Total Revenue and Capital Reserve Funds	49,326	(28,671)	28,883	49,538	(23,132)	30,063	56,469	

9. Subjective analysis

2016/17 £000	Subjective analysis	2017/18 £000	%
Where the money came from			
(1,424,895)	Government grants and local taxation	(1,466,147)	53.9
(579,288)	Other grants, reimbursements and contributions	(568,892)	20.9
(607,943)	Customer and client receipts	(568,262)	20.9
(5,585)	Interest	(5,224)	0.2
(122,136)	Income from other departments	(130,757)	4.8
(815)	Other miscellaneous income	(808)	0.1
(2,980)	Gain on disposal of property, plant and equipment	(705)	0.0
122,136	Inter-departmental recharges	127,823	(4.7)
(89,494)	Capital grants and contributions	(106,744)	3.9
(2,711,000)	Total income	(2,719,716)	100.0
How the money was spent			
672,494	Employee costs	767,381	27.3
87,127	Premises costs	87,610	3.1
237,592	Supplies and services	261,811	9.3
61,385	Transport and plant	60,505	2.2
1,002,799	Third party payments	951,105	33.8
498,919	Transfer payments	489,818	17.4
206,539	Depreciation, amortisation and impairment	196,582	7.0
91,761	Financing costs	88,296	3.1
(7,017)	Allocations	(7,362)	(0.3)
42,000	Net interest on the net defined benefit liability	43,000	1.5
(122,136)	Inter-departmental recharges	(127,823)	(4.4)
2,771,463	Total expenditure	2,810,923	100.0
60,463	(Surplus) or Deficit on the Provision of Services	91,207	

10. Material items

The Code requires disclosure of the nature and amount of material items. During 2017/18 the following items are regarded as material:

Nature	2017/18 £m
A decrease in the net pension liability mainly arising from a decrease in the present value of funded liabilities and an increase in the fair value of employer assets.	484.000
A provision for pay protection obligations has been recognised in the Comprehensive Income and Expenditure Statement.	35.055

11. Education Services – Public Private Partnership

The council entered into a Public Private Partnership for the provision of school buildings, maintenance and other facilities. This agreement provides the council with 29 replacement or renovated secondary schools and one primary school. The provider is required to maintain these schools to a high standard. When the agreement ends in July 2030 the schools will be handed back to the council with a guarantee of no major maintenance requirements for a five year period. The value of the assets held under the PPP scheme are £369.972 million (2016/17 £381.488 million). Under the agreement the council is committed to paying the following sums (in cash terms at today's prices):

Future repayment periods	Payment for services £m	Repayment of liability £m	Interest £m	Total £m
Within 1 year	23.733	8.489	19.685	51.907
2 to 5 years	105.806	35.917	75.699	217.422
6 to 10 years	166.179	46.588	83.027	295.794
11 to 15 years	86.552	23.921	32.245	142.718
Total	382.270	114.915	210.656	707.841

12. Trading Operations

The council currently operates two Trading Operations, Area Operations and Transport. The service objectives of the Trading Operations are as follows:

- **Area Operations Trading Operation**

To provide integrated neighbourhood services encompassing roads maintenance, grounds maintenance, cleansing and refuse collection functions. Specific services include roads, lighting, grounds and winter maintenance services, street sweeping and de-littering services, refuse collection and recycling services for household, commercial and industrial waste.

- **Transport Trading Operation**

To provide an efficient and competitive fleet management service including vehicle and plant maintenance, taxi inspection, chauffeur services, and drivers for the Additional Support for Learning Service.

The Local Government in Scotland Act 2003 places a statutory requirement on Trading Operations to break-even over a rolling three year period. The calculation of the statutory performance of each of the Trading Operations is summarised as follows:

2015/16 (Surplus)/ Deficit £000	2016/17 (Surplus)/ Deficit £000	Trading Operations Financial Summary	Expenditure £000	2017/18 Income £000	(Surplus)/ Deficit £000	3-year (Surplus)/ Deficit £000
(1,490)	(2,116)	Area Operations	81,898	(83,422)	(1,524)	(5,130)
(433)	(371)	Transport	30,296	(30,741)	(445)	(1,249)
(1,923)	(2,487)	(Surplus) / Deficit for year	112,194	(114,163)	(1,969)	(6,379)

On consolidating the Trading Operations into the Comprehensive Income and Expenditure Statement it is necessary to remove the impact of internal trading from the income and expenditure of the Trading Operations. In addition, interest received by the Trading Operations of £0.003 million (2016/17 £0.014 million) must be presented in the Comprehensive Income and Expenditure Statement against Interest and investment income.

In 2017/18 the Area Operations Trading Operation and Transport Trading Operation each reported a surplus for the year. In relation to the statutory three year performance targets, both Trading Operations met the requirement to break-even.

13. Pension costs

13.1. Local Government Pension Scheme

Disclosure of information relating to pensions follows the reporting requirements of IAS19 'Employee Benefits'. The table on page 47 details the assumptions made in estimating the figures contained in this note. The council offers retirement benefits to its employees under the Terms and Conditions of Employment.

The Local Government Pension Scheme is the main vehicle for the provision of pensions to council staff. The Strathclyde Pension Fund Office, which is part of Glasgow City Council's Financial Services, administers the scheme for all local authorities in the West of Scotland. This scheme is a funded defined benefits scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme provides pension benefits for councillors and local government employees (excluding teachers). For local government employees this is a defined benefit scheme calculated on a career average basis. This means that pension benefits are earned based on pensionable pay earned in the scheme year. There is a statutory requirement for the Strathclyde Pension Fund to publish a separate annual report, which can be accessed on their website: <http://www.spfo.org.uk>.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund Reserve the amounts required by statute as described in the accounting policies note.

The council recognises the cost of retirement benefits within Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, as the charge made when calculating Council Tax is based on the cash payable in the year, the cost of retirement benefits under IAS19 is reversed out of the General Fund Reserve in the Movement in Reserves Statement as an adjustment between the accounting basis and funding basis under regulation.

The following transactions have been made during the year in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement:

2016/17 £000	Local Government Pension Scheme	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
70,000	Current service cost	103,000
Financing and Investment Income and Expenditure:		
42,000	Net interest cost	43,000
112,000	Total Post-employment Benefits charged / (credited) to the (Surplus) or Deficit on the Provision of Services	146,000
Other Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability:		
(553,000)	Return on assets	(19,000)
950,000	Actuarial (gains) / losses arising on changes in financial assumptions	(208,000)
0	Actuarial (gains) / losses arising on changes in demographic assumptions	(19,000)
9,000	Other experience	(313,000)
518,000	Total Post-employment Benefits charged / (credited) to the Comprehensive Income and Expenditure Statement	(413,000)
112,000	Net charge / (credit) to the Surplus or Deficit on the Provision of Services brought forward	146,000
Movement in Reserves Statement		
(42,000)	Reversal of net (charge) / credit made to the Surplus or Deficit on the Provision of Services in accordance with IAS19	(75,000)
Actual amount charged against the General Fund balance for pensions in the year:		
70,000	Employers contribution paid	71,000

13.1.1. Pension assets and liabilities

As explained in the Accounting Policies (see note 1.6, Retirement Benefits on pages 21 to 22) the council participates in two formal schemes, the Local Government Pension Scheme, which is administered by the Strathclyde Pension Fund Office, and the Scottish Teachers' Superannuation Scheme. The Strathclyde Pension Fund is a funded, multi-employer, defined benefit scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. The Teachers' Scheme is also a defined benefit scheme but the assets and liabilities cannot be identified at individual employer level. The council is not required to record information related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with HM Treasury. The council has additional liabilities for unfunded discretionary pension payments outside the main schemes.

Assets are valued at fair value. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The council's liabilities have been assessed by Hymans Robertson Limited Liability Partnership, an independent firm of actuaries. Calculations have been based on the triennial valuation of the scheme as at 31 March 2017.

The credit to the Surplus or Deficit on the Provision of Services from the Pension Reserve per note 13.1 is £75.000 million. The council's net liability in respect of pensions decreased by £484.000 million in 2017/18 to £1,148.000 million. The pension liability represents the best estimate of the current value of pensions, which the council will have to fund. The real discount factor, which is used to express the benefits in current value terms rather than cash terms, has increased from 0.2% at March 2017 to 0.3% at March 2018.

The increase in the real discount factor has contributed to the decrease in the reported pension liability. A higher real discount rate leads to a lower value being placed on the liabilities therefore the change in the real discount rate has a positive impact on the Balance Sheet.

The following table sets out the principal assumptions used by the actuary to arrive at a net liability to the council of £1,148.000 million at 31 March 2018:

2016/17	Actuarial assumptions	2017/18
	Long-term expected rate of return on assets in the scheme:	
2.6%	Equity investments	2.7%
2.6%	Bonds	2.7%
2.6%	Property	2.7%
2.6%	Cash and net debtors / creditors	2.7%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	21.4
23.6	Women	23.7
	Longevity at 65 for future pensioners:	
24.8	Men	23.4
26.2	Women	25.8
	General assumptions:	
2.4%	Rate of price increases	2.4%
4.4%	Rate of increase in salaries	3.6%
2.4%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.7%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2009 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2009 service)	75.0%

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

2016/17 £000	Pension Assets and Liabilities recognised in the Balance Sheet	2017/18 £000
5,069,000	Present value of the defined benefit obligation	4,648,000
(3,437,000)	Fair value of plan assets	(3,500,000)
1,632,000	Net liability arising from defined benefit obligation	1,148,000

The following tables set out the reconciliation of scheme assets and liabilities:

2016/17 £000	Reconciliation of present value of scheme liabilities	2017/18 £000
4,018,000	Opening balance at 1 April	5,069,000
70,000	Current service costs	103,000
140,000	Interest costs	132,000
17,000	Contributions by scheme participants	17,000
	Remeasurement (gains) and losses:	
950,000	Actuarial (gains) / losses arising from changes in financial assumptions	(208,000)
0	Actuarial (gains) / losses arising from changes in demographic assumptions	(19,000)
9,000	Other	(313,000)
(135,000)	Benefits paid	(133,000)
5,069,000	Closing balance at 31 March	4,648,000

2016/17 £000	Reconciliation of the movements in the fair value of scheme assets	2017/18 £000
2,834,000	Opening fair value of scheme assets	3,437,000
98,000	Interest income	89,000
	Remeasurement gain / (loss):	
553,000	Return on assets, excluding the amount included in the net interest cost	19,000
70,000	Contributions by employer	71,000
17,000	Contributions by scheme participants	17,000
(135,000)	Benefits paid	(133,000)
3,437,000	Closing fair value of scheme assets	3,500,000

13.1.2. Analysis of Pension Fund's Assets

Quoted prices in active markets £m	2016/17		Local Government Pension Scheme assets	Quoted prices in active markets £m	2017/18	
	Prices not quoted in active markets £m	Total £m			Prices not quoted in active markets £m	Total £m
124	6	130	Cash and cash equivalents	180	174	354
			Equity Instruments:			
325	0	325	Consumer	224	1	225
257	1	258	Manufacturing	181	1	182
102	0	102	Energy and utilities	47	0	47
239	0	239	Financial institutions	151	0	151
140	0	140	Health and care	89	1	90
198	0	198	Information technology	115	0	115
1,261	1	1,262	Sub-total equity instruments	807	3	810
			Debt Securities:			
0	0	0	Corporate Bonds (investment grade)	110	0	110
			Private Equity:			
0	283	283	All	0	418	418
			Property:			
0	415	415	UK	0	317	317
			Other investment funds:			
33	1,072	1,105	Equities	994	86	1,080
0	193	193	Bonds	153	252	405
2	0	2	Commodities	2	0	2
5	42	47	Other	0	4	4
40	1,307	1,347	Sub-total other investment funds	1,149	342	1,491
1,425	2,012	3,437	Total Assets	2,246	1,254	3,500

13.1.3. Investment Strategy

The investment strategy is set for the long-term but is monitored constantly and reviewed every 3 years using asset-liability modelling to ensure that it remains appropriate to the Fund's liability profile.

13.1.4. Impact on the Authority's Cash Flows

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the scheme's actuary to achieve a funding rate of 100% over time. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2020.

The total contributions expected to be made by the council to Strathclyde Pension Fund in the year to 31 March 2019 is £52.697 million.

The weighted average duration of the defined benefit obligation for scheme members is 18.3 years (2016/17 17.8 years).

13.2. Scottish Teachers' Superannuation Scheme

The Scottish Teachers' Superannuation Scheme is an unfunded multi-employer defined benefit scheme. The scheme is financed by payments from employers and from those current employees. As the scheme is not able to identify each body's share of the underlying liabilities on a consistent and reasonable basis, the pension costs are accounted for as if it were a defined contribution scheme. Glasgow City Council has no liability for other employer's obligations to the multi-employer scheme and as the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2018, the council's level of participation in the scheme is approximately 7.8%.

The employer's rate of contribution for the teachers' pension scheme administered by the Scottish Government is set with reference to a funding valuation undertaken by the scheme actuary. The employer's contribution rate from 1 April 2015 is 14.9%; this increased to 17.2% on 1 September 2015. The last four-yearly valuation was undertaken as at 31 March 2012. At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employer's pension contributions for 15 years from 1 April 2015; this is included in the 17.2% employer's contribution rate. The employee rate was 9.9% throughout the year. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019. The amount paid over to the Scottish Public Pensions Agency was as follows:

2016/17 £000	Scottish Teachers Superannuation Scheme	2017/18 £000
31,071	Employer's Contributions	32,146
17,047	Employee's Contributions	17,636
48,118	Total	49,782

The employer's contributions due to be paid in the next financial year are estimated to be £32.950 million.

In addition, the council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2017/18 these amounted to £6.091 million (2016/17 £6.344 million).

13.3. Capital cost of discretionary increases

Councils are also required to disclose the capital cost of discretionary increases in pensions payments, whether the employees are members of the Local Government Pension Scheme or the Scottish Teachers' Superannuation Scheme. In 2017/18 the capitalised costs attributable to the early retirements from Glasgow City Council and from predecessor authorities were as follows:

2016/17 £000	Capital cost of discretionary increases	2017/18 £000
0	Current year	6
398,000	In earlier years	386,994
398,000	Total	387,000

14. Grant income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £000	Grant income in the Comprehensive Income and Expenditure Statement	2017/18 £000
	Credited to Taxation and Non-specific Grant Income	
(851,404)	General Revenue Grant	(834,785)
(374,865)	Redistribution from Non-Domestic Rates pool	(373,374)
(89,494)	Capital Grant and Contributions	(106,744)
	Credited to Services	
(334,652)	Housing benefit subsidy	(322,090)
(87,997)	Housing investment	(90,908)
(112,045)	Health Board	(129,931)
(18,324)	Criminal Justice	(17,724)
(4,620)	Benefits administration subsidy and initiatives	(4,616)
(7,646)	Attainment funding	(29,023)
(6,989)	Vacant and derelict land	(2,389)
(6,217)	Various education services grants	(8,287)
(6,809)	Various other grants	(9,542)
(2,801)	Various other contributions	(4,481)
(1,903,863)	Total	(1,933,894)

15. Agency income and expenditure

The council is the billing authority for Non-Domestic Rates in Glasgow and, in this role, acts as an agent of the Scottish Government. During 2017/18, the council billed £370.610 million (2016/17 £392.330 million) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the council contributed £359.195 million to the National Non-Domestic Rates Pool (2016/17 £374.267 million) and received back from the pool £373.374 million in income (2016/17 £374.865 million).

The council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2017/18 the council received £2.565 million for providing this service (2016/17 £2.565 million).

The council is the appointed agent on behalf of Transport Scotland to manage the M74 Completion Project. The M74 was opened to the public on 28 June 2011. During 2017/18 expenditure on the project amounted to £0.149 million. There was no council contribution to the project in 2017/18 (2016/17 £0.009 million).

Scotland Excel provides a purchasing service to the council, obtaining and passing on discounts for bulk purchasing on behalf of 28 local authorities and similar bodies across Scotland. Payments of £0.334 million were made to Scotland Excel during 2017/18 in this respect (2016/17 £0.334 million).

16. Auditor remuneration

The council incurred fees of £0.624 million (2016/17 £0.622 million) for the statutory inspection of the Annual Accounts by Audit Scotland. No fees were payable in respect of other services provided by the appointed auditor.

17. Related party transactions

Related parties are organisations that the council can control or influence or who can control or influence the council. Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 14 on page 51.

The council has an interest in a number of companies and other public bodies. Where the interest in another entity is considered material, the entity is consolidated with the accounts of the council to form the Group Financial Statements. Further details on the combining entities are shown within the Group Financial Statements.

Related party transactions during the year and balances as at 31 March 2018 are as follows:

2016/17 Net Expenditure / (Income) £000	Debtor / (Creditor) at 31 March 2017 £000	Related party transactions and balances	2017/18 Expenditure £000	Income £000	Debtor / (Creditor) at 31 March 2018 £000
(420)	44,331	Scottish Event Campus Ltd	500	(105)	45,371
134,961	(7,483)	City Building (Glasgow) LLP	46,985	(7,108)	2,651
0	0	City Building (Contracts) LLP	71,074	(4,501)	(8,018)
1,962	36,293	City Parking (Glasgow) LLP	6,122	(3,999)	35,804
73,976	(560)	Culture and Sport Glasgow	83,368	(8,770)	324
53,513	506	Cordia (Services) LLP	60,622	(6,975)	482
62,176	(394)	Cordia (Care) LLP	62,914	0	(236)
2,075	(150)	City Property Glasgow (Investments) LLP	4,922	(1,588)	(561)
1,933	(126)	City Property (Glasgow) LLP	2,939	(786)	(715)
12,378	211	Community Safety Glasgow Ltd	13,841	(1,877)	(173)
50,310	(3,122)	Service Glasgow LLP	59,940	(8,030)	1,861
8,429	79	Jobs & Business Glasgow	8,497	(2,115)	(695)
11,101	3,571	Strathclyde Partnership for Transport	10,879	0	1,704
66,126	(800)	Strathclyde Pension Fund	72,187	(3,361)	(945)
31,071	(2,637)	Teachers' Pension Fund	32,146	0	0
(1,466)	61	Clyde Gateway	218	(453)	(7)
19,295	(19,295)	Glasgow City Integration Joint Board	390,118	(370,487)	(31,375)
(46)	29	Scotcash	57	(88)	0

Note: Related parties disclosure acknowledge key management personnel of Glasgow City Council and associated group as set out in the respective Remuneration Reports. Key councillors are identified as members of group bodies.

In addition to transactions with related companies and other related bodies noted above, significant revenue and capital payments made to organisations where council members are represented, totalled £9.777 million (2016/17 £12.925 million), broken down as follows:

2016/17 £000	Organisation	2017/18 £000
2,025	Fair Deal	0
8,378	NHS Greater Glasgow & Clyde	9,777
2,522	Talbot Association Ltd	0
12,925	Total	9,777

There were no significant transactions during the year or balances held with any other organisation on which council officers are represented or have interests.

18. Operating leases

The council utilises vehicles, plant, furniture and equipment under the terms of an operating lease. Lease rentals charged to the Comprehensive Income and Expenditure Statement in the year for such assets total £3.192 million (2016/17 £4.796 million). The future minimum lease payments due under non-cancellable leases in future years and in cash terms are as follows:

2016/17 £000	Operating lease commitments	2017/18 £000
1,832	No later than one year	1,084
1,619	Later than one year and not later than five years	631
3,451	Total	1,715

19. Long-term assets

19.1. Valuation of long-term assets

Category	Valuer	Basis of Valuation	Date of last full Valuation	Useful Life
Property, plant and equipment:				
Other land and buildings	City Property (Glasgow) LLP	Current value	March 2016	Land – Not applicable Buildings – 40 years
Vehicles, plant, furniture and equipment	Not applicable	Depreciated historic cost	Not applicable	5-10 years
Infrastructure assets	Not applicable	Depreciated historic cost	Not applicable	40 years
Community assets	Not applicable	Valued at £1 on 1 April 1994, with additions valued at cost	Not applicable	Not applicable
Assets under construction	Not applicable	Cost	Not applicable	Not applicable
Corporate surplus assets	City Property (Glasgow) LLP	Fair value	March 2018	40 years
Other long-term assets:				
Heritage assets (museum and gallery collections and civic regalia)	Not applicable	Declared valuation for insurance purposes or fair value	Not applicable	Not applicable
Intangible assets	Not applicable	Depreciated historic cost	Not applicable	7 years
Assets held for sale	City Property (Glasgow) LLP	Lower of carrying value at date declared held for sale and fair value less cost of sale.	Date declared surplus	40 years

Land and buildings are re-valued on a five year rolling basis in accordance with the guidelines provided within the Royal Institution of Chartered Surveyors Valuation Standards Manual. In addition, any material changes in the value of individual assets that arise between the periodic valuations are immediately reflected in the Balance Sheet.

19.2. Depreciation

Depreciation is calculated on a straight-line basis and is provided for all operational and surplus assets other than land, community assets and heritage assets. The useful life of property assets are determined in consultation with City Property (Glasgow) LLP. Technical officers within services determine non-property asset lives. Infrastructure assets are depreciated over 40 years.

19.3. Community assets

When the council's asset register was first compiled in 1994, existing community assets were included at £1 in accordance with accepted practice. Additions to this category since 1994 have been added at cost.

19.4. Heritage assets

The council's heritage assets comprise museum and gallery collections, which are held according to valuations for insurance purposes, and civic regalia, held at fair value. Where the council holds information on the cost of statues and fountains, these are included at cost. However, where information on cost or value is not available, and where cost of obtaining information outweighs benefit to users of the Annual Accounts, these assets are not recognised in the Balance Sheet.

19.5. Summary of capital expenditure and sources of finance

2016/17 £000	Capital expenditure and sources of finance	2017/18 £000
	Capital investment	
215,920	Property, Plant and Equipment	157,363
1,767	Intangible assets	4,008
111	Assets held for sale	31
217,798	Total Gross Expenditure per Capital Expenditure and Income Statement (page 56)	161,402
	Sources of finance	
82,099	Net borrowing	39,138
12,401	Asset Sales	12,410
53,437	Assets acquired under finance leases	14
65,798	Government grants and other capital contributions	106,744
4,063	Revenue contributions	3,096
217,798	Total	161,402

19.6. Summary of assets held

19.6.1. Intangible assets

These assets relate wholly to software licences purchased by the council over the current and previous financial years.

19.6.2. Property

To deliver the wide range of services it provides, the council operates over 300 schools, owns more than 150 cultural and recreational facilities, around 300 playing pitches and 46 residential facilities for the young, elderly and those with learning or physical disabilities. The council has over 150 offices, depots and workshops throughout the city and, in addition, operates a wide range of other facilities including, for example, crematoria and cemeteries.

19.6.3. Plant, vehicles and equipment

The council directly owns a fleet of around 200 vehicles, with additional vehicles held under the terms of a finance lease.

19.6.4. Infrastructure

Included within the city's infrastructure are approximately 1,700 kilometres of roads, around 300 road bridges and over 70,000 street lighting units.

19.6.5. Community assets

Included within this category are parklands, amenity sites and allotments.

19.6.6. Heritage assets

These assets include historical monuments, museum and gallery collections, works of art and civic regalia.

19.6.7. Assets held under finance leases

The council utilises property as well as a number of vehicles, plant and equipment under the terms of a finance lease. Lease rentals payable under these arrangements in the year total £7.479 million (2016/17 £6.768 million), comprising £3.812 million (2016/17 £3.540 million) charged to the Comprehensive Income and Expenditure Statement in respect of interest and £3.667 million (2016/17 £3.228 million) in respect of principal repayments.

19.7. Capital Expenditure and Income Statement

2016/17 Gross Capital Expenditure £000		Gross Capital Expenditure £000	2017/18 Sources of Finance			
			Finance Leases £000	Revenue £000	Receipts £000	Net Borrowing £000
53,304	Chief Executives Office	0	0	0	0	0
13,175	Cultural and Related Services	22,953	0	1,307	5,406	16,240
24,594	Development and Regeneration Services	32,160	0	188	19,785	12,187
73,214	Education Services	53,903	0	531	13,232	40,140
24	Financial Services	259	0	259	0	0
7,065	Service Reform	14,314	0	170	266	13,878
32,967	Land and Environmental Services	24,748	14	632	4,919	19,183
13,455	Social Work Services	13,065	0	9	0	13,056
0	General Capital Grant	0	0	0	63,136	(63,136)
0	Asset Sales	0	0	0	12,410	(12,410)
217,798	Total	161,402	14	3,096	119,154	39,138

The above table reflects the receipt of asset sales totalling £12.410 million during the year. However, these asset sales have been fully applied in the year, reducing the principal repayment reflected within the Movement in Reserves Statement by an equivalent amount. There has therefore been no change to debt outstanding in respect of asset sales achieved in the year.

19.8. Commitments under capital investments

The council's approved capital investment programme will continue to progress during 2017/18 and subsequent years. As at 31 March 2018, the council has outstanding commitments on significant contracts for capital investment totalling £206.887 million (31 March 2017 £222.756 million). These outstanding commitments comprise the following:

Project description	Outstanding commitment at 31 March 2018 £000	Contract completion
Sighthill TRA – City Deal	44,985	Mid 2020
Education Estate Investment 2017-2021	32,000	Early 2022
4R's for Glasgow	31,541	End 2020
Burrell Refurbishment	30,507	Early 2021
Reconfiguration of residential care for older people	24,729	Early 2020
Robroyston Station	9,689	End 2019
White Cart Flood Prevention	5,387	Mid 2019
Various other projects (23 contracts)	28,049	Various
Total	206,887	

As at 31 March 2018, outstanding obligations to make payments under finance leases are as follows:

2016/17 £000	Finance lease obligations	2017/18 £000
3,649	Not later than one year	2,322
9,834	Later than one year and not later than five years	7,435
78,245	Later than five years	78,076
91,728	Total	87,833

The total outstanding obligations are accounted for within short-term creditors (leases expiring within one year) £2.322 million (2016/17 £3.649 million) and deferred liabilities (leases expiring after one year) £85.511 million (2016/17 £88.079 million).

19.9. Fair value measurement of non-financial assets

Surplus assets and assets held for sale are valued at fair value. Valuation reports prepared for these assets incorporate the methodology employed by the valuer in arriving at their opinion of value. The methodology includes comparable data which is recognised in accordance with the fair value measurement hierarchy. The valuers seek to minimise the volume of unobservable inputs and maximise the volume of observable inputs in forming their opinion of value. For these asset classes, the valuation inputs generally comprise either level 2 or level 3 inputs with adjustments not limited to location, rental growth, lease terms, covenants, costs, discount rates and vacancy levels. For valuations conducted in 2017/18, both the income and market valuation techniques were widely adopted in forming opinions of fair value. The resulting valuation for surplus assets of £39.241 million was entirely based on level 2 inputs. For assets held for sale, valuations of £28.910 million were based on level 2 inputs with £0.005 million based on level 3 inputs.

19.10 Tax Incremental Financing (TIF) Projects

The council entered into an agreement with the Scottish Government in October 2012 in respect of the Buchanan Quarter Tax Increment Finance (TIF) scheme. This agreement essentially allows for the repayment of debt arising from infrastructure investment from incremental Non-Domestic Rates (NDR) revenue. The assets to be funded by the TIF project largely comprise public realm and infrastructure improvements within the Buchanan Quarter of Glasgow city centre.

The project is for a period of 25 years, with the first material capital investment incurred during the financial year ending 31 March 2014. During the TIF project period, the council is entitled to retain the TIF revenue from its NDR revenue, a pro-rated amount of NDR equal to the amount (if any) by which the collected amount exceeds the baseline collectable amount. The council is required to apply 100% of the TIF revenue towards repayment of the TIF debt. Following repayment in full, and until the end of the project period, the council is entitled to retain 50% of the TIF revenue for further infrastructure investment.

Net capital expenditure incurred in the year to 31 March 2018, to be funded from borrowing, in respect of TIF assets totalled £0.016 million (2016/17 £0.125 million). This is reflected within the 'Summary of capital expenditure and sources of finance', outlined within note 19.5 on page 55. Total TIF debt, to be repaid over the project period, in respect of investment to 31 March 2018, has been calculated in accordance with Local Government Finance Circular No. 4/2014 at £21.700 million (£22.037 million at 31 March 2017).

20. Property, Plant and Equipment

This note details the movement in Property, Plant and Equipment (PPE) during 2017/18. The valuation bases, useful lives and depreciation methods used are disclosed within notes 19.1 and 19.2 (page 54). A summary of capital expenditure during the year, together with the sources of finance and the amount of contractual commitments for PPE, are disclosed separately in notes 19.7 and 19.8 (page 56).

Movement in PPE 2017/18	Other Land and Buildings £000	Vehicles, Plant, Furniture and Infrastructure Equipment £000	Assets £000	Community Assets £000	Assets Under Construction £000	Corporate Surplus Assets £000	Total Property, Plant and Equipment £000	PPP Assets included in Property, Plant and Equipment £000
Cost or Valuation:								
At 1 April 2017	2,286,129	214,893	802,072	25,759	87,338	47,424	3,463,615	381,488
Additions in year	61,453	7,472	49,120	0	38,813	505	157,363	44
Revaluation adjustments to Revaluation Reserve	27,639	1	0	0	0	2,888	30,528	0
Revaluation adjustments to Comprehensive Income and Expenditure Statement	(81,804)	0	0	0	0	(7,493)	(89,297)	0
Disposals	0	(241)	0	0	0	(538)	(779)	0
Reclassifications from / (to) Held for Sale	0	0	0	0	0	(8,705)	(8,705)	0
Other reclassifications (transfers)	30,751	233	31,793	0	(70,138)	6,079	(1,282)	0
At 31 March 2018	2,324,168	222,358	882,985	25,759	56,013	40,160	3,551,443	381,532
Depreciation and impairment:								
At 1 April 2017	(86,125)	(95,989)	(218,386)	(1,060)	0	(241)	(401,801)	0
Depreciation charge for year	(69,343)	(28,630)	(21,761)	0	0	(73)	(119,807)	(11,560)
Depreciation written out to the Revaluation Reserve	46,516	0	0	0	0	(1)	46,515	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	15,748	0	0	0	0	1,055	16,803	0
Impairment losses to Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses to Comprehensive Income and Expenditure Statement	(2,002)	0	0	0	0	(168)	(2,170)	0
On Disposals	0	4	0	0	0	0	4	0
Reclassifications from / (to) Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications (transfers)	901	0	0	0	0	(901)	0	0
At 31 March 2018	(94,305)	(124,615)	(240,147)	(1,060)	0	(329)	(460,456)	(11,560)
Balance Sheet Amount at 31 March 2018	2,229,863	97,743	642,838	24,699	56,013	39,831	3,090,987	369,972
Balance Sheet Amount at 31 March 2017	2,200,004	118,904	583,686	24,699	87,338	47,183	3,061,814	381,488
Nature of Asset Holding:								
Owned	1,807,016	92,851	642,838	24,699	56,013	39,831	2,663,248	0
Finance leased	52,875	4,892	0	0	0	0	57,767	0
PPP	369,972	0	0	0	0	0	369,972	369,972
Total	2,229,863	97,743	642,838	24,699	56,013	39,831	3,090,987	369,972

Movement in PPE 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Corporate Surplus Assets £000	Total Property, Plant and Equipment £000	PPP Assets included in Property, Plant and Equipment £000
Cost or Valuation:								
At 1 April 2016	2,225,120	204,791	769,700	25,508	99,493	65,328	3,389,940	367,266
Additions in year	114,579	11,491	28,973	251	61,405	271	216,970	0
Revaluation adjustments to Revaluation Reserve	17,368	0	0	0	0	3,184	20,552	18,792
Revaluation adjustments to Comprehensive Income and Expenditure Statement	(112,256)	0	0	0	0	(10,711)	(122,967)	(4,570)
Disposals	(22,328)	(1,939)	0	0	0	(3,271)	(27,538)	0
Reclassifications from / (to) Held for Sale	0	0	0	0	0	(13,322)	(13,322)	0
Other reclassifications (transfers)	63,646	550	3,399	0	(73,560)	5,945	(20)	0
At 31 March 2017	2,286,129	214,893	802,072	25,759	87,338	47,424	3,463,615	381,488
Depreciation and impairment:								
At 1 April 2016	(175,574)	(69,026)	(197,525)	(1,060)	0	(2,141)	(445,326)	(35,744)
Depreciation charge for year	(64,125)	(28,714)	(20,861)	0	0	(537)	(114,237)	(9,751)
Depreciation written out to the Revaluation Reserve	113,111	0	0	0	0	2,064	115,175	43,317
Depreciation written out to the Surplus/Deficit on the Provision of Services	31,860	0	0	0	0	1,048	32,908	2,178
Impairment losses to Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses to Comprehensive Income and Expenditure Statement	(130)	0	0	0	0	(72)	(202)	0
On Disposals	7,995	1,751	0	0	0	0	9,746	0
Reclassifications from / (to) Held for Sale	0	0	0	0	0	135	135	0
Other reclassifications (transfers)	738	0	0	0	0	(738)	0	0
At 31 March 2017	(86,125)	(95,989)	(218,386)	(1,060)	0	(241)	(401,801)	0
Balance Sheet Amount at 31 March 2017	2,200,004	118,904	583,686	24,699	87,338	47,183	3,061,814	381,488
Balance Sheet Amount at 31 March 2016	2,049,546	135,765	572,175	24,448	99,493	63,187	2,944,614	331,522
Nature of Asset Holding:								
Owned	1,763,533	111,332	583,686	24,699	87,338	47,183	2,617,771	0
Finance leased	54,983	7,572	0	0	0	0	62,555	0
PPP	381,488	0	0	0	0	0	381,488	381,488
Total	2,200,004	118,904	583,686	24,699	87,338	47,183	3,061,814	381,488

21. Heritage assets

This note details the movement in Heritage Assets during 2017/18. The valuation bases, useful lives and depreciation methods used are disclosed within notes 19.1 and 19.4 (page 54).

Movement in Heritage assets	Fine art £000	Civic regalia £000	Statues and fountains £000	Total Heritage assets £000
Cost or Valuation:				
At 1 April 2016	1,400,000	473	16,620	1,417,093
Revaluations	0	65	0	65
At 31 March 2017	1,400,000	538	16,620	1,417,158
Movement in 2017/18:				
Revaluations	0	0	0	0
At 31 March 2018	1,400,000	538	16,620	1,417,158

The following table shows assets that may be regarded as Heritage Assets, which have not been included in the Balance Sheet as the council considers that obtaining valuations would involve disproportionate cost, or reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held, the number of assets held and the lack of comparable market values. The Code therefore permits such assets to be excluded from the Balance Sheet.

Assets excluded from Heritage Assets	Estimated number of assets 31 March 2018
Fountains	5
Statues	54
War memorials	35

22. Intangible assets

The council accounts for purchased software licences held for various Information and Communications Technology (ICT) systems used throughout the council as Intangible assets. The cost of the licences are written-off on a straight-line basis over the expected life of the licences, which is seven years for all systems. The council does not recognise any internally generated intangible assets.

There have been no changes to the estimated useful life and there have been no revaluations of intangible assets during the year. The amortisation charge for intangible assets in 2017/18 was £2.109 million (2016/17 £2.041 million). There has been no impairment charge in 2017/18 (2016/17 £nil). The movement on intangible asset balances during the year is as follows:

2016/17 £000	Movement in Intangible assets	2017/18 £000
	Balance at start of year:	
13,299	Gross carrying amounts	15,086
(6,416)	Accumulated amortisation	(8,457)
6,883	Net carrying amount at start of year	6,629
1,767	Additions	4,008
20	Transfers	1,282
(2,041)	Amortisation for the period	(2,109)
6,629	Net carrying amount at end of the year	9,810
	Comprising:	
15,086	Gross carrying amounts	20,376
(8,457)	Accumulated amortisation	(10,566)
6,629	Net carrying amount at end of the year	9,810

23. Assets held for sale

Assets are recognised as held for sale when their carrying value is likely to be recovered principally through a sale transaction rather than through continued use. At 31 March 2018, the valuation of assets held for sale was £28.915 million (£32.950 million as at 31 March 2017).

2016/17 £000	Assets Held for Sale	2017/18 £000
28,789	Balance at 1 April	32,950
	Assets newly classified as held for sale:	
18,602	Property, plant and equipment	11,305
(176)	Revaluation losses	(1,604)
	Assets declassified as held for sale:	
(5,415)	Property, plant and equipment	(2,600)
(8,961)	Assets disposed	(11,167)
111	Expenditure in year	31
32,950	Balance at 31 March	28,915

24. Inventories

The balance of inventories within the Balance Sheet comprises raw materials and consumables, and work in progress. A reconciliation of the movement in inventories in the year is provided in the following table:

2016/17 Raw materials and consumables £000	Inventories	2017/18 Raw materials and consumables £000
1,320	Opening balance	1,365
46	Purchases	25
0	Reclassifications/Transfers	(49)
(1)	Disposals	(2)
1,365	Closing balance	1,339

25. Net short-term debtors

The net short-term debtors balance consists of amounts owed to the council, primarily in respect of Council Tax and grants, and H.M. Revenue and Customs debtors. It also includes sums due from other authorities and various other sundry debtors. During 2017/18, there was an accounting adjustment made to debtors and the associated bad debt provision within the Financial Statements of £24.529 million. This mainly related to Council Tax (£15.187 million). The individual Non-Domestic Rates debtors are not included in the Balance Sheet but the outstanding debt and bad debt provision are monitored separately, with the council acting as a collecting agent for the Scottish Government. Records associated with all outstanding debts are retained and recovery action will continue to be taken, where possible. The following table shows an analysis of debtors outstanding by customer group:

2016/17 £000	Analysis of net short-term debtors	2017/18 £000
93,085	Bodies external to general government	103,906
94,007	Central government bodies	81,499
3,743	Other local authorities	2,898
1,148	NHS bodies	4,568
6	Public corporations and trading funds	8
191,989	Total	192,879

26. Cash and cash equivalents

The council hold cash in hand, as well as deposits with financial institutions. Cash equivalents are short-term, highly liquid investments, principally held to meet liabilities in the short-term, rather than to make an investment gain. They are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value. The balance of cash and cash equivalents comprises the following elements:

2016/17 £000	Cash and cash equivalents	2017/18 £000
124,456	Short-term deposits	92,077
30,626	Bank current accounts	14,219
123	Cash imprest held by the council	110
155,205	Total	106,406

27. Short-term creditors

The short-term creditors balance consists of amounts received in advance or owed by the council, primarily in respect of payroll, grants and various other sundry creditors. The following table provides further analysis by supplier group:

2016/17 £000	Analysis of creditors	2017/18 £000
230,655	Bodies external to general government	224,391
17,918	Central government bodies	29,055
31,413	Other local authorities	4,259
2,558	NHS bodies	2,776
90	Public corporations and trading funds	893
282,634	Total	261,374

28. Short and long-term provisions

The council has identified a number of material liabilities, where the amount or timing of the transaction is uncertain, and made provision for future expenditure. All provisions have been reassessed at the financial year end. The following table provides an analysis of the movement in provisions during 2017/18:

Provisions	Asset decommissioning £000	Employee related legal cases £000	Other outstanding legal cases £000	Other provisions £000	Total £000
Balance as at 1 April 2017	24,900	842	27	1,771	27,540
Additional provisions made during the year	975	35,055	35	745	36,810
Costs incurred and charged against provision	(1,575)	0	(7)	(747)	(2,329)
Unused amounts reversed during the year	0	0	0	(20)	(20)
Balance at 31 March 2018	24,300	35,897	55	1,749	62,001

Provisions for asset decommissioning reflect the council's liability for restoration and ongoing maintenance in respect of landfill sites formerly operated by the council, principally Cathkin Landfill Site. These have been provided for based on the net present value of estimated future costs.

Provisions for employee related legal cases comprise mainly of the provision for the assessment of pay protection obligations, £35.055 million. In addition there is provision for the estimated level of holiday pay potentially due, £0.690 million and the provision for estimated outstanding compensation payments in respect of equal pay claims, including associated tax and national insurance liabilities, £0.069 million at 31 March 2018. During 2017/18 no equal pay compensation payments have been met from the provision. All other provisions are individually immaterial.

Provisions for other outstanding legal cases relates to estimated payments, £0.055 million at 31 March 2018, in respect of the potential clawback of payments made by Municipal Mutual Insurance Limited to former employees of SRC and GDC under occupational disease claims. This follows the Supreme Court ruling on Employers' Liability Insurance 'Trigger' Litigation on 28 March 2012. Payments of £0.007 million were made in respect of claims by former employees of Strathclyde Regional Council (SRC) and Glasgow District Council (GDC) during 2017/18.

Other provisions include estimated future costs associated with the council's schools PPP scheme (£0.745 million), estimated future costs in relation to the bulk reprocessing contract (£0.482 million), provision for future warranty claims (£0.235 million) and two financial guarantees in relation to loan repayments of group subsidiaries (£0.278 million). During the year, the financial guarantees were amortised, allowing the release of £0.020 million from the provision.

29. Financial instruments

29.1. Types of financial instruments

The statement of accounting policies in note 1.25 on page 29, explains the requirement of the reporting basis for financial instruments. Borrowing, and Loans and receivables, are measured on the Balance Sheet at amortised cost. Available-for-sale assets includes the council investment in the Scottish Event Campus Limited held at historic cost and the investment portfolio currently managed for the council by Ruffer Limited Liability Partnership which is measured at fair value.

The borrowings and investments in the Balance Sheet comprise the following categories of financial instruments:

2016/17		Category of financial instrument	2017/18	
Long-term £000	Short-term £000		Long-term £000	Short-term £000
1,320,496	363,501	Financial liabilities amortised at cost - borrowing	1,239,335	293,208
230,198	260,543	Financial liabilities amortised at cost - other	234,918	239,940
1,550,694	624,044	Total financial liabilities	1,474,253	533,148
109,595	372,857	Loans and receivables	109,628	274,713
27,695	544	Available-for-sale financial assets	24,413	275
137,290	373,401	Total investments	134,041	274,988

29.2. Gains and losses on financial instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement (page 16) in relation to the financial instruments comprise the following:

2016/17		Financial liabilities measured at amortised cost £000	2017/18		Total £000
Total £000	Gains and losses financial instruments		Loans and receivables £000	Available- for-sale £000	
91,841	Interest expense	87,966	0	65	88,031
9,239	Impairment loss	0	612	330	942
101,080	Interest payable	87,966	612	395	88,973
(6,383)	Interest and investment income	0	(5,131)	(888)	(6,019)
(410)	(Gain) / loss on revaluation	0	0	454	454
94,287	Net (gain) / loss for the year	87,966	(4,519)	(39)	83,408

29.3. Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. The rates quoted in this valuation were obtained by the council's treasury management advisors from the market on 31 March 2018.

In terms of the fair value measurement hierarchy the financial instruments measured at fair value are considered level 2 being inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

The calculations are made using the following assumptions:

- (i) The PWLB new loan rate, in force at 31 March 2018, has been used as the discount rate for PWLB debt;
- (ii) For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender;
- (iii) Interpolation techniques have been used between available rates where the exact maturity date was not available;
- (iv) No early repayment or impairment is recognised.

2016/17		Valuation of financial liabilities	2017/18	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
1,683,997	2,145,867	Borrowing	1,532,543	1,949,306

The fair values of all financial instruments have been calculated. The fair value of financial liabilities is more than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The council's commitment to pay interest above current market rates increases the amount the council would have to pay if the lender requested or agreed to early repayment of the loan.

29.4. Nature and extent of risks arising from financial instruments

The council's management of treasury risks minimises the council's exposure to the unpredictability of financial markets and protects the financial resources available to fund services. The council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

29.5. Credit risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers. The council's policy for managing credit risk is outlined within the approved Treasury Management Strategy. The following analysis summarises the council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the council expects full repayment on the due date of deposits placed with counterparties.

2016/17			Credit risk	2017/18		
Historical experience of non-payment adjusted for market conditions	Estimated maximum exposure to default and uncollectability			Historical experience of non-payment adjusted for market conditions	Estimated maximum exposure to default and uncollectability	
£000	%	£000		£000	%	£000
205,403	0	0	Deposits with banks and other financial institutions	106,296	0	0
312,802	11.469	35,875	Customers	306,222	9.237	28,286
518,205		35,875	Total	412,518		28,286

The council does not generally allow credit for customers. The past due date for payments can be analysed as follows:

2016/17 £000	Aged debt profile	2017/18 £000
194,097	Less than 3 months	187,424
1,826	3 to 6 months	1,906
2,251	6 months to 1 year	2,308
114,628	More than 1 year	114,584
312,802	Total	306,222

29.6. Liquidity risk

As the council has access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity analysis of financial liabilities at nominal value is as follows:

2016/17 £000	Loans outstanding	2017/18 £000
895,070	Public Works Loans Board	829,076
449,000	Lender Option Buyer Option (LOBO)	449,000
309,973	Temporary borrowing	225,607
1,654,043	Total	1,503,683
347,778	Less than 1 year	278,450
80,731	Between 1 and 2 years	64,041
114,836	2 to 5 years	96,488
165,983	5 to 10 years	173,185
234,315	10 to 30 years	181,119
656,400	30 to 50 years	656,400
54,000	50 to 70 years	54,000
1,654,043	Total	1,503,683

The maturity analysis of financial liabilities is outlined in the above table at nominal values. However, these liabilities are reflected in the Balance Sheet at amortised cost, which includes accrued interest of £14.758 million (£15.724 million in 2016/17) and an effective interest rate adjustment of £14.102 million (£14.230 million in 2016/17) in respect of LOBOs with stepped interest rates.

All trade and other payables are due to be paid in less than one year.

29.7. Market risk

29.7.1. Interest rate risk

Movements in market interest rates expose the council to risk due to uncertainty in the interest payable on borrowings and interest receivable on investments. Higher interest rates would increase the interest charged on variable borrowing and increase income received on variable rate lending, both of which would impact on the Comprehensive Income and Expenditure Statement.

A further risk in the movements of market rates is the impact on the fair value of borrowings and investments. An increase in interest rates would decrease the fair value of borrowings and investments at fixed rates. Changes to the fair value of borrowings do not impact on the council taxpayer as they are not carried at fair value in the council's Balance Sheet and are only reflected in the notes to the accounts for information.

The council has a number of strategies for managing interest rate risk. In conjunction with its treasury management advisors, the council actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowing and restructuring of debt.

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2016/17 £000	Estimated financial effect	2017/18 £000
4,775	Increase in the interest payable on variable rate borrowings	5,220
(1,175)	Increase in interest receivable on variable rate investments	(1,346)
3,600	Net impact on the (surplus) or deficit on the provision of services	3,874

2016/17 £000	Other presentational changes (no impact on the Comprehensive Income and Expenditure Statement)	2017/18 £000
263,225	Decrease in the fair value of fixed rate borrowings	250,230

The impact of a 1% decrease in interest rates would be as above but with the figures being reversed.

29.7.2. Market price risk

Part of the council's Insurance Fund is invested in externally managed portfolios under the powers of Schedule 3 of the Local Government (Scotland) Act 1975 and Section 3 of the Local Government etc. (Scotland) Act 1994. The Insurance Fund investments were managed during the year by Ruffer Limited Liability Partnership.

The investment objectives of the fund are to achieve low volatility, positive returns from an actively managed portfolio of different asset classes, including internationally listed or quoted equities or equity related securities (including convertibles) or bonds which are issued by corporate issuers, supra-nationals or government organisations and currencies. The portfolio may also be invested in collective investment schemes, cash and money market instruments. Pervading these objectives is a fundamental philosophy of capital preservation. The principal performance objective of the portfolio is to achieve a positive total annual return, after all expenses, of double the Bank of England base rate.

29.7.3. Foreign exchange rate risk

Investment in foreign currency denominated equities and bonds forms a part of the investment strategy of funds managed by Ruffer Limited Liability Partnership and the foreign exchange risk is actively managed as a key element of the portfolio's asset allocation. In addition, the council held euros to meet future currency commitments with a sterling equivalent value of £6.895 million as at the 31 March 2018 exchange rate. The potential financial impact of exchange rate movements in this respect is noted below.

2016/17 £000	Estimated financial effect	2017/18 £000
369	Decrease in GBP on 10% movement in Euro exchange rate	690
369	Net impact on the (Surplus) or Deficit on the Provision of Services	690

30. Deferred liabilities

Deferred liabilities represent amounts falling due in more than 12 months from the balance sheet date. An analysis of deferred liabilities at 31 March 2018 is provided in the following table:

2016/17 £000	Analysis of deferred liabilities	2017/18 £000
115,133	Long-term liability relating to the PPP secondary schools contract	106,652
88,079	Long-term lease liability relating to council properties, vehicles and equipment	85,511
18,711	Developers' contributions received for the provision of recreational greenspace in line with council policy	21,956
7,977	Other	20,521
229,900	Total	234,640

31. Contingent liabilities

The council remains liable for potential liabilities arising from claims lodged against Strathclyde Regional Council (SRC) on a geographical basis. There is also a shared liability in connection with Municipal Mutual Insurance Limited, one of the key insurers of the former SRC (and other local authorities across the United Kingdom). Following the Supreme Court ruling on Employers' Liability Insurance 'Trigger' Litigation on 28 March 2012, the council has a provision to meet a 25% clawback of estimated payments made by Municipal Mutual Insurance Limited in respect of known claims. The council recognises a contingent liability for further unknown claims in the future.

The council recognises the potential for compensation claims following the prosecution of former members of staff at Kerelaw Residential School. Some claims will be historic and relate to SRC and some will post date reorganisation.

Whilst the council has made appropriate provision for all tax and national insurance liabilities and the settlement of all known outstanding claims in respect of equal pay and the implementation of the Workforce Pay and Benefits Review, the council recognises the potential for compensation claims in respect of cases not yet settled or presented.

The council recognises a potential liability in respect of guaranteeing any unfunded pension costs, which may arise in certain circumstances, in relation to former Glasgow City Council employees transferred to City Building (Glasgow) Limited Liability Partnership, City Building (Contracts) Limited Liability Partnership, Culture and Sport Glasgow, City Parking (Glasgow) Limited Liability Partnership, Cordia (Services) Limited Liability Partnership, City Property (Glasgow) Limited Liability Partnership, Service Glasgow Limited Liability Partnership, Jobs & Business Glasgow and Glasgow Housing Association. As sponsoring authority, the council has guaranteed to accept liability for any unfunded costs which may arise relating to their membership of the Local Government Pension Scheme (LGPS) administered by Glasgow City Council should they cease to exist, withdraw from the LGPS or otherwise become unable to continue covering any unfunded liabilities with regard to the Local Government Pension Scheme (Scotland) Regulations 1998, as amended, or the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998.

The council has provided two financial guarantees in relation to loan repayments of group subsidiaries (80% of loan value), namely City Parking (Glasgow) Limited Liability Partnership (original total loan £45 million) and City Property Glasgow (Investments) Limited Liability Partnership (original total loan £120 million). The likelihood of these guarantees being called is assessed annually. As at 31 March 2018, the risk has been assessed as minimal and the guarantees have been accounted for on that basis. However, the council also recognises the potential for future liabilities in the event that the related companies do not meet the requirements of their business plans.

The council recognises an exposure to risk with regard to possible future environmental claims associated with land transferred to Glasgow Housing Association.

The council recognises and has provided for the liability in respect of its obligation to undertake restoration and aftercare work in respect of former landfill sites. As at 31 March 2018, a sum of £24.300 million has been provided for, principally in respect of the former Cathkin Landfill Site. However, the council recognises a contingent liability in respect of other landfill sites formerly operated by the council. The timing of further liabilities in respect of asset decommissioning is uncertain and the associated costs cannot be reliably estimated at this time.

Various other actions and claims are pending. These include procurement claims, contractual disputes and employer, public and motor liability claims. The council is opposing these claims but continues to review each case individually for liabilities that arise as the legal process progresses.

It is anticipated that any costs subsequently arising from these contingent liabilities will in the main be borne by the council and not reimbursed by other parties.

32. Events after the balance sheet date

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

33. Cash flow statement - Operating activities

2016/17 £000		2017/18 £000
669,733	Cash paid to and on behalf of employees	699,061
(851,404)	General Revenue Grant	(834,785)
(360,398)	Non-Domestic Rates receipts from national pool	(380,719)
91,761	Interest paid	88,296
(5,585)	Interest received	(5,224)
(287)	Dividends received	(56)
335,095	Other net operating cash payments	315,260
(121,085)	Net cash flows from operating activities	(118,167)

34. Cash flow statement - Investing activities

2016/17 £000		2017/18 £000
184,673	Purchase of property, plant and equipment and intangible assets	165,620
(12,401)	Proceeds from sale of property, plant and equipment and intangible assets	(12,410)
(21,496)	Proceeds from short-term and long-term investments	(53,417)
(71,829)	Other receipts from investing activities	(107,088)
78,947	Net cash flows from investing activities	(7,295)

35. Cash flow statement - Financing activities

2016/17 £000		2017/18 £000
(1,049,071)	Cash receipts of short-term and long-term borrowing	(841,208)
(1,241)	Other receipts from financing activities	(1,262)
8,650	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts	13,301
977,105	Repayment of short-term and long-term borrowing	991,568
4,912	Other payments for financing activities	11,862
(59,645)	Net cash flows from financing activities	174,261

❖ Council Tax Income Account

2016/17 £000	Council Tax	2017/18 £000
335,403	Gross Council Tax levied and contributions in lieu	357,797
	Less :	
(66,207)	Other discounts and reductions	(70,820)
(2,442)	Prior years' Council Tax	998
(13,002)	Provision for bad and doubtful debts	(14,199)
(64,020)	Council Tax Reduction	(65,910)
189,732	Transfers to Comprehensive Income and Expenditure Statement	207,866

Note: Council Tax Reduction replaced Council Tax Benefit on 1 April 2013. The funding is now included within the General Revenue Grant.

Notes to the Council Tax Income Account

The charge for each household is based on the valuation banding to which the dwelling is allocated by the Assessor. The Council Tax is reduced by 25% where a dwelling has only one occupant, or 50% where the property is empty. Second home properties are subject to a 10% discount. The property bandings are adjusted where the property is occupied by disabled persons and total exemptions are available for certain categories of occupants.

From 1 April 1996, charges in respect of water and sewerage became the responsibility of the relevant Water Authority, now Scottish Water. Glasgow City Council collects total monies and makes a precept payment to Scottish Water on the basis of anticipated collection rates.

Calculation of the Council Tax base (The Band D figures quoted are based on the Council Tax base as at 5 September 2016)

Band	Valuation	No. of dwellings	No. of exemptions	No. of disabled relief cases	No. of discounts			Total equivalent dwellings	Ratio to Band D	No. of Band D equivalents	Charges per band
					10%	25%	50%				
A	Up to £27,000	66,235	11,237	160	20	39,752	668	44,884	240/360	29,915	£809
B	£27,001 - £35,000	79,046	4,845	68	74	42,082	709	63,387	280/360	49,301	£943
C	£35,001 - £45,000	68,372	4,171	-14	88	29,142	625	56,580	320/360	50,293	£1,078
D	£45,001 - £58,000	42,382	3,351	-30	80	14,195	379	35,255	1	35,255	£1,213
E	£58,001 - £80,000	29,686	2,755	-96	104	8,286	279	26,614	473/360	30,084	£1,483
F	£80,001 - £106,000	13,333	1,335	-38	77	3,045	149	11,117	585/360	16,058	£1,752
G	£106,001 - £212,000	6,276	373	-47	34	1,132	63	5,538	705/360	9,230	£2,022
H	Over £212,000	670	44	-3	2	64	48	583	882/360	1,166	£2,426
										221,302	
Add: Class 17 and 24 dwellings										29	
Less: Provision for non-payment										11,067	
Band D Equivalent										210,264	

Note: The charges above exclude the water and sewerage element of the Council Tax.

❖ **Non-Domestic Rates Income Account**

2016/17 £000	Non-Domestic Rates	2017/18 £000
500,770	Gross rates levied and contributions in lieu	490,130
	Less :	
(108,440)	Relief and other deductions	(119,520)
(12,319)	Provision for bad and doubtful debts	(8,759)
380,011	Net Non-Domestic Rate Income	361,851
(5,744)	Prior years - adjustments	(2,656)
374,267	Contribution to National Non-Domestic Rates Pool	359,195
373,351	Sum due from central rates pool	373,238
1,514	Adjustments for years prior to the pool	136
374,865	Income credited to Comprehensive Income and Expenditure Statement	373,374

Notes to the Non-Domestic Rates Income Account

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial property within their areas, as distinct from a charge for their use of service. The basis of tax, the rateable value of the property, was subject to revaluation by the Assessor at 1 April 2010. The uniform business rate for 2017/18 was set by the Scottish Government at 46.6p (48.4p in 2016/17). The Small Business Rates Relief scheme was superseded by the Small Business Bonus Scheme, introduced on 1 April 2008 and applies to properties with a rateable value up to and including £18,000. This scheme is funded by a supplement (2.6p in the pound) to the rate poundage for businesses with a rateable value of more than £35,000.

The contribution to the National Non-Domestic Rates Pool shown in the table above is the Non-Domestic Rates contributed by the council through the pooling arrangements for government grant purposes. The sum due from the central rates pool shown in the same table represents the Non-Domestic Rates distributed to the council through the aggregate external finance distribution.

Rateable values and numbers of premises as at 1 April

Premises	Number of subjects		Rateable values	
	2016/17	2017/18	2016/17 £000	2017/18 £000
Industrial and freight	2,057	2,060	51,869	51,451
Commercial subjects				
Shops	8,283	8,282	306,201	304,192
Offices	7,928	8,529	270,384	240,758
Hotels, boarding houses etc.	255	289	20,495	27,967
Others	3,547	3,595	117,499	119,117
Miscellaneous and formula valued subjects	4,274	4,787	239,775	271,813
Total	26,344	27,542	1,006,223	1,015,298

❖ Common Good Fund

The Common Good is the ancient patrimony of the former burghs, with additions that have taken place from time to time. The most concise statement of the administration of the Common Good Fund is contained in a judgement by Lord Kyllachy - "The Common Good is corporate property and falls as such to be administered by the council - and applied by them for the benefit of the community in such manner as, and using reasonable judgement as, they think proper". It is an indispensable qualification of any object, to which the Common Good can be legally applied, that it should be one in which the general public of Glasgow City Council, as distinct from the general public of any other locality, is interested.

The Common Good Fund (the Fund) primarily meets the cost of civic ceremonies and hospitality to distinguished visitors to the city. The principal assets of the Fund are its various properties throughout the city and financial investments.

The council has an approved policy to maintain the overall value of the Fund over time. The net assets of the Fund were £18.003 million as at 31 March 2018 (£18.348 million at 31 March 2017).

Common Good Fund Movement in Reserves Statement

	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2016	15,780	1,001	16,781
Movement in reserves during 2016/17:			
Total Comprehensive Income and (Expenditure)	1,030	537	1,567
Increase or (Decrease) in the year	1,030	537	1,567
Balance at 31 March 2017	16,810	1,538	18,348
Movement in reserves during 2017/18:			
Total Comprehensive Income and (Expenditure)	295	(640)	(345)
Increase or (Decrease) in the year	295	(640)	(345)
Balance at 31 March 2018	17,105	898	18,003

More detail on Unusable Reserves is provided in note 6 to the Common Good Fund (page 76).

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

2016/17 Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000	Service	Note	2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000
517	(50)	467	Common Good Fund		564	(52)	512
517	(50)	467	Cost of Services		564	(52)	512
0	(1,242)	(1,242)	Interest and investment income		0	(723)	(723)
0	(255)	(255)	Income, expenditure and changes in the fair value of investment properties		0	(84)	(84)
0	(1,497)	(1,497)	Financing and Investment (Income) and Expenditure		0	(807)	(807)
517	(1,547)	(1,030)	(Surplus) or Deficit on the Provision of Services	7	564	(859)	(295)
		(537)	(Surplus) or deficit on revaluation of available-for-sale financial assets				640
		(1,567)	Total Comprehensive (Income) and Expenditure				345

Balance Sheet as at 31 March 2018

2016/17 £000		Note	2017/18 £000
2,186	Investment property	2, 3	2,091
14,736	Long-term investments	4	14,777
16,922	Long-term Assets		16,868
1,030	Short-term investments	4	902
8	Inventories		5
54	Net short-term debtors		26
426	Cash and cash equivalents	5	340
1,518	Current Assets		1,273
(92)	Short-term creditors		(138)
(92)	Current Liabilities		(138)
18,348	Net Assets		18,003
16,810	Usable Reserves	6	17,105
1,538	Unusable Reserves	6	898
18,348	Total Reserves		18,003

Notes to the Common Good Fund

1. 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 Fund.
- 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 council will not significantly curtail the scale of its operation. Wherever accounting principles and legislative requirements are in conflict, the latter shall apply.
- 1.3 The accounting convention adopted is historical cost, modified by the revaluation of certain categories of long-term assets and the fair value of investments.
- 1.4 Where the Fund has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the transaction date. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the exchange rate as at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2. Investment property

The Fund owns a number of properties across the city, which are held to generate rental income or for capital appreciation. They are, therefore, accounted for as investment property and held at fair value in accordance with the Code. The fair value must reflect market conditions at the balance sheet date and thus the fair value of investment property is reviewed annually for material differences. Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services. Investment properties are not depreciated. The consumption of the economic benefits in the asset over time is, instead, automatically reflected in the property's fair value. All the investment properties are leased under operating leases to third parties. The amounts received in rental income are detailed at note 7 (page 77).

3. Fair value measurement of investment property

Each financial year, a valuation report is prepared for Common Good assets which incorporates the methodology employed by the valuer in arriving at their opinion of value. The methodology includes comparable data which is recognised in accordance with the fair value measurement hierarchy. The valuers seek to minimise the volume of unobservable inputs and maximise the volume of observable inputs in forming their opinion of value. For Common Good assets, the valuation inputs comprise either level 2 or level 3 inputs with adjustments not limited to location, rental growth, lease terms, covenants, costs, discount rates and vacancy levels. For 2017/18, both the income and market valuation techniques were widely adopted in forming opinions of fair value. The resulting valuation of £2.091 million comprises £2.012 million with level 2 inputs and £0.079 million with level 3 inputs.

4. Short and long-term investments

The Fund's investments were managed by Ruffer Limited Liability Partnership during the year. The fair value of investments as at 31 March 2018 was £15.679 million (£15.766 million at 31 March 2017). These are split between short and long-term investments on the Common Good Fund Balance Sheet. In terms of the fair value measurement hierarchy, short and long-term investments are considered to be valuations at level 1, being quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

The investment objective of the Fund is to achieve low volatility, positive returns from an actively managed portfolio of different asset classes, including internationally listed or quoted equities or equity related securities (including convertibles) or bonds, which are issued by corporate issuers, supra-nationals or government organisations, and currencies. The portfolio may also be invested in collective investment schemes, cash and money market instruments. Pervading this objective is a fundamental philosophy of capital preservation. The principal performance objective of the portfolio is to achieve a positive total annual return, after all expenses, of double the Bank of England base rate.

5. Cash and cash equivalents

Cash and cash equivalents of £0.340 million represents the balance held in the council's loans fund at 31 March 2018 (£0.426 million at 31 March 2017).

6. Reserves

The Code requires reserves to be summarised as Usable and Unusable Reserves. The Usable Reserve represents the accumulated Surplus on the Provision of Services. This balance stands at £17.105 million at 31 March 2018, an increase of £0.295 million from the previous year.

Unusable reserves relate to the Available-for-sale Financial Instruments Reserve, which contains the gains or losses made by the Fund arising from changes in the value of its investments that have quoted market prices. The balance is reduced when investments are revalued downward or impaired, or disposed of and the gains are realised. The balance on the reserve stands at £0.898 million as at 31 March 2018, a decrease of £0.640 million from last year due to the movement on revaluation of available-for-sale financial assets.

The overall net assets of the Common Good Fund have, therefore, decreased by £0.345 million.

7. Analysis of income and expenditure

The following table provides an analysis of the Fund's income and expenditure:

2016/17 £000		2017/18 £000	%
Where the money came from			
(1,362)	Interest and gains/losses on investments	(627)	69
(195)	Rental income	(224)	25
(50)	Other receipts	(52)	6
(1,607)	Total income	(903)	100
How the money was spent			
388	Civic hospitality	418	69
60	Investment property costs	44	7
125	Treasury management	140	23
4	Other supplies and services	6	1
577	Total expenditure	608	100
(1,030)	(Surplus) or Deficit on the Provision of Services	(295)	

❖ Sundry Trusts and Funds

Introduction

Sundry Trusts and Funds have been set up from donations made by various individuals and organisations over many years. It is generally the case that only income arising from these funds can be disbursed each year, thus ensuring that resources are available to meet their continuing requirements.

A total of 15 Sundry Trusts were held at 31 March 2018, with an overall balance of £15.200 million (14, with an overall restated balance of £15.576 million at 31 March 2017). The balance as at 31 March 2017 was restated to take account of audit changes of individual trusts.

The tables below include the 15 Sundry Trusts, distinguishing whether Glasgow City Council is sole trustee or not:

Glasgow City Council is sole trustee			
Restated Balance 2016/17 £000	Name of Fund	Objectives	Balance 2017/18 £000
Charities			
1,029	Lord Provost's Children's Fund	The prevention or relief of poverty, the advancement of education, the advancement of citizenship or community development and the relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage – beneficiaries of school age and under	999
866	Lord Provost's Fund for Older People	The prevention or relief of poverty, the advancement of citizenship or community development, the relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage – beneficiaries of retiral age	844
3,012	Lord Provost's Fund for Vulnerable Citizens	The prevention or relief of poverty, the advancement of education, the advancement of citizenship or community development, the relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage – beneficiaries between school age and retiral age	2,937
4,907	Charities		4,780
Non-Charities			
28	Glasgow Education Trust	General purpose – education in schools	27
83	Glasgow Necropolis Fund	For the upkeep of the Necropolis	82
12	Southern Necropolis Lair Fund	For the upkeep of lairs and stones in Southern Necropolis	12
6,957	Art and Museum Purchase Fund	For the purchase of works of art for the council	6,715
249	Donald McPherson	For the purchase of books at the Mitchell Library	246
28	Louis E Campbell Bequests	For the purchase of books at the Mitchell Library	27
276	Mitchell Centenary Fund	For the purchase of books at the Mitchell Library	222
0	Barbara Collier Trust Fund	To advance the education and help assist pupils at Hyndland Secondary School to achieve a place at University	240
0	Lord Provost/Lady Provost Lunch	To raise funds for good causes	0
7,633	Non-Charities		7,571
12,540	Total		12,351

Glasgow City Council is not sole trustee			
Restated Balance 2016/17 £000	Name of Fund	Objectives	Balance 2017/18 £000
Charities			
18	Lord Provost's Goodwill Trust Fund	The advancement of citizenship or community development, the relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage	0
2,637	Blindcraft Trust Fund	Provide support of the blind or visually impaired	2,475
381	Fossil Grove Trust	Provide support for the preservation of fossils at Victoria Park	374
3,036		Charities	2,849

Of the Sundry Trusts reported, 6 have charitable status, with a Total Reserves balance of £7.629 million at 31 March 2018 (6, with an overall balance of £7.943 million at 31 March 2017). The remaining 9 trusts with non-charitable status have a Total Reserves balance of £7.571 million at 31 March 2018 (8, with an overall balance of £7.633 million at 31 March 2017).

Sundry Trusts and Funds Movement in Reserves Statement

	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016	13,387	856	14,243
Movement in reserves during 2016/17:			
Total Comprehensive Income and (Expenditure) – Restated	(110)	1,443	1,333
Increase or (Decrease) in the year – Restated	(110)	1,443	1,333
Balance at 31 March 2017 – Restated	13,277	2,299	15,576
Movement in reserves during 2017/18:			
Total Comprehensive Income and (Expenditure)	150	(526)	(376)
Increase or (Decrease) in the year	150	(526)	(376)
Balance at 31 March 2018	13,427	1,773	15,200

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2018

2016/17 (Restated)				2017/18			
Charities £000	Non – Charities £000	Total £000	Sundry Trusts and Funds	Note	Charities £000	Non – Charities £000	Total £000
228	292	520	Expenditure		296	205	501
(70)	(12)	(82)	Income		(80)	(241)	(321)
158	280	438	Cost of Services		216	(36)	180
(165)	(163)	(328)	Interest and investment income		(167)	(163)	(330)
(165)	(163)	(328)	Financing and Investment Income		(167)	(163)	(330)
(7)	117	110	(Surplus) or Deficit on the Provision of Services		49	(199)	(150)
(725)	(718)	(1,443)	(Surplus) or deficit on revaluation of available-for-sale financial assets		265	261	526
(732)	(601)	(1,333)	Total Comprehensive (Income) and Expenditure		314	62	376

Balance Sheet as at 31 March 2018

2016/17 (Restated)				2017/18			
Charities £000	Non – Charities £000	Total £000	Sundry Trusts and Funds	Note	Charities £000	Non – Charities £000	Total £000
7,825	7,581	15,406	Long-term investments	1	7,497	7,454	14,951
26	0	26	Short-term debtors		11	0	11
114	102	216	Cash and cash equivalents	2	132	117	249
140	102	242	Current Assets		143	117	260
(22)	(50)	(72)	Short-term creditors		(11)	0	(11)
(22)	(50)	(72)	Current Liabilities		(11)	0	(11)
7,943	7,633	15,576	Net Assets		7,629	7,571	15,200
6,858	6,419	13,277	Usable Reserves	3	6,809	6,618	13,427
1,085	1,214	2,299	Unusable Reserves	3	820	953	1,773
7,943	7,633	15,576	Total Reserves		7,629	7,571	15,200

Notes to the Accounts

1. Long-term investments

The fair value of investments managed by Ruffer Limited Liability Partnership at 31 March 2018 was £14.901 million (£15.356 million at 31 March 2017). The investment objectives of the Fund is to preserve the capital over rolling 12 month periods, and secondly to grow the portfolio at a higher rate (after fees) than could reasonably be expected from depositing the cash in a UK bank. The Fund is invested in a variety of different asset classes, including fixed interest stocks and equities (both UK and international), and an allocation of other risk investments designed to improve the overall return, but never to the extent of risking serious capital loss.

Further long-term investments held at 31 March 2018 total £0.050 million (£0.050 million at 31 March 2017) relating to a National Savings Deposit Bond.

In terms of the fair value measurement hierarchy the long-term investments measured at fair value are considered Level 1 being quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

2. Cash and cash equivalents

Cash and cash equivalents of £0.249 million represents the balance held in the council's loans fund at 31 March 2018 (£0.216 million at 31 March 2017).

3. Reserves

The Code requires reserves to be summarised as Usable and Unusable Reserves. The Usable Reserve represents the accumulated Surplus on the Provision of Services. This balance stands at £13.427 million at 31 March 2018, an increase of £0.150 million from the previous year.

Unusable Reserves relate to the Available-for-sale Financial Instruments Reserve. The Available-for-sale Financial Instruments Reserve contains the gains or losses made by the Fund arising from changes in the value of its investments that have quoted market prices. The balance is reduced when investments are revalued downward, impaired, or disposed of and the gains are realised. The Unusable Reserves balance stands at £1.773 million as at 31 March 2018, a decrease of £0.526 million from the previous year, due to the movement on the revaluation of available-for-sale financial assets. The overall net assets of the Sundry Trusts Fund have, therefore, decreased by £0.376 million.

❖ Group Financial Statements

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 places a requirement on authorities to consider all their interests in external organisations including limited companies and other statutory bodies. Where the interest is considered to be material, the authority is required to prepare a full set of Group Financial Statements, in addition to those prepared for the authority's single entity Financial Statements. The Group Financial Statements are designed to give a 'true and fair view' of the financial performance and position of the council's group.

Combining entities

The council has created a number of companies, commonly known as Arm's Length External Organisations (ALEOs), to further council objectives. Where the council has a 'controlling interest', these ALEOs are termed 'subsidiaries'. The council also has a 'significant interest' in a number of ALEOs, other companies and statutory bodies that are termed 'associates' and is an equal partner in the Glasgow City Integration Joint Board with NHS Greater Glasgow and Clyde that is termed as a 'joint board'. The subsidiaries, associates and joint board representing the combining entities are listed on page 83. Additional information on these entities can be found in note 4 on pages 91 to 98.

Basis of consolidation

The Group Financial Statements for the year ended 31 March 2018 have been prepared on the basis of a full consolidation, with all financial transactions and balances of the council and its subsidiaries consolidated on a line by line basis. Associates and joint boards have been incorporated using the equity method, where an opening investment is recognised in the Group Balance Sheet and adjusted each year by the council's share of the associate's operating results and other gains and losses. The accounting periods for all entities are for the year to 31 March 2018.

Changes to group structure

During financial year 2017/18 there were the following changes within the GCC group structure.

Service Glasgow Limited Liability Partnership, trading as ACCESS changed status from an associate to a subsidiary. The 50/50 partnership between Glasgow City Council (GCC) and Serco ended on 30 November 2017 and the ownership of the assets transferred to the council as of this date. On transfer to GCC on 1 December 2017, Service Glasgow Limited Liability Partnership extended their accounting period to 31 March 2018 in line with the rest of the group. For the period 1 April 2017 to 30 November 2017, when the 50/50 partnership between GCC and Serco was in place, Service Glasgow Limited Liability Partnership have been treated as an associate and the GCC share of their results to 30 November have been consolidated into the group accounts on an equity basis. For the period 1 December 2017 to 31 March 2018, when GCC took full ownership, Service Glasgow Limited Liability Partnership have been treated as a subsidiary and their results have been consolidated into the group accounts on a line by line basis.

City Building (Glasgow) Limited Liability Partnership changed status from a subsidiary to an associate. From 1 April 2017 a new 50/50 joint venture between Glasgow City Council and the Wheatley Housing Group was formed and the full operations of City Building (Glasgow) LLP were transferred to this new partnership. City Building (Glasgow) LLP have therefore been treated as a subsidiary for 2016/17 group accounts with their

results consolidated on a line by line basis, and for 2017/18 they have been treated as an associate, with the GCC share of their results consolidated into the group accounts on an equity basis.

As a result of these movements the opening net assets of the group have increased by £23.711 million, from £1,211.945 million to £1,235.656 million. Where relevant, opening balances have been adjusted to reflect these changes.

Subsidiaries

- Scottish Event Campus Limited
- City Building (Contracts) Limited Liability Partnership
- Culture and Sport Glasgow, trading as Glasgow Life
- City Parking (Glasgow) Limited Liability Partnership
- Cordia (Care) Limited Liability Partnership
- Cordia (Services) Limited Liability Partnership
- City Property Glasgow (Investments) Limited Liability Partnership
- Jobs & Business Glasgow
- Service Glasgow Limited Liability Partnership, trading as ACCESS

Associates and Joint Boards

- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme
- Glasgow City Integration Joint Board
- City Building (Glasgow) Limited Liability Partnership

Group Comprehensive Income and Expenditure Statement for the Year ended 31 March 2018

2016/17 Exp. £000 (restated)	2016/17 Income £000 (restated)	2016/17 Net Exp. £000 (restated)	Service	Note	2017/18 Exp. £000	2017/18 Income £000	2017/18 Net Exp. £000
71,362	(5,227)	66,135	Chief Executive's Office		98,206	(23,551)	74,655
166,172	(114,707)	51,465	Development & Regeneration Services		189,620	(117,126)	72,494
458,527	(28,895)	429,632	Education Services		465,449	(54,046)	411,403
415,426	(346,790)	68,636	Financial Services		409,352	(337,812)	71,540
172,984	(41,720)	131,264	Land & Environmental Services		195,361	(42,244)	153,117
911,335	(604,247)	307,088	Social Work Services		925,521	(577,428)	348,093
74,477	(23,461)	51,016	Related Companies and Joint Boards		41,843	(11,699)	30,144
0	0	0	Pay protection obligations (material item)		35,055	0	35,055
139	(50)	89	Common Good Fund	6	183	(52)	131
149	(82)	67	Sundry Trusts	6	224	(321)	(97)
15	(74,924)	(74,909)	City Building (Contracts) LLP		92,794	(14,124)	78,670
227,125	(6,050)	221,075	City Building (Glasgow) LLP		0	0	0
9,544	(9,753)	(209)	City Parking LLP		3,887	(8,260)	(4,373)
1,394	(723)	671	City Property (Glasgow) Investments LLP		1,412	(307)	1,105
19	(143)	(124)	Cordia Care LLP		5	(145)	(140)
146,096	(22,855)	123,241	Cordia Services LLP		151,587	(22,287)	129,300
102,055	(41,516)	60,539	Culture and Sport Glasgow		117,785	(36,845)	80,940
11,542	(2,769)	8,773	Jobs & Business Glasgow		7,196	(1,024)	6,172
(11,304)	(28,918)	(40,222)	Scottish Event Campus Ltd		28,953	(28,304)	649
0	0	0	Service Glasgow LLP		10,912	1,876	12,788
2,757,057	(1,352,830)	1,404,227	Cost of Services		2,775,345	(1,273,699)	1,501,646
0	(4,972)	(4,972)	(Gain) or loss on the disposal of Property, Plant and Equip.		0	(1,269)	(1,269)
0	(4,972)	(4,972)	Other Operating Expenditure		0	(1,269)	(1,269)
2,647	(5,120)	(2,473)	(Surplus) or deficit on Trading Operations where not included above		3,019	(4,985)	(1,966)
99,891	0	99,891	Interest payable		96,249	0	96,249
0	(4,150)	(4,150)	Interest and investment income		0	(3,275)	(3,275)
44,042	0	44,042	Net interest on the net defined benefit liability	11	46,395	0	46,395
7,696	(19,409)	(11,713)	Income, expenditure and changes in the fair value of investment properties	15	9,441	(20,642)	(11,201)
0	(434)	(434)	Minority interest		0	(7)	(7)
154,276	(29,113)	125,163	Financing and Investment Income and Expenditure		155,104	(28,909)	126,195
0	(851,404)	(851,404)	Non-ringfenced Government grants		0	(834,785)	(834,785)
0	(374,865)	(374,865)	Non-Domestic Rates		0	(373,374)	(373,374)
0	(189,732)	(189,732)	Council Tax / Community Charge		0	(207,866)	(207,866)
0	(89,494)	(89,494)	Capital grants and contributions		0	(106,744)	(106,744)
0	(1,505,495)	(1,505,495)	Taxation and Non-specific Grant Income		0	(1,522,769)	(1,522,769)
2,911,333	(2,892,410)	18,923	(Surplus) or Deficit on the Provision of Services		2,930,449	(2,826,646)	103,803
		(14,741)	Share of (surplus) or deficit on provision of services by associates				(27,475)
		194	Tax expenses or (receipts) of subsidiaries	13			232
		4,376	Group (Surplus) or Deficit				76,560
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(149,127)	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(93,343)
		506,878	Actuarial (gains) or losses on Pension Assets and Liabilities	11			(664,851)
		2,896	Other unrealised (gains) or losses				3,209
		3,345	Share of other comprehensive (income) and expenditure of associates				(6,780)
		434	Minority interest				7
		364,426					(761,758)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(2,390)	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets				1,621
		362,036	Other Comprehensive (Income) and Expenditure				(760,137)
		366,412	Total Comprehensive (Income) and Expenditure				(683,577)

Group Movement in Reserves Statement for the year ended 31 March 2018

Movement in Reserves Statement	General Fund Reserve £000	Revenue Reserve Fund £000	Capital Reserve Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000	Authority's share of Usable Reserves of Subsidiaries & Associates £000	Authority's share of Unusable Reserves of Subsidiaries & Associates £000	Minority Interest £000	Total Reserves £000
Balance at 31 March 2016	61,536	36,964	12,362	1,172	112,034	1,419,296	1,531,330	38,877	5,535	2,615	1,578,357
Movement in reserves during 2016/17:											
Total Comprehensive Income and (Expenditure) (Restated)	(453,583)	0	0	0	(453,583)	(270,036)	(723,619)	448,773	(95,186)	3,620	(366,412)
Adjustments between group accounts and authority accounts (note 8)	393,120	0	0	0	393,120	0	393,120	(393,120)	0	0	0
Net Increase or (Decrease) before transfers	(60,463)	0	0	0	(60,463)	(270,036)	(330,499)	55,653	(95,186)	3,620	(366,412)
Adjustments between accounting basis and funding basis under regulations	58,371	0	0	(302)	58,069	(58,069)	0	2,392	(2,392)	0	0
Net Increase or (Decrease) before transfers to other statutory reserves	(2,092)	0	0	(302)	(2,394)	(328,105)	(330,499)	58,045	(97,578)	3,620	(366,412)
Transfers (to) and from other statutory reserves	(212)	4,577	(4,365)	0	0	0	0	0	0	0	0
Increase or (Decrease) in the year (Restated)	(2,304)	4,577	(4,365)	(302)	(2,394)	(328,105)	(330,499)	58,045	(97,578)	3,620	(366,412)
Balance at 31 March 2017 (Restated)	59,232	41,541	7,997	870	109,640	1,091,191	1,200,831	96,922	(92,043)	6,235	1,211,945
Impact of Group movements during the year	0	0	0	0	0	0	0	(46,232)	69,943	0	23,711
Revised balance at 31 March 2017	59,232	41,541	7,997	870	109,640	1,091,191	1,200,831	50,690	(22,100)	6,235	1,235,656
Movement in reserves during 2017/18:											
Total Comprehensive Income and (Expenditure)	(440,142)	0	0	0	(440,142)	633,986	193,844	363,575	126,151	7	683,577
Adjustments between group accounts and authority accounts (note 8)	348,935	0	0	0	348,935	0	348,935	(348,935)	0	0	0
Net Increase or (Decrease) before transfers	(91,207)	0	0	0	(91,207)	633,986	542,779	14,640	126,151	7	683,577
Adjustments between accounting basis and funding basis under regulations	86,724	0	0	6,577	93,301	(93,301)	0	31,393	(31,393)	0	0
Net Increase or (Decrease) before transfers to other statutory reserves	(4,483)	0	0	6,577	2,094	540,685	542,779	46,033	94,758	7	683,577
Transfers (to) and from other statutory reserves	(6,931)	4,043	2,888	0	0	0	0	0	0	0	0
Increase or (Decrease) in the year	(11,414)	4,043	2,888	6,577	2,094	540,685	542,779	46,033	94,758	7	683,577
Balance at 31 March 2018	47,818	45,584	10,885	7,447	111,734	1,631,876	1,743,610	96,723	72,658	6,242	1,919,233

Note 9 on page 101 provides further details on the Movement in Reserves Statement

Group Balance Sheet as at 31 March 2018

31 March 17 £000 (restated)		Note	£000	31 March 18 £000
2,341,143	Other land and buildings		2,368,297	
132,758	Vehicles, plant, furniture and equipment		108,848	
583,686	Infrastructure assets		642,838	
24,699	Community assets		24,699	
87,338	Assets under construction		56,264	
<u>47,183</u>	Corporate surplus assets		<u>39,831</u>	
3,216,807	Property, Plant and Equipment	14		3,240,777
1,417,158	Heritage assets			1,417,158
182,194	Investment property	15		191,649
6,629	Intangible assets			9,810
38,016	Long-term investments			34,321
60,531	Investments in associates and joint boards	17		103,334
<u>35,440</u>	Long-term debtors			<u>34,245</u>
4,956,775	Long-term Assets			5,031,294
51,895	Short-term investments			1,177
4,729	Inventories	18		3,638
209,891	Net short-term debtors			210,299
226,043	Cash and cash equivalents	19		197,054
1,637	Intangible Assets			358
<u>32,950</u>	Assets held for sale			<u>28,915</u>
527,145	Current Assets			441,441
(2,730)	Cash and cash equivalents	19		(177)
(368,838)	Short-term borrowing			(298,630)
(361,552)	Short-term creditors			(347,384)
<u>(6,661)</u>	Short-term provisions			<u>(40,453)</u>
(739,781)	Current Liabilities			(686,644)
(21,316)	Long-term provisions			(21,616)
(1,451,851)	Long-term borrowing			(1,363,830)
(1,798,083)	Net pensions liability	11		(1,184,935)
(230,282)	Deferred liabilities			(234,681)
(865)	Deferred tax liability	20		(1,097)
(22,939)	Deferred grants	21		(21,851)
(5,381)	Deferred income	22		(3,188)
<u>(1,477)</u>	Liabilities in associates and joint boards	17		<u>(35,660)</u>
(3,532,194)	Long-term Liabilities			(2,866,858)
1,211,945	Net Assets / (Liabilities)			1,919,233
59,232	General Fund Reserve		47,818	
41,541	Revenue Reserve Funds		45,584	
7,997	Capital Reserve Funds		10,885	
<u>870</u>	Capital Grants Unapplied Account		<u>7,447</u>	
109,640	Usable Reserves			111,734
1,091,191	Unusable Reserves			1,631,876
11,114	Group Reserves			175,623
1,211,945	Total Reserves			1,919,233

The unaudited accounts were
issued on 14 June 2018

Martin Booth BA CPFA MBA
Executive Director of Finance
14 June 2018

Group Cash Flow Statement for the Year ended 31 March 2018

2016/17 £000 (restated)		2017/18 £000
4,376	Group (Surplus) or Deficit on the Provision of Services	76,560
(148,830)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(122,265)
6,513	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	11,351
(137,941)	Net cash flows from operating activities	(34,354)
75,477	Investing activities	(17,052)
(51,042)	Financing activities	77,629
(113,506)	Net (increase) or decrease in Cash and cash equivalents	26,223
(109,807)	Cash and cash equivalents at the beginning of the reporting period	(223,313)
<u>0</u>	Impact of Group movements during the year on opening cash balances	<u>213</u>
(109,807)	Revised Cash and cash equivalents at the beginning of the reporting period	(223,100)
(223,313)	Cash and cash equivalents at the end of the reporting period	(196,877)

❖ Notes to the Group Financial Statements

1. Group accounting policies

The group accounting policies are those specified for the single entity Financial Statements on pages 20 to 31. Where materially different, the accounting policies of group members have been aligned to those of the single entity. Where group members are not required to prepare their financial statements on an IFRS basis, consolidation adjustments have been made.

The accounting policies of all group members are materially the same as those of the single entity except in the following cases:

1.1. Goodwill

The council inherited its interest in Scottish Event Campus Limited, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme as a result of local government reorganisation in April 1996. There was no goodwill on acquisition.

1.2. Going concern

For three subsidiaries, the council's share of net reserves is a net liability. The net liabilities of City Building (Contracts) LLP and Culture and Sport Glasgow are a direct consequence of the requirement to fully account for IAS19 Employee Benefits. As with the council's pension liabilities, the 2017/18 Financial Statements show a decrease in the overall group pension liability. These liabilities, falling due in future years, will be financed by annual pension contributions and returns on investments.

The net liability within City Parking (Glasgow) LLP reflects the application of proper accounting practice and the business model which underpins the operation of the company. The LLP's business model provides for the funding of all known liabilities over time.

The financial effect of the subsidiaries reporting a net liability in the Group Financial Statements is to reduce group balances and reserves by £77.680 million (£180.445 million in 2016/17 including liabilities of City Building (Glasgow) LLP and Cordia Services LLP).

All group members have prepared their accounts on a going concern basis. In common with these public bodies, the council's Group Financial Statements have been prepared on a going concern basis as it is expected that funding, aligned with robust budget processes, will continue to provide sufficient resources.

1.3. Pensions

Disclosure of information relating to the pensions of Glasgow City Council and its associates follows the reporting requirements of IAS19 Employee Benefits. Information relating to the pensions of subsidiaries follows the reporting requirements of FRS102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

Glasgow City Council, City Building (Contracts) LLP, Culture and Sport Glasgow, City Parking (Glasgow) LLP, Cordia (Services) LLP, Jobs & Business Glasgow and Service Glasgow LLP are members of the Local Government Pension Scheme, a defined benefit scheme. The cost of providing pensions for employees was charged to the Group Comprehensive Income and Expenditure Statement in accordance with the Code.

Strathclyde Partnership for Transport is also an admitted body of the Local Government Pension Scheme and has used the same assumptions as the council in arriving at their net pension liability.

Scottish Event Campus Limited, Jobs & Business Glasgow and Service Glasgow LLP operate defined contribution schemes on behalf of their employees. By exception, those employees who transferred from Glasgow City Council to Service Glasgow LLP retain pension entitlements under the Local Government Pension Scheme. For these defined contribution schemes, the pension costs reported for the year are equal to the contributions payable to the scheme for the accounting period and are included within Cost of Services in the Group Comprehensive Income and Expenditure Statement. Assets or liabilities are recognised only to the extent that they are prepaid or outstanding at the year end.

1.4. Common Good Fund and Sundry Trusts

Expenditure and income associated with the Common Good Fund and Sundry Trusts are included within Cost of Services in the Group Comprehensive Income and Expenditure Statement. Trading between the Common Good Fund, Sundry Trusts and the group has been eliminated.

1.5. Depreciation

For the group and its associates, depreciation has been provided on a straight-line basis for the following long-term assets:

Category	Useful Life (years)
Buildings	5 - 60
Plant, Vehicles and Equipment	1 - 20
Infrastructure	10 - 40
Surplus Property	40
Surplus Equipment	10
Rolling Stock	1 - 25
Sundry Assets	1 - 25

1.6. Prior year restatement

The following prior year adjustments have been made in relation to the consolidating entities in 2017/18:

- To reflect audit adjustments within group subsidiaries, the impact on the statements is an increase of £1.040 million to the closing group reserves balance at 31 March 2017.

2. Assumptions about the future and other sources of estimation uncertainty

The Group Financial Statements contain estimated figures that are based on assumptions made by the group about the future or outcomes that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The item in the Group Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. The actuary has estimated that a 0.5% decrease in the real discount rate would result in an increase to the pension liability of £558.9 million. Similarly, a 0.5% increase in the rate of salary increase and pension increase rates would increase the liability by £119.5 million and £429.1 million respectively. In terms of life expectancy, an increase of 1 year would equate to an increased liability of between £162.7 million and £271.2 million.

3. Group Expenditure and Funding Analysis for the Year ended 31 March 2018

2016/17 Expenditure Chargeable to the General Fund (restated) £000	2016/17 Adjustments between the Funding and Accounting basis (restated) £000	2016/17 Net Expenditure in the CIES (restated) £000	Service	2017/18 Expenditure Chargeable to the General Fund £000	2017/18 Adjustments between the Funding and Accounting basis £000	2017/18 Net Expenditure in the CIES £000
52,729	13,406	66,135	Chief Executive's Office	50,220	24,435	74,655
5,404	46,061	51,465	Development & Regeneration Services	17,406	55,088	72,494
357,690	71,942	429,632	Education Services	389,277	22,126	411,403
125,634	(56,998)	68,636	Financial Services	127,963	(56,423)	71,540
102,322	28,942	131,264	Land & Environmental Services	114,713	38,404	153,117
299,963	7,125	307,088	Social Work Services	300,750	47,343	348,093
47,811	3,205	51,016	Related Companies and Joint Boards	27,403	2,741	30,144
0	0	0	Pay protection obligations (material item)	35,055	0	35,055
89	0	89	Common Good Fund	131	0	131
67	0	67	Sundry Trusts	(97)	0	(97)
(74,909)	0	(74,909)	City Building (Contracts) LLP	78,799	(129)	78,670
217,082	3,993	221,075	City Building (Glasgow) LLP	0	0	0
2,061	(2,270)	(209)	City Parking LLP	(2,080)	(2,293)	(4,373)
7,812	(7,141)	671	City Property (Glasgow) Investments LLP	9,126	(8,021)	1,105
(124)	0	(124)	Cordia Care LLP	(140)	0	(140)
119,563	3,678	123,241	Cordia Services LLP	119,838	9,462	129,300
57,853	2,686	60,539	Culture and Sport Glasgow	70,475	10,465	80,940
8,916	(143)	8,773	Jobs & Business Glasgow	6,273	(101)	6,172
(28,996)	(11,226)	(40,222)	Scottish Event Campus Ltd	39,739	(39,090)	649
0	0	0	Service Glasgow LLP	12,739	49	12,788
1,300,967	103,260	1,404,227	Cost of Services	1,397,590	104,056	1,501,646
(1,356,920)	(42,931)	(1,399,851)	Other (Income) and Expenditure	(1,392,908)	(32,178)	(1,425,086)
(55,953)	60,329	4,376	Group (Surplus) or Deficit	4,682	71,878	76,560
		100,413	Opening General Fund Balance			156,154
		55,953	Surplus/(Deficit) on General Fund in Year			(4,682)
		(212)	Transfers (to)/from Other Statutory Reserves			(6,931)
		156,154	Closing General Fund Balance			144,541

Note to the Group Expenditure and Funding Analysis – Adjustments between the Funding and Accounting basis

2016/17 Adjustments for Capital Purposes (restated) £000	2016/17 Net Change for the Pensions Adjustments (restated) £000	2016/17 Other Differences (restated) £000	2016/17 Total Adjustments (restated) £000	Service	2017/18 Adjustments for Capital Purposes £000	2017/18 Net Change for the Pensions Adjustments £000	2017/18 Other Differences £000	2017/18 Total Adjustments £000
12,896	(466)	976	13,406	Chief Executive's Office	21,424	1,150	1,861	24,435
49,343	(2,710)	(572)	46,061	Development and Regeneration Services	57,223	(939)	(1,196)	55,088
76,149	(4,336)	129	71,942	Education Services	17,480	3,495	1,151	22,126
411	2,273	(59,682)	(56,998)	Financial Services	203	5,560	(62,186)	(56,423)
28,149	1,851	(1,058)	28,942	Land and Environmental Services	31,218	8,526	(1,340)	38,404
2,831	3,873	421	7,125	Social Work Services	33,531	13,955	(143)	47,343
(35)	193	3,047	3,205	Related Companies and Joint Boards	(170)	843	2,068	2,741
0	0	0	0	Pay protection obligations (material item)	0	0	0	0
0	0	0	0	Common Good Fund	0	0	0	0
0	0	0	0	Sundry Trusts	0	0	0	0
0	0	0	0	City Building (Contracts) LLP	0	3,975	(4,104)	(129)
617	13,572	(10,196)	3,993	City Building (Glasgow) LLP	0	0	0	0
1,295	834	(4,399)	(2,270)	City Parking LLP	(4,041)	1,150	598	(2,293)
64	0	(7,205)	(7,141)	City Property (Glasgow) Investments LLP	64	0	(8,085)	(8,021)
0	0	0	0	Cordia Care LLP	0	0	0	0
134	12,075	(8,531)	3,678	Cordia Services LLP	95	17,951	(8,584)	9,462
1,189	11,274	(9,777)	2,686	Culture and Sport Glasgow	1,211	18,874	(9,620)	10,465
710	372	(1,225)	(143)	Jobs & Business Glasgow	326	84	(511)	(101)
(34,722)	656	22,840	(11,226)	Scottish Event Campus Ltd	4,716	655	(44,461)	(39,090)
0	0	0	0	Service Glasgow LLP	108	490	(549)	49
139,031	39,461	(75,232)	103,260	Cost of Services	163,388	75,769	(135,101)	104,056
(144,189)	43,364	57,894	(42,931)	Other (Income) and Expenditure	(138,653)	45,806	60,669	(32,178)
(5,158)	82,825	(17,338)	60,329	(Surplus) or Deficit on the Provision of Services	24,735	121,575	(74,432)	71,878

4. Combining entities

4.1. Scottish Event Campus Limited

Scottish Exhibition Centre Limited was incorporated under the terms of the Companies Acts to promote international exhibitions, conferences and events on 4 March 1983 and formally changed its name to Scottish Event Campus Limited on 26 January 2017. The council is the principal shareholder in the company holding 19,900,000 ordinary £1 shares representing 90.87% of the issued share capital. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

Net assets of the company were £13.681 million at 31 March 2018, compared to net assets of £12.241 million at 31 March 2017. The profit on ordinary activities before taxation for the year to 31 March 2018 was £1.684 million, compared to a profit of £2.739 million for the period to 31 March 2017. The limit of the council's commitment to meet accumulated losses is £0.200 million (exclusive of RPI increases), in addition to the value of any rates paid or payable in the year for the conference centre. No dividend payments were due to, or received by, the council in respect of its investment.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Chief Executive, Scottish Event Campus Limited, Glasgow G3 8YW.

4.2. City Building (Contracts) Limited Liability Partnership

City Building (Contracts) Limited Liability Partnership was incorporated on 2 October 2006 to provide construction and repairs services to local authorities, other public sector organisations and the private sector. The council is the principal member of the partnership, holding 99.99% of the ordinary capital. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

After accounting for IAS19 Employee Benefits, the net liabilities of the partnership were £17.977 million at 31 March 2018, compared to net assets of £0.600 million at 31 March 2017. The loss on ordinary activities before and after taxation for the year to 31 March 2018 was £2.230 million, compared to a profit of £0.050 million for the period to 31 March 2017.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Managing Director, City Building (Contracts) Limited Liability Partnership, 350 Darnick Street, Glasgow G21 4BA.

4.3. Culture and Sport Glasgow, trading as Glasgow Life

Culture and Sport Glasgow was incorporated on 22 December 2006 as a company limited by guarantee and Glasgow City Marketing Bureau Limited was incorporated within Culture and Sport Glasgow as a wholly owned subsidiary from 1 April 2016. The company is also a registered charity, with Glasgow City Council being the sole member. The limit of the council's liability if the company was wound up is £1. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

The company's principal objectives are to advance the arts, heritage, culture and science, education and health, participation in sport, citizenship and community development through the provision of recreational facilities and other services that contribute to the advancement of well-being.

After accounting for IAS19 Employee Benefits, the net liabilities of the company were £35.727 million at 31 March 2018, compared to net liabilities of £91.614 million at 31 March 2017. The loss on ordinary activities before and after taxation for the year to 31 March 2018 was £12.836 million, compared to a profit of £2.689 million for the period to 31 March 2017.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Chief Executive, Culture and Sport Glasgow, 220 High Street, Glasgow G4 0QW.

4.4. City Parking (Glasgow) Limited Liability Partnership

City Parking (Glasgow) Limited Liability Partnership was incorporated on 23 March 2007 to provide secure off-street parking facilities in the Glasgow area. The council is the principal member of the partnership, holding 99.99% of the ordinary capital. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

After accounting for IAS19 Employee Benefits, the net liabilities of the partnership were £23.976 million at 31 March 2018, compared to £30.493 million at 31 March 2017. The profit on ordinary activities before and after taxation for the year to 31 March 2018 was £3.645 million, compared to a loss of £0.263 million for the period to 31 March 2017.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Managing Director, City Parking (Glasgow) Limited Liability Partnership, Third Floor, 5 Cadogan Square, Anderston Centre, Glasgow G2 7PH.

4.5. Cordia (Care) Limited Liability Partnership

Cordia (Care) Limited Liability Partnership was incorporated on 25 November 2008 to deliver care services to Glasgow City Council. The council is the principal member of the partnership, holding 99.99% of the ordinary capital. Under accounting standards, the council has a controlling interest in this company. It is, therefore, included in the Group Financial Statements as a subsidiary.

The net assets of the partnership were £0.062 million at 31 March 2018, compared to £0.046 million at 31 March 2017. The profit on ordinary activities before and after taxation for the year to 31 March 2018 was £0.016 million, compared to a loss of £0.004 million for the period to 31 March 2017.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Head of Finance, Cordia (Care) Limited Liability Partnership, Port Dundas Business Park, Blair Court, 100 Borron Street, Glasgow G4 9XE.

4.6. Cordia (Services) Limited Liability Partnership

Cordia (Services) Limited Liability Partnership was incorporated on 25 November 2008 to deliver facilities management services including catering, building and window cleaning, janitorial services and school crossing patrol services to Glasgow City Council and other external organisations. The council is the principal member of the partnership, holding 99.99% of the ordinary capital. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

After accounting for IAS19 Employee Benefits, the net assets of the partnership were £29.365 million at 31 March 2018, compared to net liabilities of £7.069 million at 31 March 2017. The loss on ordinary activities before and after taxation for the year to 31 March 2018 was £9.428 million, compared to £3.057 million for the period to 31 March 2017.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Head of Finance, Cordia (Services) Limited Liability Partnership, Port Dundas Business Park, Blair Court, 100 Borron Street, Glasgow G4 9XE.

4.7. City Property Glasgow (Investments) Limited Liability Partnership

City Property Glasgow (Investments) Limited Liability Partnership was incorporated on 13 August 2009 to acquire and manage Glasgow City Council's investment property portfolio. The council is the principal member of the partnership, holding 99.99% of the ordinary capital. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

The net assets of the partnership were £114.960 million at 31 March 2018, compared to restated net assets of £88.062 million at 31 March 2017. The profit on ordinary activities before and after taxation for the year to 31 March 2018 was £8.361 million, compared to £7.225 million for the period to 31 March 2017.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Managing Director, City Property Glasgow (Investments) Limited Liability Partnership, Ground Floor, Exchange House, 229 George Street, Glasgow G1 1QU.

4.8. Jobs & Business Glasgow

Glasgow's Regeneration Agency was incorporated on 28 March 2011 as a company limited by guarantee and formally changed its name to Jobs & Business Glasgow on 11 March 2013.

The company is also a registered charity, with Glasgow City Council being the sole member. The limit of the council's liability if the company was wound up is £1. The council is the principal member of the partnership, holding 99.99% of the ordinary capital. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

The company's principal objectives are to reduce the gap between Glasgow's and Scotland's employment rate by increasing the percentage of Glasgow's jobs going to Glasgow's residents, and to match business density rates in competitor cities by raising the rate of sustainable business.

After accounting for IAS19 Employee Benefits, the net assets of the company were £14.466 million at 31 March 2018, compared to net assets of £13.402 million at 31 March 2017. The profit on ordinary activities before taxation for the year to 31 March 2018 was £0.114 million, compared to a loss of £0.488 million for the period to 31 March 2017.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Managing Director, Jobs & Business Glasgow, 94 Duke Street, Glasgow G4 0UW.

4.9. Service Glasgow Limited Liability Partnership, trading as ACCESS

Service Glasgow Limited Liability Partnership was incorporated on 28 January 2008 as a vehicle to support Glasgow City Council's business transformation by integrating property, facilities management and information and communications technology.

On 30 November 2017 the 50/50 partnership between Glasgow City Council and Serco ended and Service Glasgow Limited Liability Partnership transferred back to council ownership. Under accounting standards, the council had a significant interest in this company for the period 1 April 2017 to 30 November 2017 and has a controlling interest in the company for the period 1 December 2017 to 31 March 2018. It is therefore included

in the Group Financial Statements as an associate for the period to 30 November 2017 and then as a subsidiary for the period 1 December 2017 to 31 March 2018.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Chief Executive, Service Glasgow Limited Liability Partnership, 220 High Street, Glasgow G4 0QW.

The net assets of the new partnership were £0.987 million at 31 March 2018 and the profit on ordinary activities before and after taxation for the year to 31 March 2018 was £0.987 million.

At the date of transfer to Glasgow City Council the old partnership had no net assets and the council share of the profit was £1.477 million.

The following table represents the group's share of key financial information extracted from the accounts of Service Glasgow Limited Liability Partnership for the period to 30 November 2017:

2016/17 £000	Service Glasgow Limited Liability Partnership	2017/18 £000
(25,647)	Gross (income)	(25,246)
582	(Surplus) or Deficit on the Provision of Services	(1,477)
0	Long-term assets	54
4,969	Current assets	6,062
(6,446)	Current liabilities	(6,116)

4.10. Strathclyde Partnership for Transport

Strathclyde Partnership for Transport was formed on 1 April 2006 as successor to Strathclyde Passenger Transport Authority and Strathclyde Passenger Transport Executive. It is one of the seven Regional Transport Partnerships in Scotland and is responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, 131 St. Vincent Street, Glasgow G2 5JF.

Under accounting standards, the council has a significant interest in this statutory body. The Board is included within the Group Financial Statements as an associate. In 2017/18, Glasgow City Council contributed £9.848 million or 26.88% of the Board's estimated running costs (2016/17 £10.049 million) and its share of the year-end net assets of £87.261 million (2016/17 net assets of £50.458 million) is included in the Group Balance Sheet.

The following table represents the group's share of key financial information extracted from the Strathclyde Partnership for Transport accounts for 2017/18:

2016/17 £000	Strathclyde Partnership for Transport	2017/18 £000
(27,867)	Gross (income)	(42,460)
(5,662)	(Surplus) or Deficit on the Provision of Services	(24,543)
3,345	Other Comprehensive (Income) and Expenditure	(12,260)
50,455	Long-term assets	57,027
25,600	Current assets	47,230
(11,744)	Current liabilities	(5,604)
(504)	Long-term liabilities excluding pension liability	(9,421)
(13,349)	Pension liability	(1,971)

An analysis of the amounts owed and owing between Glasgow City Council and Strathclyde Partnership for Transport is provided below and includes normal trade debtors and creditors:

2016/17 £000	Strathclyde Partnership for Transport	2017/18 £000
	Amounts owed to GCC	
3,685	Short-term debtors	2,110
	Amounts owing by GCC	
(114)	Short-term creditors	(406)

4.11. Strathclyde Concessionary Travel Scheme

Strathclyde Concessionary Travel Scheme comprises the 12 councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within the area. The costs of the Scheme are met by the 12 councils and by the Scottish Government via grant funding. Strathclyde Partnership for Transport administers the Scheme on behalf of the Board.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, 131 St. Vincent Street, Glasgow G2 5JF.

Under accounting standards, the council has a significant interest in this statutory body. The Board is included within the Group Financial Statements as an associate. In 2017/18, Glasgow City Council contributed £1.031 million or 24.70% of the Board's estimated running costs (2016/17 £1.052 million) and its share of the year-end net assets of £0.385 million (2016/17 £0.418 million) is included in the Group Balance Sheet.

The following table represents the group's share of key financial information extracted from Strathclyde Concessionary Travel Scheme accounts for 2017/18:

2016/17 £000	Strathclyde Concessionary Travel Scheme	2017/18 £000
(1,057)	Gross (income)	(1,034)
(6)	(Surplus) or Deficit on the Provision of Services	33
673	Current assets	609
(255)	Current liabilities	(224)

There were no amounts owing or owed between Glasgow City Council and Strathclyde Concessionary Travel Scheme as at 31 March 2018.

4.12. Glasgow City Integration Joint Board

Glasgow City Integration Joint Board is a partnership consisting of Glasgow City Council and NHS Greater Glasgow and Clyde, set up to improve the wellbeing of people who use health and social care services across the Glasgow area, commencing 6 February 2016.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Chief Executive, Glasgow City Integration Joint Board, 32 Albion Street, Glasgow G1 1LH.

Under accounting standards, the council has a significant interest in this company. The company is included within the Group Financial Statements as a material joint board. In 2017/18, the council contributed £390.118 million (2016/17 £401.509 million) or 50% of the company's running costs and its share of the year end net assets was £15.688 million (2016/17 £9.655 million).

The following table represents the group's share of key financial information extracted from the accounts of Glasgow City Integration Joint Board for 2017/18:

2016/17 £000	Glasgow City Integration Joint Board	2017/18 £000
(568,455)	Turnover	(651,922)
(9,655)	(Surplus) or Deficit on the Provision of Services	(6,033)
9,655	Current assets	15,688

An analysis of the amounts owed and owing between Glasgow City Council and Glasgow City Integration Joint Board relating to normal trade debtors and creditors is provided below:

2016/17 £000	Glasgow City Integration Joint Board	2017/18 £000
	Amounts Owning by GCC	
(19,295)	Short-term creditors	(31,375)

4.13. City Building (Glasgow) Limited Liability Partnership

City Building (Glasgow) Limited Liability Partnership is a new 50/50 joint venture partnership between Glasgow City Council and the Wheatley Housing Group, set up to provide an integrated, responsive, effective and efficient building repair and construction service to Glasgow City Council, Glasgow Housing Association Limited and other service users, commencing 1 April 2017.

The latest set of unaudited accounts is for the year to 31 March 2018. When available, copies of the audited accounts may be obtained from the Managing Director, City Building (Glasgow) Limited Liability Partnership, 350 Darnick Street, Glasgow G21 4BA.

For the period up to 31 March 2017 City Building (Glasgow) Limited Liability Partnership were a subsidiary of Glasgow City Council with the council holding 99.99% of the ordinary share capital. Under accounting standards, the council had a controlling interest in the old company for the period up to 31 March 2017 and has a significant interest in the new company for the period from 1 April 2017. It is therefore included in the Group Financial Statements as a subsidiary for the 2016/17 consolidated group accounts and then as an associate for the 2017/18 consolidated group accounts.

In 2017/18, the council contributed £6.997 million or 50% of the company's running costs and its share of the year end net liabilities was £35.660 million (2016/17 net liabilities of the partnership were £51.269 million and the loss on ordinary activities before and after tax were £5.639 million).

The following table represents the group's share of key financial information extracted from the accounts of City Building (Glasgow) Limited Liability Partnership for 2017/18:

City Building (Glasgow) Limited Liability Partnership	2017/18 £000
Gross (income)	(68,858)
(Surplus) or Deficit on the Provision of Services	4,545
Other Comprehensive (Income) and Expenditure	5,480
Long-term assets	726
Current assets	14,575
Current liabilities	(15,030)
Long-term liabilities excluding pension liability	(233)
Pension liability	(35,698)

An analysis of the amounts owed and owing between Glasgow City Council and City Building (Glasgow) Limited Liability Partnership relating to normal trade debtors and creditors is provided below:

City Building (Glasgow) Limited Liability Partnership	2017/18 £000
Amounts owed to GCC	
Short-term debtors	9,100
Amounts owing by GCC	
Short-term creditors	(6,449)

5. Nature of combination

The council inherited its interest in Scottish Event Campus Limited, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme as a result of local government reorganisation in April 1996. To advance council objectives, the council has established two further limited companies and seven Limited Liability Partnerships which were incorporated between November 2004 and March 2011. Service Glasgow Limited Liability Partnership became a wholly owned subsidiary of the council on 1 December 2017.

The combination of these entities has been accounted for on an acquisition basis. There was no goodwill on acquisition.

6. Reporting authority adjustments to align to IFRS

The Code requires that the Common Good Fund and Sundry Trusts are included within the Group Comprehensive Income and Expenditure Statement if material. Following the elimination of inter-company trading, net expenditure on the Common Good Fund of £0.131 million (£0.089 million in 2016/17) and net income on Sundry Trusts of £0.097 million (restated net expenditure of £0.067 million in 2016/17) have been included as separate lines within Cost of Services in the Comprehensive Income and Expenditure Statement.

7. Financial impact of consolidation

The effect of the inclusion of the subsidiaries and associates in 2017/18 was to increase council reserves and net assets by £175.623 million (2016/17 restated net assets increased by £11.114 million) representing the council's net asset in the consolidating entities.

8. Non-material interest in subsidiaries, associates and joint committees

The following companies and joint committees have not been consolidated into the Group Financial Statements as they are considered immaterial to the understanding of the accounts:

- **GCC LLP Investments Limited** is a subsidiary company incorporated under the terms of the Companies Act on 4 July 2006. The company is an investment holding company being the council's partner in the limited liability partnerships formed in recent years. The company is limited by guarantee with Glasgow City Council holding 1,000 ordinary shares representing 100% of the issued share capital. Current assets of £0.001 million were matched by share capital of £0.001 million as at 31 March 2018.
- **City Property (Glasgow) Limited Liability Partnership** is a subsidiary company that was incorporated on 17 February 2009. It was formed to manage and dispose of Glasgow City Council's surplus properties. After accounting for IAS19 Employee Benefits, the net liabilities of the partnership were £2.288 million at 31 March 2018 compared to £5.026 million at 31 March 2017. The loss on ordinary activities before and after taxation for the year to 31 March 2018 was £0.381 million compared to £0.130 million for the period to 31 March 2017.

During the year transactions between City Property (Glasgow) LLP and the council's group were as follows:

2016/17 Net Expenditure/ (Income) £000	Debtor / (Creditor) at 31 March 2017 £000		2017/18		Debtor / (Creditor) at 31 March 2018 £000
		City Property (Glasgow) Limited Liability Partnership	Expenditure £000	Income £000	
(1,933)	126	Glasgow City Council	786	(2,939)	715
0	0	City Building (Contracts) LLP	2	(6)	4
(25)	10	City Parking (Glasgow) LLP	0	(3)	4
98	(98)	City Property Glasgow (Investments) LLP	260	(178)	(82)
(1)	0	Cordia (Services) LLP	5	0	0
(19)	0	Culture and Sport Glasgow	2	(61)	27
(24)	1	Jobs & Business Glasgow	0	0	0

- **Community Safety Glasgow Limited** is an associate company limited by guarantee with charitable status. The company was created to promote the protection of people and property and to improve public safety and crime prevention within the city. During the year, the council made a contribution of £8.704 million (2016/17 £9.800 million) representing 37% of the organisation's estimated running costs for the year to 31 March 2018.
- **Scotland Excel** is a Joint Committee established on 1 April 2008 to replace the Authorities Buying Consortium and other similar bodies across Scotland. It is the largest non-profit purchasing agency in Scotland and serves the buying needs of 28 local authorities and similar public sector bodies in Scotland. During the year, the council made a contribution of £0.334 million (2016/17 £0.334 million) representing 9.6% of the organisation's estimated running costs for the year to 31 March 2018.

- **Glasgow and Clyde Valley Strategic Development Planning Authority Joint Committee**, formerly known as the Glasgow and Clyde Valley Structure Plan Joint Committee, was constituted under a formal agreement of the eight councils in the Glasgow and Clyde Valley area. Under the Town and Country Planning (Scotland) Act 1997, each member council not only has responsibilities for local planning matters in their area but also the strategic issues that cover the wider area of the Glasgow and Clyde Valley. Accordingly the Joint Committee prepares, monitors and reviews the Structure Plan on behalf of member councils and liaises with Central Government, Scottish Enterprise and other bodies. During the year, the council made a contribution of £0.072 million (2016/17 £0.072 million) representing 12.5% of the Joint Committee's estimated running costs for the year to 31 March 2018.
- **West of Scotland European Forum (WoSEF)** was set up in 2007 as a Joint Committee including the 12 local authorities and a number of influential organisations in the region. Following on from the work previously undertaken by the West of Scotland European Consortium, WoSEF's purpose is to develop positive links between the communities of the region and the institutions of the European Union. During the year, the council made a contribution of £0.011 million (2016/17 £0.011 million) representing 25.8% of the Joint Committee's running costs for the year to 31 March 2018.
- **Continuing Education Gateway** is a consortium of 10 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and educational guidance services. During the year, the council made a contribution of £0.123 million (2016/17 £0.123 million) representing 31% of the consortium's estimated running costs for the year to 31 March 2018.
- **West of Scotland Archaeology Service** was set up in 1997 as a Joint Committee of 12 local authorities in the region. It is currently funded by 10 local authorities and by Historic Scotland for specific projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Government planning guidance for the treatment of archaeological remains in the planning process. During the year, the council made a contribution of £0.009 million (2016/17 £0.009 million) representing 6.7% of the Joint Committee's estimated running costs for the year to 31 March 2018.
- **SEEMIS Group LLP** was incorporated on 11 May 2009 and commenced trading on 1 July 2010. It is funded by the 28 participating authorities and the principal activity of the LLP is the provision of information technology solutions to Education Services. During the year, the council made a contribution of £0.283 million (2016/17 £0.319 million) representing 9.08% of the organisation's estimated running costs for the year to 31 March 2018.
- **Glasgow City Region – City Deal Cabinet** is a Joint Committee established on 20 January 2015. The purpose of the Committee is to determine the Strategic Development priorities for the Clyde Valley Region and to monitor and ensure the delivery of the City Deal programme as agreed between member authorities and the UK and Scottish Governments. The City Deal programme aims to deliver a £1.1 billion investment programme, including delivery of labour market and innovation programmes. During the year the council made a contribution of £0.333 million (2016/17 £0.325 million) representing 33.2% of the organisation's running costs for the year to March 2018.

- **Scotcash CIC** is an associate company limited by guarantee with charitable status. The company was created to provide a cost effective alternative for lending to individuals where a bank or building society cannot help. During the year, the council made a contribution of £0.057 million (2016/17 £0.057 million) representing 5% of the organisation's estimated running costs for the year to 31 March 2018.
- **The Clyde Valley Learning and Development Project Joint Committee** was established in October 2007. The purpose of the committee is to establish and deliver a number of shared approaches to training, learning and development between the 8 Clyde Valley Councils. During the year, the council made a contribution of £0.006 million (2016/17 £0.007 million) representing 15.6% of the Joint Committee's running costs for the year to 31 March 2018.
- **Transforming Communities Glasgow** was established as a charitable company in April 2012 and commenced trading in June 2015. The main purpose of the charity is to facilitate a single strategic focus for the regeneration of transformational regeneration areas. During the year, the council made a contribution of £0.001 million (2016/17 £0.001 million) representing 33.3% of the Joint Committee's running costs for the year to 31 March 2018.

9. Adjustments between Group Financial Statements and Authority Financial Statements in the Group Movement in Reserves Statement

2016/17 adjustments	General Fund Reserve £000	Revenue & Capital Reserve Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000	Authority's share of Usable Reserves of Subsidiaries & Associates £000	Authority's share of Unusable Reserves of Subsidiaries & Associates £000	Total Reserves £000
Purchase of goods and services from subsidiaries	393,120	0	0	393,120	0	393,120	(393,120)	0	0
Grants and contributions	0	0	0	0	0	0	0	0	0
Total adjustments between Group Financial Statements and Authority Financial Statements	393,120	0	0	393,120	0	393,120	(393,120)	0	0

2017/18 adjustments	General Fund Reserve £000	Revenue & Capital Reserve Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000	Authority's share of Usable Reserves of Subsidiaries & Associates £000	Authority's share of Unusable Reserves of Subsidiaries & Associates £000	Total Reserves £000
Purchase of goods and services from subsidiaries	348,935	0	0	348,935	0	348,935	(348,935)	0	0
Grants and contributions	0	0	0	0	0	0	0	0	0
Total adjustments between Group Financial Statements and Authority Financial Statements	348,935	0	0	348,935	0	348,935	(348,935)	0	0

10. Group subjective analysis

2016/17 £000 (restated)	Subjective analysis	2017/18 £000	%
Where the money came from			
(1,424,895)	Government grants and local taxation	(1,466,147)	51.4
(618,006)	Other grants, reimbursements and contributions	(587,341)	20.6
(436,625)	Customer and client receipts	(549,617)	19.3
(22,761)	Interest and investment income	(23,122)	0.8
(122,136)	Income from other departments	(130,757)	4.6
(295,657)	Other miscellaneous income	(89,472)	3.1
122,136	Inter-departmental recharges	127,823	(4.5)
(4,972)	Gain on disposal of property, plant and equipment	(1,269)	0.0
(14,741)	Share of surplus from associates and joint boards	(27,475)	1.0
(89,494)	Capital grants and contributions	(106,744)	3.7
(2,907,151)	Total income	(2,854,121)	100.0
How the money was spent			
965,838	Employee costs	1,016,029	34.8
127,476	Premises costs	123,550	4.2
36,777	Supplies and services	59,773	2.0
77,274	Transport and plant	68,421	2.3
1,006,449	Third party payments	956,433	32.7
499,545	Transfer payments	490,514	16.7
175,692	Depreciation, amortisation and impairment losses	199,061	6.8
107,587	Financing costs	105,690	3.6
(7,017)	Allocations	(7,362)	(0.3)
44,042	Net interest on the net defined benefit liability	46,395	1.6
(122,136)	Inter-departmental recharges	(127,823)	(4.4)
2,911,527	Total expenditure	2,930,681	100.0
4,376	Group (surplus) or deficit for the year	76,560	

11. Pension Costs

11.1. Local Government Pension Scheme

Glasgow City Council, City Building (Contracts) LLP, Culture and Sport Glasgow, City Parking (Glasgow) LLP, Cordia (Services) LLP, Jobs & Business Glasgow and Service Glasgow LLP are members of the Local Government Pension Scheme - a defined benefit scheme that offers retirement benefits to employees under the terms and conditions of employment. Although these benefits will not actually be payable until employees retire, the group has a commitment to recognise the cost of retirement benefits within Cost of Services when the employees earn them, rather than when the benefits are eventually paid as pensions.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £000	Local Government Pension Scheme	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
107,141	Current service cost	142,254
764	Past service cost	0
	(Gain) / loss from settlement	2,893
Financing and Investment Income and Expenditure:		
44,042	Net interest cost	46,395
151,947	Total post-employment benefits charged / (credited) to the Surplus or Deficit on the Provision of Services	191,542
Other Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability:		
(721,849)	Return on assets	(25,364)
1,219,435	Actuarial (gains) / losses arising on changes in financial assumptions	(248,970)
0	Actuarial (gains) / losses arising from changes in demographic assumptions	(15,146)
9,292	Other Experience	(376,405)
0	Impact of Group movements during the year	1,034
658,825	Total post-employment benefits charged / (credited) to the Comprehensive Income and Expenditure Statement	(473,309)
151,947	Net charge / (credit) to the Surplus or Deficit on the Provision of Services brought forward	191,542
Movement in Reserves Statement		
(54,578)	Reversal of net (charge) / credit made to the Surplus or Deficit on the Provision of Services in accordance with IAS19	(101,048)
Actual amount charged against the General Fund balance for pensions in the year:		
97,369	Employers contribution paid	90,494

11.2. Pension Assets and Liabilities

Assets are valued at fair value. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The council's liabilities have been assessed by Hymans Robertson Limited Liability Partnership, an independent firm of actuaries. Calculations have been based on the triennial valuation of the scheme as at 31 March 2017.

The following table sets out the principal assumptions used by the actuary to arrive at a net liability to the group of £1,184.935 million:

2016/17	Actuarial Assumptions	2017/18
	Long-term expected rate of return on assets in the scheme:	
2.6%	Equity Investments	2.7%
2.6%	Bonds	2.7%
2.6%	Property	2.7%
2.6%	Cash and net debtors/ creditors	2.7%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	21.4
23.6	Women	23.7
	Longevity at 65 for future pensioners:	
24.8	Men	23.4
26.2	Women	25.8
	General assumptions:	
2.4%	Rate of price increases	2.4%
4.4%	Rate of increase in salaries (see note)	3.6%
2.4%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.7%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre April 2009 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2009 service)	75.0%
	Employer share of net assets	
77%	Equities Investments	66%
7%	Bonds	15%
12%	Property	9%
4%	Cash and Net Debtors/Creditors	10%
100%	Total	100%

Note: 2017/18 salary increases assumptions for City Building (Glasgow) LLP are 2.1% per annum.

The amount included in the Balance Sheet arising from the group's obligation in respect of its defined benefit plans is as follows:

2016/17 £000	Pension Assets and Liabilities recognised in the Balance Sheet	2017/18 £000
6,301,663	Present value of the defined benefit obligation	5,423,178
(4,503,580)	Fair value of plan assets	(4,238,243)
1,798,083	Net liability arising from defined benefit obligation	1,184,935

The following tables set out the reconciliation of scheme assets and liabilities:

2016/17 £000	Reconciliation of present value of scheme liabilities:	2017/18 £000
4,920,103	Opening balance at 1 April	6,301,663
0	Impact of Group movements during the year	(424,845)
4,920,103	Revised opening balance at 1 April	5,876,818
107,141	Current service costs	142,254
172,419	Interest costs	153,794
25,447	Contributions by scheme participants	23,336
	Remeasurement (gains) and losses:	
1,219,435	Actuarial (gains) / losses arising from changes in financial assumptions	(248,970)
0	Actuarial (gains) / losses arising from changes in demographic assumptions	(15,146)
9,292	Other	(376,405)
764	Past service cost (including curtailments)	0
(152,938)	Benefits paid	(144,066)
0	Effect of business combinations and disposals	11,563
6,301,663	Closing balance at 31 March	5,423,178

2016/17 £000	Reconciliation of present value of scheme assets:	2017/18 £000
3,683,476	Opening balance at 1 April	4,503,580
0	Impact of Group movements during the year	(376,534)
3,683,476	Revised opening balance at 1 April	4,127,046
128,377	Interest income	107,399
	Remeasurement gain / (loss):	
721,849	Return on assets, excluding the amount included in the net interest cost	25,364
97,369	Contributions by employer	90,494
25,447	Contributions by scheme participants	23,336
(152,938)	Benefits paid	(144,066)
0	Effect of business combinations and disposals	8,670
4,503,580	Closing balance at 31 March	4,238,243

11.3. Analysis of Pension Fund's Assets

Quoted Prices in Active Markets £000	2016/17		Local assets	Government Pension Scheme	Quoted Prices in Active Markets £000	2017/18	
	Prices not quoted in Active Markets £000	Total £000				Prices not quoted in Active Markets £000	Total £000
162,426	7,774	170,200	Cash and cash equivalents		218,004	210,626	428,630
			Equity Instruments:				
425,887	6	425,893	Consumer		271,276	1,134	272,410
336,911	1,167	338,078	Manufacturing		219,305	1,116	220,421
133,703	0	133,703	Energy and utilities		56,869	0	56,869
313,235	2	313,237	Financial institutions		182,825	0	182,825
183,381	6	183,387	Health and care		107,692	1,191	108,883
259,338	22	259,360	Information technology		139,330	6	139,336
1,652,455	1,203	1,653,658	Sub-total equity instruments		977,297	3,447	980,744
			Debt Securities				
0	9	9	Corporate Bonds		133,163	0	133,163
			Private Equity:				
0	370,951	370,951	All		0	506,217	506,217
			Property:				
0	543,665	543,665	UK		0	383,841	383,841
			Other investment funds:				
43,323	1,404,649	1,447,972	Equities		1,203,670	104,174	1,307,844
0	252,891	252,891	Bonds		185,285	305,188	490,473
2,717	0	2,717	Commodities		2,370	0	2,370
6,345	55,119	61,464	Other		0	4,946	4,946
52,385	1,712,659	1,765,044	Sub-total other investment funds		1,391,325	414,308	1,805,633
			Derivatives:				
(89)	142	53	Other		15	0	15
1,867,177	2,636,403	4,503,580	Total Assets		2,719,804	1,518,439	4,238,243

11.4. Impact on Group Cash Flows

The liabilities show the underlying commitments that the group has in the long run to pay retirement benefits. The total net liability of £1,184.935 million has a substantial impact on the net assets of the group as recorded in the Group Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the group remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme.

The total contribution expected to be made to the Local Government Pension Scheme by the group in the year to 31 March 2019 is £80.538 million.

11.5. Defined Contribution Schemes

Scottish Event Campus Limited, Service Glasgow LLP and Jobs & Business Glasgow operate defined contribution schemes for employees where assets of the scheme are held separately from those of the group.

Contributions are charged to the Group Comprehensive Income and Expenditure Statement as they become payable in accordance with the rules of the scheme. The amounts paid into these pension schemes in the year are as follows:

2016/17 £000	Defined Contribution Schemes	2017/18 £000
656	Scottish Event Campus Limited	655
222	Jobs & Business Glasgow	26
1,475	Service Glasgow	441
2,353	Total	1,122

12. Minority interest

The minority interest debited to the Group Comprehensive Income and Expenditure Statement is in recognition of the share of the gain for the year that is attributable to the minority shareholdings of Scottish Event Campus Limited.

On the Group Balance Sheet within group reserves, with accounting policies aligned, the share of the assets of Scottish Event Campus Limited attributable to minority shareholdings was £6.242 million for 2017/18 (2016/17 £6.235 million).

13. Taxation

For the Scottish Event Campus Limited, the difference between tax at the standard rate on the company's profits for the year and the actual level of corporation tax is mainly as a result of timing differences on capital expenditure and tax relief for earlier year losses.

The analysis of the tax receipt in the period is shown below:

2016/17 £000	UK Corporation Tax	2017/18 £000
194	Deferred tax	232
194	Total	232

14. Long-term assets

14.1. Movement in Property, plant and equipment

The table below illustrates the movement in property, plant and equipment, analysed by asset category, arising from additions, disposals, revaluations, depreciation and transfers during the year. As a result of these movements, the net book value held at 31 March 2018 was £3,240.777 million.

Movement in PPE 2017/18	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Corporate Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or valuation:							
At 31 March 2017	2,502,367	254,620	802,072	25,759	87,338	47,424	3,719,580
Impact of Group movements	(450)	(4,349)	0	0	0	0	(4,799)
Revised 31 March 2017	2,501,917	250,271	802,072	25,759	87,338	47,424	3,714,781
Additions in year	62,060	9,419	49,120	0	39,064	505	160,168
Donations in year	0	0	0	0	0	0	0
Disposals	0	(2,356)	0	0	0	(538)	(2,894)
Revaluation adjustments to Revaluation Reserve	21,696	1	0	0	0	2,888	24,585
Revaluation adjustments to Comprehensive Income and Expenditure Statement	(77,369)	0	0	0	0	(7,493)	(84,862)
Reclassifications from / (to) Held for Sale	0	0	0	0	0	(8,705)	(8,705)
Other reclassifications	30,751	233	31,793	0	(70,138)	6,079	(1,282)
At 31 March 2018	2,539,055	257,568	882,985	25,759	56,264	40,160	3,801,791
Depreciation and impairment:							
At 31 March 2017	(161,224)	(121,862)	(218,386)	(1,060)	0	(241)	(502,773)
Impact of Group movements	450	2,367	0	0	0	0	2,817
Revised 31 March 2017	(160,774)	(119,495)	(218,386)	(1,060)	0	(241)	(499,956)
Depreciation charge for year	(73,180)	(31,205)	(21,761)	0	0	(73)	(126,219)
Depreciation written out to Revaluation Reserve	48,709	0	0	0	0	(1)	48,708
Depreciation written out to Comprehensive Income and Expenditure Statement	15,735	(134)	0	0	0	1,055	16,656
Impairment losses to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses to Comprehensive Income and Expenditure Statement	(2,149)	0	0	0	0	(168)	(2,317)
Disposals	0	2,114	0	0	0	0	2,114
Reclassifications from / (to) Held for Sale	0	0	0	0	0	0	0
Other reclassifications	901	0	0	0	0	(901)	0
At 31 March 2018	(170,758)	(148,720)	(240,147)	(1,060)	0	(329)	(561,014)
Balance Sheet amount at 31 March 2018	2,368,297	108,848	642,838	24,699	56,264	39,831	3,240,777
Balance Sheet amount at 31 March 2017	2,341,143	132,758	583,686	24,699	87,338	47,183	3,216,807
Nature of asset holding:							
Owned	1,981,050	103,885	642,838	24,699	56,264	39,831	2,848,567
Finance leased	17,275	4,963	0	0	0	0	22,238
PPP	369,972	0	0	0	0	0	369,972
Total	2,368,297	108,848	642,838	24,699	56,264	39,831	3,240,777

Movement in PPE 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Corporate Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or valuation:							
At 1 April 2016	2,440,905	244,099	769,700	25,508	99,493	65,328	3,645,033
Additions in year	115,032	13,507	28,973	251	61,405	271	219,439
Donations in year	0	(180)	0	0	0	0	(180)
Disposals	(22,328)	(3,356)	0	0	0	(3,271)	(28,955)
Revaluation adjustments to Revaluation Reserve	17,368	0	0	0	0	3,184	20,552
Revaluation adjustments to Comprehensive Income and Expenditure Statement	(112,256)	0	0	0	0	(10,711)	(122,967)
Reclassifications from / (to) Held for Sale	0	0	0	0	0	(13,322)	(13,322)
Other reclassifications	63,646	550	3,399	0	(73,560)	5,945	(20)
At 31 March 2017	2,502,367	254,620	802,072	25,759	87,338	47,424	3,719,580
Depreciation and impairment:							
At 1 April 2016	(285,466)	(93,119)	(197,525)	(1,060)	0	(2,141)	(579,311)
Depreciation charge for year	(29,332)	(32,060)	(20,861)	0	0	(537)	(82,790)
Depreciation written out to Revaluation Reserve	113,111	0	0	0	0	2,064	115,175
Depreciation written out to Comprehensive Income and Expenditure Statement	31,860	0	0	0	0	1,048	32,908
Impairment losses to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses to Comprehensive Income and Expenditure Statement	(130)	0	0	0	0	(72)	(202)
Disposals	7,995	3,317	0	0	0	0	11,312
Reclassifications from / (to) Held for Sale	0	0	0	0	0	135	135
Other reclassifications	738	0	0	0	0	(738)	0
At 31 March 2017	(161,224)	(121,862)	(218,386)	(1,060)	0	(241)	(502,773)
Balance Sheet amount at 31 March 2017	2,341,143	132,758	583,686	24,699	87,338	47,183	3,216,807
Balance Sheet amount at 31 March 2016	2,155,439	150,980	572,175	24,448	99,493	63,187	3,065,722
Nature of asset holding:							
Owned	1,936,522	124,692	583,686	24,699	87,338	47,183	2,804,120
Finance leased	23,133	8,066	0	0	0	0	31,199
PPP	381,488	0	0	0	0	0	381,488
Total	2,341,143	132,758	583,686	24,699	87,338	47,183	3,216,807

14.2. Summary of capital expenditure and sources of finance

2016/17 £000	Capital expenditure and sources of finance	2017/18 £000
Capital investment		
218,389	Property, plant and equipment	160,168
1,767	Intangible assets	4,008
111	Assets held for sale	31
0	Investment property	140
220,267	Total gross expenditure	164,347
Sources of finance		
82,099	Borrowing	39,138
12,401	Asset Sales	12,410
53,437	Assets acquired under finance leases	14
65,798	Government grants and other capital contributions	106,914
6,532	Revenue contributions	5,871
220,267	Total	164,347

15. Investment property

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement in relation to investment properties owned by the group for capital appreciation or rental income:

2016/17 £000	Investment property	2017/18 £000
(19,409)	Rental income from investment property	(20,642)
7,696	Direct operating expenses arising from investment property	9,441
(11,713)	Net (gain) / loss	(11,201)

There are no restrictions on the group's ability to realise the value inherent in its investment property or on the group's right to the remittance of income and the proceeds of disposal. The group has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties of the group over the year:

2016/17 £000	Movement in fair value	2017/18 £000
171,268	Balance at start of year:	182,194
0	Additions	140
(1,343)	Disposals	(12,142)
12,196	Net gain / (loss) from fair value adjustments	21,457
73	Other changes	0
182,194	Balance at end of year	191,649

16. Fair value measurement of assets and liabilities

Each financial year, a valuation report is prepared for non-financial assets, which incorporates the methodology employed by the valuer in arriving at their opinion of value. The methodology includes comparable data which is recognised in accordance with the fair value measurement hierarchy. The valuers seek to minimise the volume of unobservable inputs and maximise the volume of observable inputs in forming their opinion of value. For the Group assets, the valuation inputs comprise either level 1, level 2 or level 3 inputs with adjustments not limited to location, rental growth, lease terms, covenants, costs, discount rates and vacancy levels. For 2017/18, both the income and market valuation techniques were widely adopted in forming opinions of fair value. In addition short and long-term investments measured at fair value are considered Level 1 being quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date. The resulting valuation of £290.520 million comprises £31.755 million with level 1 inputs, £251.481 million with level 2 inputs and £7.284 million with level 3 inputs.

Fair Value Measurement of assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Surplus Properties (valued in 2017/18)	0	39,241	0	39,241
Assets held for sale	0	28,910	5	28,915
Commercial Units	1,100	183,270	7,279	191,649
Unquoted equity investment at cost	25	60	0	85
Other investments	30,630	0	0	30,630
Total	31,755	251,481	7,284	290,520

In terms of the fair value measurement hierarchy the financial instruments measured at fair value are considered Level 2 being inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Valuation of financial liabilities	Carrying Amount £000	Fair Value £000
Borrowing	1,662,460	2,126,235

17. Investments / liabilities in associates and joint boards

The effect of accounting for associate City Building (Glasgow) LLP resulted in the inclusion of a liability within the Group Balance Sheet. By comparison, the group share of the investments in Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme and Glasgow City Integration Joint Board is an asset and is included on the Balance Sheet as a long-term investment.

The group's share of the net asset by associate and joint board is shown below:

2016/17 £000	Investments in Associates and Joint Boards	2017/18 £000
50,458	Strathclyde Partnership for Transport	87,261
418	Strathclyde Concessionary Travel Scheme	385
9,655	Glasgow City Integration Joint Board	15,688
60,531	Sub-total	103,334
Liabilities in Associates		
(1,477)	Service Glasgow LLP	0
0	City Building (Glasgow) LLP	(35,660)
(1,477)	Sub-total	(35,660)
59,054	Total	67,674

The aggregation of the group's share of the gross income, assets and liabilities of the associates are provided in the following table:

2016/17 £000	Associates	2017/18 £000
(623,026)	Gross income	(651,804)
50,455	Long-term assets	57,807
40,896	Current assets	84,162
(18,444)	Current liabilities	(26,973)
(13,853)	Long-term liabilities	(47,322)
59,054	Net asset	67,674

18. Inventories

The balance of inventories within the Group Balance Sheet comprises raw materials and consumables, work in progress and finished goods. A reconciliation of the movement in inventories in the year is provided in the following table:

2016/17				Inventories	2017/18			
Raw materials and consumables £000	Work in Progress £000	Finished Goods £000	Total £000		Raw materials and consumables £000	Work in Progress £000	Finished Goods £000	Total £000
5,032	0	564	5,596	Opening balance	4,165	0	564	4,729
15,327	0	0	15,327	Purchases	44	909	161	1,114
(16,193)	0	0	(16,193)	Reclassifications / transfers	(88)	0	0	(88)
(1)	0	0	(1)	Disposals	(1,878)	(239)	0	(2,117)
4,165	0	564	4,729	Closing balance	2,243	670	725	3,638

19. Cash and cash equivalents

The group holds cash in hand as well as deposits with financial institutions. Cash equivalents are short-term, highly liquid investments, principally held to meet liabilities in the short-term, rather than to make an investment gain. They are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value. The balance of cash and cash equivalents comprises the following elements:

2016/17 £000	Cash and cash equivalents	2017/18 £000
125,456	Short-term deposits	92,077
100,349	Bank current accounts	104,761
238	Cash imprests	216
226,043	Sub total	197,054
(2,730)	Temporary overdraft facilities	(177)
223,313	Total Cash and cash equivalents	196,877

20. Deferred taxation

Deferred taxation is tax provided through the Group Comprehensive Income and Expenditure Statement to take account of timing differences between accounting profits and tax which are expected to reverse in the future. As at 31 March 2018 the balance of £1.097 million (2016/17 £0.865 million) mainly related to timing differences on capital expenditure.

21. Deferred grants

Following the elimination of inter-company transactions, the balance remaining on deferred grants of £21.851 million (2016/17 £22.939 million) represents external funding in support of capital projects.

22. Deferred income

Deferred income of £3.188 million (2016/17 £5.381 million) largely represents payments received by Culture and Sport Glasgow and by Scottish Event Campus Limited for future events which will be recognised when the events take place.

23. Charitable reserves

Included within Group Reserves are charitable reserves representing the funds of Culture and Sport Glasgow, Jobs & Business Glasgow and the charitable element of Sundry Trusts.

The following table identifies charitable funds prior to consolidation adjustments:

Charitable Funds	Balance at 31 March 2017 (restated) £000	Net movement 2017/18 £000	Balance at 31 March 2018 £000
Culture and Sport Glasgow	12,326	432	12,758
Jobs & Business Glasgow	14,479	93	14,572
Sundry Trusts - charitable element	7,943	(314)	7,629
Total	34,748	211	34,959

❖ Annual Governance Statement

1. Scope of responsibility

- 1.1 Glasgow City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure best value; to ensure public funds and assets are used economically, efficiently and effectively and to ensure continuous improvement in the way in which its functions are exercised.
- 1.2 In discharging this responsibility, elected members and the Council's Extended Corporate Management Team are responsible for ensuring proper arrangements for the governance of the Council's affairs and facilitating the effective exercise of its functions, which includes the management of risk.
- 1.3 Collectively known as the Council Family, the Council has established various subsidiaries and associates to deliver services more effectively. While these organisations are required to implement their own organisational governance and management arrangements and structures, they also form part of the overall governance and control environment of the Council Family. The Extended Corporate Management Team operates to consider matters of common interest across the Council Family.

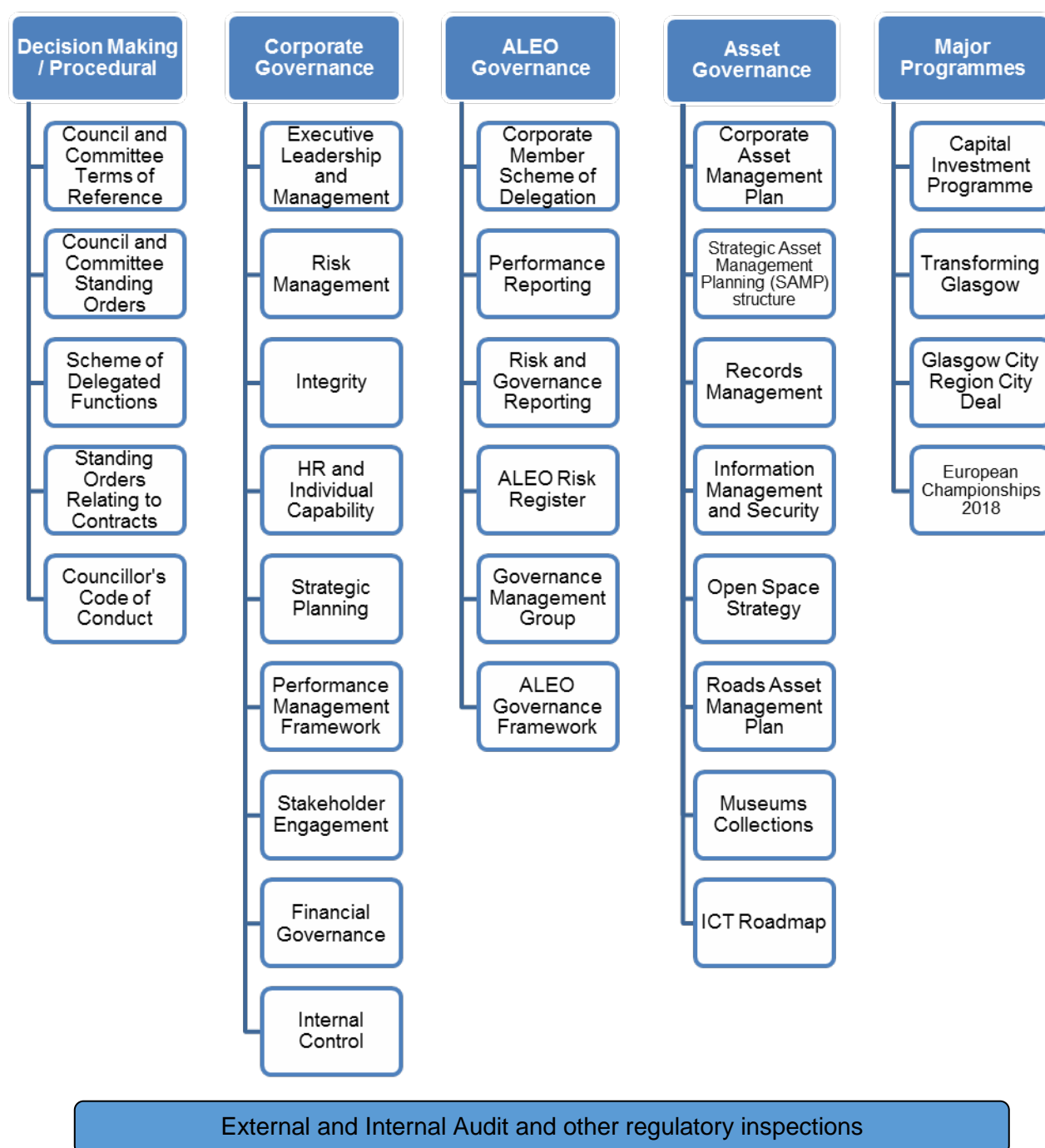
2. The purpose of the governance framework

- 2.1 The Council's governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. Through the framework, the Council is accountable to and engages with the community. The framework enables the Council to monitor the achievement of the strategic objectives set out in the Council's Strategic Plan and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3. The governance framework

- 3.1 The main features of the Council's governance framework are enshrined in the Council's Local Code of Corporate Governance (the Code), which is consistent with the principles, and reflects the requirements 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://www.glasgow.gov.uk/index.aspx?articleid=17539>
- 3.2 The Code is regularly reviewed and evidences the Council's commitment to achieving good governance and demonstrates how it complies with recommended governance standards.
- 3.3 A key part of the Code, the Council has embedded a system of risk management and internal control. While providing reasonable assurance, these systems cannot, however, provide absolute assurance or certainty in entirely eliminating the risk of the Council failing to achieve its aims and objectives; incurring material errors; losses; fraud or breaches of laws and regulations.

3.4 The Council's governance framework is set out in the diagram below:



3.5 The main features of the governance framework include:

- (a) Committee and decision making structure – The Council's existing committee structure, as agreed in June 2010 and updated in May 2012, continued to facilitate policy and decision making until 14 September 2017 when, following the local government election in May 2017, the Council approved a revised structure and updated Council and Committee Terms of Reference and Standing Orders. The revised structure includes:
- a City Administration Committee (formerly Executive Committee) which is responsible for discharging all of the Council's functions, except those reserved to the Council and those matters specifically delegated to statutory committees;
 - two Scrutiny Committees, responsible for holding Services and subsidiaries and relevant associates to account;
 - five City Policy Committees – responsible for reviewing policies and overseeing implementation of Council Plan commitments within its remit;
 - a Contracts and Property Committee which is responsible for approving relevant contract matters and decide on relevant property matters, and
 - the quasi-judicial and other committees previously in place.
- (b) The Scheme of Delegated Functions sets out the delegations made to committees, the Lord Provost/Deputy Lord Provost and officers under the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved. This was updated and approved at the first meeting of the new Council on 18 May 2017 and has operated since. Detail can be found on the Council's website at:
- <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=6762&p=0>
- (c) The Single Outcome Agreement (SOA) details how the Council will discharge its obligation to work with partner organisations across the city to achieve the overall vision of 'A prosperous city for all Glaswegians'. Through the Council's community planning network, major services such as health and police, work with Council service providers to develop strategies to meet the objectives of the SOA, and community engagement increases local participation, accountability and influences decision making.
- (d) The Community Empowerment (Scotland) Act 2015 requires the Glasgow Community Planning Partnership (GCPP) to publish a Local Outcomes Improvement Plan that sets out shared priorities for the city. The Glasgow Community Plan has been developed by partners and identifies three focus areas of economic growth, resilient communities and a fairer more equal Glasgow, as well as two priority areas of childcare and transport. Specific actions in each of these priority areas will allow partners and local communities to better pool resources and expertise to deliver long-term benefits to their local areas. This Plan complements the partnership working already taking place in the city and is published along with ten locality plans setting out how issues within specific communities across the city will be addressed. The Plan can be found on the GCPP website at:

<https://www.glasgowcpp.org.uk/CHttpHandler.ashx?id=39367&p=0>

The Council has developed a process for responding to Asset Transfer Requests and Participation Requests both of which build on existing channels for communities to enter into dialogue regarding service design and delivery. These can be found on the Council's website at:

<https://www.glasgow.gov.uk/index.aspx?articleid=20590>

<https://www.glasgow.gov.uk/index.aspx?articleid=21071>

- (e) Following on from the May 2017 local government election, the Council approved its Strategic Plan 2017 to 2022 on 2 November 2017. The plan established seven cross-cutting priority themes: for Glasgow to have a thriving economy; excellent and inclusive education, and resilient and empowered neighbourhoods and to be a vibrant city; a healthier city; a sustainable and low carbon city, and a well governed city that listens and responds.

The Strategic Plan also sets out the vision and values of the city and reflects the challenges ahead and the need for the Council to remain focussed on budget strategy; transformation of services and their delivery; making best use of workforce and assets, and continuing to explore partnership working and service integration. The Council's Strategic Plan is available on the Council's website at:

<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=40052&p=0>

- (f) The Corporate Performance Management Framework sets out how the Council monitors, manages and reports progress and performance to management, elected members and the public. This includes performance against delivery of the Council Strategic Plan, Local Outcome Improvement Plans, service performance, equalities, benchmarking and citizens' views on services. A review of the Performance Management Framework was completed in May 2017 and a number of actions have been undertaken, including a stronger focus on measurable outcomes and targets within the new Council Strategic Plan 2017-2022 and a refresh of the Corporate Scorecard to make more use of process and outcome indicators, where possible.
- (g) The Council's approach to risk management is well embedded and the Policy and Strategy are regularly reviewed, most recently resulting in a new Risk Management Policy and Framework which was launched in May 2018. The Council maintains a Corporate Risk Register, supported by Service Risk Registers; a Risk Register specifically recording the risks to the Council which arise by virtue of providing services through subsidiaries and relevant associates, and programme and project Risk Registers. The Council operates an Operational Risk Management Forum which considers risks across Council Services and regular reports are provided to the Extended Corporate Management Team and the two scrutiny Committees.
- (h) In July 2017, a new Business Continuity Policy and Framework was implemented across Council Services. This built on existing arrangements and Services have continued to review and update Business Impact Analyses and Business Continuity Plans, as required.
- (i) A publicised Whistleblowing Policy is in place and is publicised throughout the Council and community. It is available on the Council's website at:
<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=27565&p=0>
- (j) Financial Management and Control: A Code of Practice - an integral part of the stewardship of Council funds, the Code aims to ensure that the Council's financial transactions are conducted in a manner which demonstrates openness, integrity and transparency. This Code of Practice was updated and approved at the first meeting of the new Council on 18 May 2017. Since 2004, financial management and reporting has been undertaken through the SAP software package which provides ledger, accounts payable, accounts receivable and banking services.

- (k) The Customer Care Strategy 2015 to 2018 continued to operate throughout 2017/18, including the Complaints Handling Procedure which manages and monitors formal contact with members of the public. Regular reports are made to senior management and the Operational Performance and Delivery Scrutiny Committee. The Procedure is available on the Council's website at:
<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=33402&p=0>
- (l) The Council operates Codes of Conduct for employees, and elected members are required to adhere to the nationally prescribed Councillors' Code of Conduct.
- (m) Throughout 2017/18, arrangements continued to operate to ensure that officers were clear on their role and responsibilities and were compliant with relevant statutory requirements and best practice, for example, the role of the Chief Financial Officer and the Chief Internal Auditor fulfil the principles set out in the relevant CIPFA statements.
- (n) The Procurement Strategy 2016 to 2018 sets the Council's procurement objectives and actions. This continued to operate and progress throughout 2017/18 and a new Corporate Procurement and Commercial Improvement Strategy 2018 to 2022 has been developed for implementation in 2018/19. The Standing Orders Relating to Contracts define how the Council will conduct the business of procuring works, goods and services. These are regularly reviewed and can be found on the Council's website at:
<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=9274&p=0>
- (o) The Council operates a Strategic Asset Management Planning structure to plan and oversee investment in and performance of the Council's seven asset classes of property, information, ICT, open spaces, fleet, and the civic Collections. With the introduction of the new Council Strategic Plan, the previous Corporate Asset Management Plan 2014 to 2017 is being redrafted to reflect the Council's seven priority themes. Further information on asset management and performance can be found on the Council's website at:
<https://www.glasgow.gov.uk/index.aspx?articleid=21276>
- (p) The Council's Transformation Programme was launched in 2015/16 to support the Council's vision for a world class city, focused on economic growth and tackling poverty and inequality. Throughout 2017/18, the programme continued to deliver efficiencies across the Council Family through changes in ways of working with a preventative approach; focus on de-duplication; income generation; innovation; the transformation of service delivery and wider approach to transforming the city through collaboration to deliver a significant shift in how city partners work together to make better use of their resources and join up service delivery.
- (q) The Council regularly publishes information about itself and the services it provides and makes the information available in a wide variety of forms and formats. The Council engages with stakeholders, including citizens in a number of ways, including the annual Household Survey of over 1,000 citizens to establish views on matters ranging from service delivery through to the development of strategy. A dedicated web page provides a Consultation Hub to co-ordinate consultation with residents and businesses. This can be found on the Council's website at:
<https://www.glasgow.gov.uk/consultations>

4. Review of effectiveness

4.1 The Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The governance framework is continually reviewed to reflect best practice, new legislative requirements and the expectations of stakeholders. The effectiveness of the framework, including the system of internal control, is considered at least annually and is informed by:

- (a) The work of the members of the Extended Corporate Management Team, who have responsibility for the development and maintenance of the governance environment.
- (b) Oversight by the Director of Governance and Solicitor to the Council.
- (c) The Head of Audit and Inspection's annual report. Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions and complies with the Public Sector Internal Audit Standards (PSIAS) which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- (d) Observations made by external auditors and other review agencies and inspectorates.
- (e) The completion of a self-assessment questionnaire by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates. This questionnaire is aligned to the principles contained in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government, and requires assessments to be made of the extent to which arrangements within each Service/organisation comply with these principles. The responses to the questionnaires are confirmed on a sample basis by Internal Audit, as part of a rolling programme of corporate governance reviews.
- (f) The completion of signed statements of internal control by all Service Directors and the Managing Directors/Chief Executives of subsidiaries and relevant associates. Such statements were received for 2017/18, declaring that "There are, in my opinion, no significant matters that require to be raised in this Certificate, which is provided to support Glasgow City Council's Statement of Internal Control for the financial year 2017/18, as it is my opinion that the procedures which have been designed to ensure proper governance and financial control are operating adequately".
- (g) The exercising, by the two Scrutiny Committees, of respective remits including scrutiny of the performance of Services, subsidiaries and relevant associates, including financial management, statutory and other performance, and outcomes set through the SOA, which are relevant to partnership working and monitoring internal financial control, corporate risk management and corporate governance, and receiving and considering summaries of internal and external audit reports. These remits can be found on the Council's website at:
<http://www.glasgow.gov.uk/councillorsandcommittees/allCommittees.asp?sort=1>

4.2 Senior officers have been advised on the implications of the result of the review of the effectiveness of the governance framework by Internal and External Audit, and plans to address weaknesses and ensure continuous improvement of the systems are in place.

5. Governance Developments and Future Activity

- 5.1 The Council Family structure is subject to continuous review to ensure it remains fit for purpose, delivers best value and takes account of new and emerging matters, such as legislative changes. As part of the ongoing Council Family Review process under the Transformation Programme, the following changes have been made to the Council Family structure:
- (a) On 1 April 2017, City Building (Glasgow) LLP became a 50/50 Joint Venture (JV) between the Council and the Wheatley Housing Group. The JV enables closer joint working to deliver wider benefits for both parties and the city and operates its own Board, comprised of equal membership from each partner.
 - (b) On 30 November 2017, the JV between the Council and Serco terminated. The JV, Service Glasgow LLP, traded as ACCESS for the provision of ICT and property services to the Council and work has been undertaken to align these services into the Council structure. Work is ongoing to formally wind up ACCESS LLP.
 - (c) Following development of a business case and detailed options approval, the Executive Committee approved award of a contract to CGI for ICT services. The contract commenced on 1 April 2018 and staff either TUPE transferred or seconded from ACCESS to the new provider. A Strategic Innovation and Technology Team, and supporting governance framework, has been established within the Council to provide an intelligent client function, monitor contract performance, and engage with the Council Family on new and emerging innovation and business requirements.
 - (d) A new Property and Land Services function has been established within the Council to focus on asset optimisation, facilities management, repairs and maintenance and capital projects. ACCESS property staff transferred to this function in February 2018.
 - (e) On 19 April 2018, following development of a business case and detailed options appraisal, the City Administration Committee approved that the services delivered by Cordia would be transferred to the Council and that Cordia would then be wound up; and that the service level agreements with Community Safety Glasgow would be terminated with services to be brought back within the Council.
- 5.2 In November 2017, the Council approved that a review of governance would be undertaken by the Improvement Service and overseen by an all-party group of Elected Members. The fieldwork is substantially complete. It is planned that the findings of the review will be presented to Council by September 2018.
- 5.3 The following activity is planned, in relation to the governance framework, in 2018/19:
- The Corporate Procurement and Commercial Improvement Strategy 2018 to 2022 will be presented for approval with the aim of being implemented in June 2018.
 - Following its review and re-launch in May 2018, the Corporate Risk Management Policy and Framework will be fully implemented and applied for all risk management activities.
 - Continued review of the Performance Management Framework and progression of the agreed improvement activities.
 - Review of the Corporate Asset Management Plan.

- Review and re-launch of the Whistleblowing Policy.
- Continuation of the Council Family Review including implementation of the decisions in relation to Cordia and CSG and further consideration of Council services and structures.

6. Update on significant governance issues previously reported

6.1 The 2013/14 Annual Governance Statement reported issues concerning the arrangements in place for the management and control of asbestos across the entire Glasgow City Council Group portfolio. Since then all original actions have since been implemented by management. During 2015/16, a further audit was undertaken, which concluded that limited assurance could be placed on the control environment. Four new recommendations were made with one currently still in progress, relating to the provision of specialised asbestos advice on management surveys.

6.2 In May 2016, Internal Audit reported findings from an investigation into areas of non-compliance with European funding requirements. This focussed on six grant claims by Jobs and Business Glasgow, which were found to include significant amounts of ineligible expenditure and resulted in the Council decommitting £4.8 million of European grants. The review also included an assessment of the systems and controls for ensuring compliance with European funding within Jobs and Business Glasgow, and also more broadly across the Council. Since the original investigation, new governance arrangements have been established and detailed follow up work has been undertaken by Internal Audit. Whilst progress has been made in enhancing the Council's control environment, areas where action is ongoing as at March 2018 include:

- Continuing to explore mitigating actions to prevent expenditure being double funded;
- Updating the Council's online European funding training resource;
- Refining processes for maintaining full and readily accessible audit trails, including supporting documentation held by third parties.

Additional assurance work will be conducted by Internal Audit in 2018/19 to ensure ongoing compliance with the new control framework.

6.3 During 2015/16 an Internal Audit into Disaster Recovery and Business Continuity controls concluded that the control environment was unsatisfactory and identified a number of improvement actions for the Council and its (then) ICT partner ACCESS. In 2017/18, the Council continued to implement measures to strengthen resilience, including migration to a new purpose built back-up site, providing more storage capacity and scalability to meet future Disaster Recovery and resilience needs; the implementation of a new Business Continuity Management Framework; and the inclusion of Disaster Recovery provision and recovery priorities and timescales within the Council's new ICT contract. A Council wide Business Continuity test was also completed in June 2017. Internal Audit will undertake further assurance work in this area during 2018/19.

6.4 The 2015/16 Annual Governance Statement also reported that the control environment in relation to the management of school funds in primary and Additional Support for Learning schools was unsatisfactory, with instances of non-compliance with the systems of internal control designed to ensure the secure management of these funds. Actions were identified to address the matters arising from the audit report, with one area of management action ongoing relating to the roll-out of a new online training course for staff involved in operating school funds.

7. Significant governance issues

- 7.1 Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported in the Annual Governance Statement. During 2017/18 there were no unsatisfactory opinions issued relating to the Council's assurance.
- 7.2 In October 2017 the results of an Internal Audit investigation were reported to the Board of Trustees at Community Safety Glasgow. The investigation uncovered instances of serious wrongdoing, mainly arising through management override of control. Internal Audit identified four corrective actions for management, three of which have since been completed. The ongoing action relates to ensuring all staff receive refresher briefings on key policies and procedures. The matter has been reported to Police Scotland.
- 7.3 During 2017/18 Internal Audit received whistleblowing allegations about procurement and contract matters at Cordia LLP. Subsequent investigations by Internal Audit are ongoing but it has been confirmed that there have been instances of non-compliance with proper procurement procedures, and associated policies, within Cordia.
- 7.4 Some other internal audit investigations are ongoing. These have not yet been finalised or reported on but will be reported on in due course if required, and potentially included in the 2018/19 Annual Governance Statement as appropriate.

8. Information Management

- 8.1 Information and data security, and records management, have a high profile within the Council and attract significant attention from senior management. This is overseen by the Information Security Board, which meets regularly to monitor compliance, identify enhancements to existing arrangements and ensure necessary action is taken across the Council Family. Through its ICT contract, the Council also has access to additional information security resources and expertise.
- 8.2 In 2017/18, the Council made three reports to the ICO in relation to information security breaches. The ICO has not taken any further action in relation to these reported matters.
- 8.3 In 2017/18, the Council prepared for the implementation of, and compliance with, the General Data Protection Regulation, approved by the European Parliament in April 2016 and enforceable from May 2018. Planning arrangements were reviewed by Internal Audit who concluded that assurance could be placed on the control environment. Preparatory work included a significant preparedness project across the Council Family; mapping and analysis of data flows; publication of privacy statements; appointment of a Data Protection Officer; and compliance record keeping and compulsory training for all staff. The Council's approach and materials have also been shared with, and adopted by, other local authorities via the Scottish Local Government Digital Partnership.

- 8.4 Maintaining PSN accreditation is key to the Council's effective sharing of information with third party organisations, which in turn underpin a number of core Council services. The Council's PSN compliance was due for renewal in 2017. Technical ICT issues, primarily relating to a legacy call handling system, meant the Council was unable to apply for reaccreditation at that time. Work to ensure the Council continues to meet the requirements of the PSN Code of Connection has recently been completed and is subject to final ICT stability testing. Regular contact is maintained with the PSN assessor in relation to this.

9. Internal Audit Opinion

Based on the audit work undertaken, the assurances provided by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates and, excluding the significant issues noted above, it is the Head of Audit and Inspection's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and internal control environment which operated during 2017/18 in the council and its subsidiaries and relevant associates.

10. Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance and internal control that operate in Glasgow City Council and its subsidiaries and relevant associates and that these arrangements were in place for the whole of 2017/18. The self assessments, the statements of internal control signed by Service Directors and Managing Directors (of subsidiaries and relevant associates) and the work undertaken by Internal Audit has shown that, with the exception of those matters listed above, the arrangements in place are operating as planned. We propose over the coming year to take steps to address these matters and officers will monitor and report on their implementation.

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

Remuneration report for the year ended 31 March 2018

1. Introduction

The remuneration report is set out in accordance with the Local Government Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011). These Regulations require various disclosures about the remuneration and pension benefits of senior councillors and senior employees.

All information disclosed in the tables at 4.1 to 4.6 and 5.1 to 5.3 in this remuneration report will be audited by Audit Scotland. The other sections of the remuneration report will also be reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

2. Definitions

The term senior councillor means the Leader of the Council, the Lord Provost or a councillor who holds a significant position of responsibility in the council's management structure, all as defined by regulation 2 of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007(3).

The term senior employee means any employee of Glasgow City Council and its subsidiaries:

- Who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the report relates, whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989 (4); or
- Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

The term 'remuneration' means gross salary, fees and bonuses, taxable allowances and expenses and compensation for loss of employment. It excludes pension contributions paid by the council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

The term 'pension benefits' covers in-year pension contributions for the employee or councillor by the council and the named person's accrued pension benefits at the reporting date.

3. Remuneration policy

Elected members

The full council sets the remuneration levels for senior councillors and senior officers. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of, and as determined by, Scottish Ministers and the Scottish Government. In reaching its decisions, the council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities; the council's policies for the improvement of the delivery of public services; and the funds available to the council.

The remuneration of senior councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (which is the Lord Provost in Glasgow), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the regulations. For 2017/18, the maximum salary for the Leader of the Council is £50,783. The regulations permit the council to remunerate one Civic Head and set out the maximum salary that may be paid to that Civic Head. For 2017/18, the maximum salary for the Civic Head is £38,087.

The regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Leader of the Council. The council is able to exercise local flexibility in the determination of the precise number of senior councillors and their salaries within these maximum limits. The council pays senior councillor supplements to executive members, chairs of committees and Community – Area Leads. In 2017/18 the council had no more than 24 senior councillors at any one time and the total senior councillor salary paid to these councillors did not exceed £660,168. The table at 4.1 shows the total remuneration paid to any councillors that held a senior council post at any point in 2017/18 and also includes the remuneration of the Leader of the Council and the Civic Head.

The regulations also permit the council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme. The Glasgow City Council Members' Allowances Scheme, for those councillors who elect to join the scheme, was agreed at a meeting of the full council on 17 May 2007.

Senior officers

The salaries of senior employees within the council are set based upon the salary points of the leadership job family, as set out in the council's Pay, Grading and Benefits Structure. These arrangements were originally agreed through approval of the Workforce Pay and Benefits Review report at a special meeting of the council's Executive Committee on 13 October 2006 and may be amended each year to allow for cost of living increases as negotiated by the Scottish Joint Council (SJC), for the general workforce and the Scottish Negotiating Council for teachers (SNCT). The council does not pay bonuses or performance related pay. All council officers are eligible to join the Local Government Pension Scheme (LGPS). The scheme is described in section 5 entitled 'Pension Benefits'.

Subsidiaries

The council has a number of subsidiary bodies, which are governed via their company documents, service agreements and boards of directors. The council has responsibility for appointing directors and chairpersons to subsidiary boards. Since the introduction of the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2011, on the 1 July 2011, there has been no remuneration paid to councillors on the board of any subsidiary or any other group entity.

The council does not have any influence over the remuneration arrangements for the employees of any of these subsidiary bodies. The powers to set remuneration for employees lies solely with the board of each subsidiary body.

4. Remuneration

4.1. Remuneration of senior councillors

2016/17 Total remuneration £	Remuneration of senior councillors (includes the basic councillor salary of £16,927)	Date from	Date to	Year ended 31 March 2018 Total remuneration £
24,266	Susan Aitken Leader of the Opposition	April 2017	May 2017	45,941
	Leader and City Convener for Inclusive Economic Growth	May 2017	March 2018	
-	Eva Bolander Lord Provost	May 2017	March 2018	36,499
24,266	David McDonald Convener of Operational Delivery Scrutiny Committee	April 2017	May 2017	35,339
	Deputy Leader and City Convener for Communities	May 2017	March 2018	
32,355	Philip Braat City Treasurer	April 2017	May 2017	28,643
	Deputy Lord Provost	May 2017	March 2018	
50,526	Frank McAveety Leader of the Council	April 2017	May 2017	27,487
	Leader of Opposition	May 2017	March 2018	
-	Ken Andrew Deputy City Convener for Health, Care and Wellbeing	May 2017	March 2018	23,019
-	Richard Bell Deputy City Convener for Education and Skills	May 2017	March 2018	20,856
24,266	Maureen Burke Convener of Regeneration & the Economy Policy Development Committee	April 2017	May 2017	17,835
24,266	Bill Butler Convener of Licensing Board	April 2017	May 2017	23,991
	Business Manager for the Opposition	May 2017	March 2018	
32,355	Elizabeth Cameron Executive Member Children, Young People and Lifelong Learning	April 2017	May 2017	4,179
24,266	Paul Carey Convener of Sustainability and the Environment Policy Development Committee	April 2017	May 2017	17,835
24,266	Malcolm Cuning Convener of Children & Families Policy Development Committee	April 2017	May 2017	17,835
-	Chris Cunningham City Convener for Education, Skills and Early Years	May 2017	March 2018	29,741
24,266	Stephen Curran Area Lead – Communities (South)	April 2017	May 2017	17,835
37,894	Sadie Docherty Lord Provost	April 2017	May 2017	4,895
-	Feargal Dalton City Convener for Workforce	May 2017	March 2018	29,741
24,266	Frank Docherty Convener of Licensing and Regulatory Committee	April 2017	May 2017	17,835
-	Glenn Elder Chair of Planning Applications Committee	May 2017	March 2018	23,169
-	Michelle Ferns Deputy City Convener for Democratic Renewal	May 2017	March 2018	19,654
24,441	Marie Garrity Area Lead - Communities (North East)	April 2017	May 2017	17,985

2016/17 Total remuneration £	Remuneration of senior councillors (includes the basic councillor salary of £16,927)	Date from	Date to	Year ended 31 March 2018 Total remuneration £
24,266	Emma Gillan Convener of Health & Social Care Policy Development Committee	April 2017	May 2017	3,134
-	Allan Gow City Treasurer	May 2017	March 2018	27,591
37,894	Archie Graham Deputy Leader and Executive Member for the Commonwealth Games Deputy Leader of the Opposition	April 2017 May 2017	May 2017 March 2018	25,751
-	Greg Hepburn Deputy City Convener for Liveability	May 2017	March 2018	23,019
-	Mhairi Hunter City Convener for Health and Social Care Integration	May 2017	March 2018	23,019
-	Ruairi Kelly Deputy City Convener for Governance	May 2017	March 2018	19,654
24,266	Matt Kerr Executive Member for Social Justice Chair of Licensing Board	April 2017 June 2017	May 2017 March 2018	23,401
-	Jennifer Layden City Convener for Equalities and Human Rights	May 2017	March 2018	27,591
28,418	Gerald Leonard Deputy Lord Provost	April 2017	May 2017	3,671
-	John Letford Business Manager and City Convener for Democratic Renewal	May 2017	March 2018	34,344
32,355	Elaine McDougall Executive Member for Transport, Environment and Sustainability	April 2017	May 2017	18,880
24,266	Kenneth McLean Convener of Finance and Audit Scrutiny Committee City Convener for Neighbourhoods, Housing and Public Realm	April 2017 May 2017	May 2017 March 2018	30,726
-	Angus Millar Deputy City Convener for Economic Growth	May 2017	March 2018	21,857
24,266	Hanif Raja Convener of Public Petitions and General Purposes Policy Development Committee	April 2017	May 2017	17,985
24,266	Mohammed Razaq Area Lead - Communities (North West)	April 2017	May 2017	3,134
32,355	George Redmond Executive Member for Jobs, Business and Investment	April 2017	May 2017	4,179
32,355	Martin Rhodes Executive Member for Personnel	April 2017	May 2017	18,880
-	Anna Richardson City Convener for Sustainability and Carbon Reduction	May 2017	March 2018	29,741
-	Russell Robertson Deputy City Convener for Empowering Communities	May 2017	March 2018	23,169
24,266	James Scanlon Chair of Planning Applications Committee	April 2017	May 2017	17,985
32,355	Soryia Siddique Executive Member for Citizens and Communities	April 2017	May 2017	19,030
32,355	Alistair Watson Business Manager	April 2017	May 2017	6,804

2016/17 Total remuneration £	Remuneration of senior councillors (includes the basic councillor salary of £16,927)	Date from	Date to	Year ended 31 March 2018 Total remuneration £
-	Alex Wilson Chair of Licensing and Regulatory Committee	May 2017	March 2018	23,019
745,382	Total			906,878

Notes:

1. Payments include salaries and taxable allowances/expenses as appropriate. There were no payments for bonuses or compensation for loss of office. Business expenses are disclosed at note 4.2.
2. Salaries are paid four weekly and this can give rise to small differences in the actual payments made from one financial year to the next.
3. During 2017/18 there were changes to the council's committee structure and changes to membership of these committees. These changes have been reflected in table 4.1 and throughout this remuneration report. Further information is available in the public minutes of the council and the Council Committees (www.glasgow.gov.uk/CouncillorsandCommittees).

4.2. Remuneration paid to councillors

The council paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year:

2016/17 £000	Remuneration	2017/18 £000
1,627	Salaries	1,711
11	Allowances	8
102	Expenses	109
1,740	Total	1,828

Note:

The annual return of councillors' salaries and expenses for 2017/18 is available for any member of the public to view on the council's website at:

<https://www.glasgow.gov.uk/index.aspx?articleid=17107>

This information is also available to view at all council libraries and public offices during normal working hours.

4.3. Remuneration of senior employees

2016/17 Total Remuneration £	Remuneration of senior employees	Year ended 31 March 2018			
		Salary, fees and allowances £	Compensation for loss of office £	Election duties £	Total remuneration £
214,515	Annemarie O'Donnell Chief Executive	172,618	0	24,597	197,215
58,562	Morag Johnston Acting Executive Director of Financial Services	125,930	0	1,250	127,180
116,524	Carole Forrest Director of Corporate Governance and Solicitor to the Council	113,056	0	2,000	115,056
135,372	Richard Brown Executive Director of Development and Regeneration Services	136,673	0	0	136,673
135,372	Maureen McKenna Executive Director of Education Services	136,673	0	0	136,673
25,959	George Gillespie Acting Executive Director of Land and Environmental Services	124,570	0	0	124,570
100,603	Susanne Millar Chief Social Work Officer	101,605	0	0	101,605
82,348	Anne Connolly (note 1) Strategic Adviser to the Chief Executive	86,875	0	0	86,875
-	Colin Edgar (note 1) Head of Communication and Strategic Partnerships (from 15 May 2017)	75,393 (FYE 90,859)	0	1,150	76,543
869,255	Total	1,073,393	0	28,997	1,102,390

Notes:

1. Employee included as post is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4).
2. There were no payments in the form of bonuses, taxable allowances or expenses, or other benefits in kind.

4.4. Remuneration of senior employees of subsidiaries

2016/17 Total Remuneration £	Remuneration of senior employees of subsidiaries	Year ended 31 March 2018						Total remuneration £
		Salary, fees and allowances £	Bonus £	Taxable allowances and expenses £	Comp. for loss of office £	Benefits in kind other than in cash £	Election duties £	
217,277	Peter Duthie Chief Executive Officer, Scottish Event Campus Ltd	175,099	35,020	18,365	0	0	0	228,484
159,123	Billy McFadyen Corporate Services and Finance Director, Scottish Event Campus Ltd	129,156	25,831	13,306	0	0	0	168,293
-	Daniel Thurlow Exhibition Sales Director, Scottish Event Campus Ltd	121,627	21,893	13,306	0	0	0	156,826
147,482	Dr Graham Paterson (note 1) Executive Director, City Building (Contracts) LLP	138,798	0	5,005	0	0	10,000	153,803
135,209	Dr Bridget McConnell Chief Executive, Culture and Sport Glasgow T/A 'Glasgow Life'	136,509	0	0	0	0	0	136,509
105,091	Andy Clark (note 2) Director of Services, Cordia (Glasgow) LLP (to 30 December 2017)	92,331	0	0	0	0	0	92,331
71,980	William Taggart Managing Director, City Parking (Glasgow) LLP	72,697	0	0	0	0	0	72,697
102,521	Pauline Barclay Managing Director, City Property (Glasgow) LLP	103,647	0	0	0	0	0	103,647
10,736	Martin Booth (note 3) Interim Chief Executive, Jobs & Business Glasgow	12,763	0	0	0	0	0	12,763
949,419	Total	982,627	82,744	49,982	0	0	10,000	1,125,353

Notes:

1. This officer is employed by City Building (Glasgow) LLP but is Executive Director of City Building (Glasgow) LLP and City Building (Contracts) LLP.
2. From 31 December 2017 Cordia was managed by the Council through the management team at Cordia. There was no direct replacement for the Director of Services.
3. A senior officer from within the council family has been interim Chief Executive of Jobs and Business Glasgow. In addition to their substantive salary this has resulted in additional payment as noted above.
4. From 1 December 2017 Access LLP became a subsidiary of Glasgow City Council. This LLP was managed by the Council with no Managing Director in post.

4.5. Remuneration of employees receiving more than £50,000

In accordance with the disclosure requirement of the regulations, the number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown in the table below in bands of £5,000. This information includes those senior officers who are subject to the fuller disclosure requirements in table 4.3.

Remuneration in 2017/18					
<i>Total</i> 2016/17	£5,000 band	Teachers	Those receiving compensation for loss of office	Staff (excl teachers)	Total
303	50,000 - 54,999	203	0	77	280
215	55,000 - 59,999	110	0	149	259
26	60,000 - 64,999	15	0	18	33
19	65,000 - 69,999	5	0	18	23
46	70,000 - 74,999	8	0	31	39
4	75,000 - 79,999	6	0	3	9
9	80,000 - 84,999	1	0	3	4
18	85,000 - 89,999	1	0	7	8
6	90,000 - 94,999	1	0	15	16
0	95,000 - 99,999	0	0	1	1
4	100,000 - 104,999	0	0	4	4
1	105,000 - 109,999	0	0	0	0
0	110,000 - 114,999	0	0	0	0
2	115,000 - 119,999	0	0	2	2
0	120,000 - 124,999	0	0	1	1
0	125,000 - 129,999	0	0	1	1
0	130,000 - 134,999	0	0	0	0
2	135,000 - 139,999	0	0	2	2
1	140,000 - 144,999	0	0	0	0
0	195,000 - 199,999	0	0	1	1
1	210,000 - 214,999	0	0	0	0
657	Total	350	0	333	683

4.6. Exit packages

The Code requires disclosure of all exit packages agreed, in rising bands. The table below shows all exit packages that were accrued in the year, of which all were voluntary. Exit package values include redundancy, compensatory lump sum, pension strain, and notional capitalised compensatory added years costs (CAY). The notional capitalised compensatory added years costs are based on an assessment of the present value of all future payments to the retiree until death. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on a calculation provided by the Scottish Public Pensions Agency.

2016/17				Exit packages bands	2017/18			
Number	Cash value	Notional CAY value	Total		Number	Cash value	Notional CAY value	Total
	£000	£000	£000			£000	£000	£000
0	0	0	0	£1 - £20,000	1	9	0	9
1	22	0	22	£20,001 - £40,000	1	28	0	28
0	0	0	0	£40,001 - £60,000	1	52	5	57
0	0	0	0	£60,001 - £80,000	0	0	0	0
0	0	0	0	£80,001 - £100,000	0	0	0	0
1	120	0	120	£100,001 - £150,000	2	214	49	263
0	0	0	0	£150,001 - £200,000	3	355	142	497
0	0	0	0	£200,001 - £250,000	1	172	60	232
2	142	0	142	Total	9	830	256	1,086

5. Pension benefits

Pension scheme benefits for councillors and local government employees (excluding teachers) are provided through the Local Government Pension Scheme (LGPS). The LGPS is a funded scheme whereby fund balances are maintained from employee / employer contributions and returns on investments to meet the ongoing and anticipated future costs. Benefits are then paid out of this fund. The LGPS is therefore unique in the Scottish public sector. The other five Scottish public sector schemes (NHS, civil service, police, fire fighter, and teachers) are unfunded, also known as 'pay-as-you-go', where no fund is built up to help cover future payments and employers and employees contribute as if the scheme were funded. One of the objectives of a funded scheme is to reduce the variability of costs over time for employers compared with an unfunded (pay-as-you-go) alternative. The funding mechanism should also minimise inter-generational transfer of liabilities. The LGPS is subject to an actuarial revaluation every three years, and employer contribution rates are re-assessed.

Councillors' benefits earned up to 31 March 2015 are based on career average pay. Pay for each year or part year ending 31 March (other than the pay in final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate indices between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate average career pay. This is used to calculate the benefits.

For local government employees the LGPS was a final salary pension scheme up to 31 March 2015. This means that benefits are based on the final year's pay and the number of years the person has been a member of the scheme.

For service from 1 April 2015 both Councillors and local government employees are in a career average revalued pension scheme. Each year an amount of pension is earned that is then revalued for inflation until retirement.

From 1 April 2009 a five tier contribution system was introduced with contributions from members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Up to 31 March 2015 if a person worked part-time their contribution rate was worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned. From 1 April 2015 contribution rates are worked out on actual pay. The tiers and member / Councillor contribution rates for 2016/17 and 2017/18 are as follows:

Whole time pay 2016/17 bandings	Employee contribution rate	Whole time pay 2017/18 bandings
On earnings up to and including £20,500	5.50%	On earnings up to and including £20,700
On earnings above £20,500 and up to £25,000	7.25%	On earnings above £20,700 and up to £25,300
On earnings above £25,000 and up to £34,400	8.50%	On earnings above £25,300 and up to £34,700
On earnings above £34,400 and up to £45,800	9.50%	On earnings above £34,700 and up to £46,300
On earnings above £45,800	12.00%	On earnings above £46,300

At retirement members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The pension accrual rate from 1 April 2015 is 1/49th of pensionable pay. The pension accrual rate from 1 April 2009 to 31 March 2015 was a pension based on 1/60th of final pensionable salary for each year of pensionable service. Prior to 2009 the accrual rate was a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

For benefits earned up to 31 March 2015, the LGPS normal pension age for both councillors and employees was 65. Benefits earned from 1 April 2015 have a normal pension age equal to the member's state pension age (or 65 if higher).

The tables at 5.1 and 5.2, on pages 135 to 137, summarise the in-year employer contributions and the accrued benefits for all senior councillors and senior employees that held post at some point during 2017/18 and are regarded as senior as outlined at section 2. The tables do not include contributions made by employees or councillors to the pension fund. All councillors that held senior posts at any time are included, where they are members of the scheme.

The value of accrued benefits has been calculated using the age at which the person will first become entitled to receive a full pension on retirement, without reduction, on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; without any adjustments for the effects of future inflation; and total local government service (not just their current appointment). Membership of the pension scheme is voluntary and not all councillors or employees are members.

5.1. Pension benefits of senior councillors

Pension benefits of senior councillors	In year pension Contributions		Accrued pension Benefits		
	For year to 31 March 2017 £	For year to 31 March 2018 £		Difference from 31 March 2017 £000	As at 31 March 2018 £000
Susan Aitken	4,683	8,867	Pension	1	3
			Lump Sum	0	0
Eva Bolander	-	6,640	Pension	1	1
			Lump Sum	0	0
David McDonald	4,683	6,820	Pension	1	5
			Lump Sum	0	1
Philip Braat	6,244	5,499	Pension	0	4
			Lump Sum	0	0
Frank McAveety	9,751	5,305	Pension	1	4
			Lump Sum	0	0
Ken Andrew	-	4,442	Pension	1	2
			Lump Sum	0	0
Richard Bell	-	4,025	Pension	0	0
			Lump Sum	0	0
Maureen Burke	4,683	3,442	Pension	0	2
			Lump Sum	0	0
Paul Carey	4,683	3,442	Pension	0	4
			Lump Sum	0	1
Malcolm Cunning	4,683	3,442	Pension	1	3
			Lump Sum	0	0
Chris Cunningham	-	5,740	Pension	1	1
			Lump Sum	0	0
Feargal Dalton	-	5,740	Pension	1	2
			Lump Sum	0	0
Sadie Docherty	7,314	945	Pension	-1	4
			Lump Sum	0	2
Frank Docherty	4,683	3,442	Pension	0	4
			Lump Sum	0	0
Glenn Elder	-	4,442	Pension	1	2
			Lump Sum	0	0
Michelle Ferns	-	3,793	Pension	0	0
			Lump Sum	0	0
Marie Garrity	4,683	3,442	Pension	1	3
			Lump Sum	0	0

Pension benefits of senior councillors	In year pension Contributions		Accrued pension Benefits	
	For year to 31 March 2017 £	For year to 31 March 2018 £	Difference from 31 March 2017 £000	As at 31 March 2018 £000
Allan Gow	-	5,325	Pension 1	1
			Lump Sum 0	0
Archie Graham	7,314	4,970	Pension 1	6
			Lump Sum 0	0
Greg Hepburn	-	4,442	Pension 1	1
			Lump Sum 0	0
Mhairi Hunter	-	4,442	Pension 1	2
			Lump Sum 0	0
Ruairi Kelly	-	3,793	Pension 0	0
			Lump Sum 0	0
Matt Kerr	-	2,883	Pension 0	0
			Lump Sum 0	0
Jennifer Layden	-	5,325	Pension 1	1
			Lump Sum 0	0
Gerald Leonard	5,485	708	Pension -1	3
			Lump Sum 0	1
John Letford	-	6,628	Pension 1	2
			Lump Sum 0	0
Kenneth McLean	-	3,844	Pension 0	0
			Lump Sum 0	0
Angus Millar	-	4,218	Pension 0	1
			Lump Sum 0	0
Hanif Raja	4,683	3,442	Pension 0	2
			Lump Sum 0	0
Mohammed Razaq	4,683	605	Pension 0	4
			Lump Sum 1	2
Martin Rhodes	6,244	3,644	Pension 0	3
			Lump Sum 0	0
Anna Richardson	-	5,740	Pension 1	1
			Lump Sum 0	0
Russell Robertson	-	2,883	Pension 0	0
			Lump Sum 0	0
James Scanlon	4,683	3,442	Pension 1	4
			Lump Sum 0	0
Soryia Siddique	-	2,005	Pension 0	0
			Lump Sum 0	0
Alex Wilson	-	4,442	Pension 1	1
			Lump Sum 0	0
Total	89,182	152,249	Pension 17	76
			Lump sum 1	7

5.2. Pension benefits of senior employees

Pension benefits of senior employees	In year pension contributions		Accrued pension benefits		
	For year to 31 March 2017 £	For year to 31 March 2018 £		Difference from 31 March 2017 £000	As at 31 March 2018 £000
Annemarie O'Donnell	38,345	38,063	Pension	9	69
			Lump sum	3	118
Morag Johnston	21,825	24,304	Pension	5	50
			Lump sum	4	89
Carole Forrest	21,717	21,820	Pension	2	41
			Lump sum	1	68
Richard Brown	26,127	26,378	Pension	3	58
			Lump sum	1	108
Maureen McKenna	26,127	26,378	Pension	2	75
			Lump sum	2	164
George Gillespie	20,298	26,109	Pension	10	46
			Lump sum	15	78
Anne Connolly	15,893	16,767	Pension	5	41
			Lump sum	7	80
Susanne Millar	19,416	19,610	Pension	3	33
			Lump sum	0	49
Colin Edgar	17,309	17,481	Pension	2	19
			Lump sum	0	12
Total	207,057	216,910	Pension	41	432
			Lump sum	33	766

5.3. Pension benefits of senior employees of subsidiaries

Pension benefits of senior employees of Glasgow City Council subsidiaries	In year pension contributions			Accrued pension benefits	
	For year to 31 March 2017 £	For year to 31 March 2018 £		Difference from 31 March 2017 £000	As at 31 March 2018 £000
Peter Duthie (note 1) Chief Executive, Scottish Event Campus Ltd	25,750	26,265	Pension	n/a	n/a
			Lump sum	n/a	n/a
Billy McFadyen (note 1) Corporate Services and Finance Director, Scottish Event Campus Ltd	15,548	16,790	Pension	n/a	n/a
			Lump sum	n/a	n/a
Daniel Thurlow (note 1) Exhibition Sales Director, Scottish Event Campus Ltd	12,475	13,379	Pension	n/a	n/a
			Lump sum	n/a	n/a
Dr Graham Paterson Executive Director, City Building (Contracts) LLP	26,533	26,788	Pension	4	69
			Lump sum	2	139
Dr Bridget McConnell Chief Executive, Culture and Sport Glasgow T/A 'Glasgow Life'	23,256	23,479	Pension	4	64
			Lump sum	2	126
Andy Clark Director of Services, Cordia (Glasgow) LLP (to 30 December 2017)	20,426	15,988	Pension	4	37
			Lump sum	3	58
William Taggart Managing Director, City Parking (Glasgow) LLP	13,892	14,030	Pension	2	36
			Lump sum	1	74
Pauline Barclay Managing Director, City Property (Glasgow) LLP	19,787	20,001	Pension	3	28
			Lump sum	0	32
Total	157,667	156,720	Pension	17	234
			Lump Sum	8	429

Notes:

1. All senior councillors and senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS), with the exception of Scottish Event Campus Ltd employees who are all members of a group stakeholder scheme with Scottish Event Campus Ltd. This is a defined contribution scheme and so accrued pension benefits information is not applicable.