

Cordia (Services) LLP

Members' report and financial statements

Registered number S0302144

For the year ended 31 March 2019

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Members' report

The members present their annual report and audited financial statements for the year ended 31 March 2019.

Going Concern

On 19 April 2018, at the meeting of the City Administration Committee, it was agreed that Cordia (Services) LLP would cease trading on 29 September 2018 following the decision to transfer Cordia (Services) LLP to the direct control of Glasgow City Council. All staff TUPE transferred to the council, all services transferred to direct council control, and Cordia (Services) LLP transferred in its entirety to Glasgow City Council on 30 September 2018. For the above reasons, the members have determined that the going concern basis is no longer appropriate, and the 2018/19 financial statements have been prepared on a break-up basis.

Principal Activity

During the year ended 31 March 2019, the principal activities of Cordia (Services) LLP were catering services, facilities management (FM) and care services. However, on 19 April 2018, the members took the decision to cease trading following the decision by Glasgow City Council to transfer Cordia Services LLP to direct control of the Council. As such, the members have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

These financial statements are the tenth statutory financial statements for Cordia (Services) LLP and represent the results of the year of trading from 1 April 2018 until 29 September 2018.

The partnership provides a complex and varied range of services and employs 4,269 full time equivalent staff.

Designated Members

Cordia (Services) LLP had two members during the year, Glasgow City Council and GCC LLP Investments Ltd, both of whom are designated members.

Members' Capital

Current policy is not to make repayment of members' capital. No additional members' contributions to capital were made and no cash drawings were made against members' capital in the year ended 31 March 2019.

Business Review

Business Structure

Cordia (Services) LLP provides care services to its sister organisation Cordia (Care) LLP and services to its subsidiary Cordia (Contracts) LLP. In the reported financial year, Cordia (Contracts) LLP engaged in trading activities principally in the areas of catering, training and development, installation and repair of stair lifts and alarm monitoring services. All other business was transacted through Cordia (Services) LLP. The overall business structure remained consistent in 2018/19.

Financial Results for the Year

In the year ended 31 March 2019, Cordia (Services) LLP had a total comprehensive expenditure for the year of £33.4 million including a remeasurement of the net defined pension liability of £20.7 million. The loss on ordinary activities before tax was £6.5 million meaning no profits were available for discretionary distribution to members. This result includes the adjustments required in respect of FRS102 'recognition of pension costs' totalling £5.1 million to recognise the additional costs of pension per the actuarial report. (See note 3).

The underlying, pre-pensions results of Cordia (Services) LLP demonstrate the partnership had a challenging year generating an operating loss before the pension adjustments of £1.8 million. This was worse than expected because of continuing challenges within home care however, both the catering and facilities management sectors performed profitably. No bulk credit was issued this financial year to the LLP's principal customer.

Members' report *(continued)*

No distribution was made to members for the period. Net current liabilities were nil (2018 £0.4 million) and total net assets attributable to members were nil (2018 assets £33.4 million).

Cordia (Services) LLP turnover was £74.3 million in the reported financial year comprising:

- Catering trading operation £18.9 million
- Facilities trading operation £14.7 million
- Care Services trading operation £40.0 million
- Admin £0.7 million

Administrative Expenses

This area includes the operational management and administrative payroll costs, head office premise expenses and other support costs. There is income generation under this area derived from training undertaken by Cordia Learning and also through recharging for project work carried out by Cordia ICT staff.

Care Division

The Care sector continues to be an extremely challenging area due to the increasing demands, the complexity of service needs, demographic changes, and the introduction of service reform.

The sector operated at a £3.2 million pound loss prior to the actuarial pension adjustment of £3.0 million.

Some technological developments in work scheduling have been introduced, however, delays in the full roll out and implementation meant that planned efficiencies have not been fully realised.

The objective to reduce overtime and agency work to maintain continuity to service users continues in the year, although this form of staffing remains essential to maintain service delivery.

The principal objectives of our key client continue to be met to support and encourage independence at home and to provide care packages to clients within four hours of hospital discharge.

While the LLP continues to deliver these successful outcomes in partnership with Glasgow City Council, further reform and is required to achieve a cost effective solution.

The Technical Care division which includes Equipu, Stairlifts and Community Alarm services continued to perform well despite a challenging financial environment for local authorities and health authorities. These services had a combined turnover of £8.5 million and provide a cost effective operating model to all parties.

Catering Division

The Catering operation performed strongly in a challenging economic environment.

In schools catering, total meal uptake by pupils in primary schools for 2018/19 (to 29/09/18) was 67.0% (17-18 – 67.3%)

In secondary schools, total meal uptake by pupils for 2018/19 (to 29/09/18) was 38.1% (37.4% 17-18).

Members' report *(continued)*

Cordia continues to work with all stakeholders to implement new initiatives and provide healthy meal choices to pupils in accordance with nutritional guidelines with a view to increasing meal uptake.

Encore Hospitality Services (Encore) performed well in the commercial market. Turnover was £5.1 million including £0.6m from a large one off event in 2018/19. The partnership returned £0.4 million to Glasgow City Council and its arm's length external organisations (ALEOs) in royalties.

The catering division overall returned an operating profit of £0.4 million prior to the additional adjustment for pension costs of £0.8 million.

Facilities Management Division

The main focus in this division continued to be productivity efficiencies and to reduce expenditure in equipment and materials. The division overall had an operating profit of £1.0 million, reducing by £0.8 million due to additional pension allocations.

Risk Management

Cordia (Services) LLP recognises the importance of the management of corporate risk and applies appropriate corporate governance to ensure it is successfully monitored and managed.

The overall pressure on public finances continues to be the dominant risk to the LLP. Budget pressures and service reduction within Glasgow City Council has an effect as the LLP provides key services to this main client grouping. Cordia continues to monitor the change in business operation and address the mitigation of risk proactively.

Cash flow management procedures are in place to ensure that resources are managed effectively. This management of resources has ensured that the company has never been required to use bank overdraft facilities.

A risk register is maintained and is regularly reviewed by an audit committee which is chaired by an elected member of the Cordia (Services) LLP Board. The audit committee meets three times annually and reports findings to the Cordia (Services) LLP Board. An internal audit function also carries out regular audits of business functions and these are reported both to the audit committee and the Board.

The business is subject to further enhanced governance procedures and it reports to Glasgow City Council's professional standards and scrutiny committee twice yearly.

Employees

Cordia (Services) LLP is an Equal Opportunities employer and is committed to eliminating discrimination, victimisation, bullying and harassment amongst our workforce. Our Equal Opportunities Policy and Equality and Diversity Programme are in place to ensure our staff will be treated fairly and with dignity and respect at all times.

Our commitment to equality is supported by a legal duty to provide all services and employment opportunities fairly and to adhere to all relevant codes of practice. We welcome our responsibilities as an employer, as a provider of services, and value the legislation that supports our policy commitments to equality and fairness.

Consultation with stakeholders is a key element in ensuring that continuous improvement in service provision is achieved and maintained. Cordia (Services) LLP is responsive to the needs of its communities, citizens, customers and other stakeholders, and its plans and priorities are based on such an understanding. Involving key stakeholders in the decision-making process will continue to help to identify future policy and service priorities, and improvements that are required.

Members' report *(continued)*

Cordia (Services) LLP is a large organisation delivering a range of diverse services through a large workforce. Given the logistical issues in communicating with staff around the city, the organisation utilises a number of methods to communicate with staff. These include:

- The Cordia website (www.cordia.co.uk), provides a range of information on the services provided as well as news, facts, blogs and contact details of relevant personnel. Indeed, the "Contact Us" section is specifically designed to enable individuals to enquire and comment on aspects of service delivery;
- Staff Newsletters - "The Cordia View" and 'Ezine' regularly keep staff updated on the organisation's successes and challenges, and informs of progress being made in respect of projects in which Cordia is involved;
- Staff briefings – these are regular face-to-face performance briefing meetings with all relevant managers and staff.
- Staff Roadshows – these face-to-face information sharing sessions with frontline staff are organised by management and are held in venues within local communities throughout the city; and
- Regular scheduled meetings and discussion with trade unions.

By adopting a consistent, strong and stable internal communications strategy, employees will be more focused on business objectives, will operate according to the LLP's values, and will feel empowered to be more effective.

Transactions with Members

No remuneration of members occurred during the period. The members' share in the profit or loss for the period is accounted for as an allocation of profits with unallocated profits and losses included within 'other reserves'. Cordia (Services) LLP transacts with one of its members, Glasgow City Council.

Members' report *(continued)*

Cordia has been successful in developing business through extending existing partnerships and this has been underpinned by its reputation of successfully managing large workforce contracts where budgets are tight and sound financial management and high-use of innovative technologies is required. Strategic development is two-fold; increasing business externally through Cordia (Contracts) LLP and extending partnerships with established customers. The Cordia brand has become highly visible and established in the local communities served by the LLP.

Disclosure of information to auditor

The Members who held office at the date of approval of this Members' report confirm that, so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware; and each Member has taken all the steps that they ought to have taken as a Member to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Chiene + Tait will therefore continue in office, pending cessation of LLP operations.

The financial statements were authorised for issue on 11 September 2019.

Approved by the members and signed on 11 September 2019 by

For and on behalf of
GCC LLP Investments Limited
Designated member

Statement of members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Cordia (Services) LLP

Opinion

We have audited the financial statements of Cordia (Services) LLP ("the LLP") for the year ended 31 March 2019 which comprise the profit and loss account, other comprehensive income, balance sheet, statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 7, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Cordia (Services) LLP (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Use of our Report

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Barry Truswell (Chartered Accountant)

for and on behalf of Chiene + Tait LLP, Statutory Auditor

Chartered Accountants

61 Dublin Street

Edinburgh

EH3 6NL

Profit and Loss Account
for the year ended 31 March 2019

	<i>Note</i>	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Turnover	2	74,289	147,333
Cost of sales		(69,401)	(142,815)
Gross (loss) / profit	3	4,888	4,518
Administrative expenses		(6,722)	(4,652)
Operating loss before pension adjustment		(1,834)	(134)
Pension adjustment (note 3)		(5,078)	(9,462)
Operating loss	3	(6,912)	(9,596)
Other interest receivable and similar income	5	14	7
Net return / (cost) on Pension		420	(318)
Loss before and after tax	6	(6,478)	(9,907)
Distribution of net assets to members	16	(47,689)	-
Loss for the financial year available for discretionary division among members		(54,167)	(9,907)

Other Comprehensive Income
for the year ended 31 March 2019

	<i>Note</i>	2019 £000	2018 £000
Loss for the financial year		(54,167)	(9,907)
Other comprehensive income			
Remeasurement of the net defined benefit asset		20,749	51,175
<u>Total comprehensive income/(expenditure) for the year</u>		(33,418)	41,268

All of the LLP's operations transferred to Glasgow City Council on 30th September 2018.

Balance Sheet
at 31 March 2019

	<i>Note</i>	2019	2018
		£000	£000
Fixed assets	7	-	-
Current assets			
Property, Plant and Equipment	7	-	375
Stock	8	-	868
Debtors	9	-	7,480
Cash at bank and in hand		-	4,735
		<hr/>	<hr/>
Creditors: amounts falling due within one year	10	-	13,458
		-	(13,900)
		<hr/>	<hr/>
Net current liabilities		-	(442)
		<hr/>	<hr/>
Total assets less current liabilities		-	(442)
		<hr/>	<hr/>
Provisions for assets / (liabilities)			
Pension and similar obligations	11	-	33,860
		<hr/>	<hr/>
Net assets attributable to members		-	33,418
		<hr/> <hr/>	<hr/> <hr/>
Members' other interests			
Members' capital		1	1
		<hr/>	<hr/>
Other reserves			
Pension reserve		-	33,860
Other reserves		(1)	(443)
		<hr/>	<hr/>
Total other reserves		(1)	33,418
		<hr/>	<hr/>
Member's funds		-	33,418
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the members on 11 September 2019 and were signed on its behalf by:

For and on behalf of
GCC LLP Investments Limited
Designated member

Company registered number: S0302144

Statement of Changes in Equity
for the year ended 31 March 2019

	Members capital	Pension reserves	Other reserves	Total equity
	£000	£000	£000	£000
Balance at 1 April 2018	1	55,311	(21,894)	33,418
	—	—	—	—
Total comprehensive expenditure for the period				
Loss for the period	-	-	(54,167)	(54,167)
Other comprehensive income	-	20,749	-	20,749
	—	—	—	—
Total comprehensive income/(expenditure) for the period	-	20,749	(54,167)	(33,418)
	—	—	—	—
	—	—	—	—
Balance at 31 March 2019	1	76,060	(76,061)	-
	=====	=====	=====	=====

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

1.1. Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules and in accordance with the Statement of Recommended Practice 'accounting by limited liability partnerships' ("LLP SORP").

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014.

The LLP's financial statements are fully consolidated in the group financial statements prepared and published by Glasgow City Council. This entitles the LLP to use the exemption from the preparation of a cash flow statement and related notes, and key management personnel compensation as stated in FRS 102.

As the LLP is a wholly owned subsidiary of Glasgow City Council, the LLP has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

The LLP has taken advantage of the exemption allowed in s400 of the Companies Act 2006 to prepare group accounts incorporating the results of its subsidiary undertaking Cordia (Contracts) LLP, as the results of the LLP and its subsidiary are consolidated into its ultimate parent undertaking, Glasgow City Council, details of which are provided in note 14.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Members in the application of those accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

1.2. Measurement convention

The financial statements are prepared on the historical cost basis.

1.3. Going concern

On 19 April 2018, at the meeting of the City Administration Committee, it was agreed that Cordia (Services) LLP would cease trading on 29 September 2018 following the decision to transfer Cordia (Services) LLP to the direct control of Glasgow City Council. All staff TUPE transferred to the council, all services transferred to direct council control, and Cordia (Services) LLP ceased operating as an LLP. Cordia (Services) LLP transferred in its entirety to Glasgow City Council on 30 September 2018. For the above reasons, the members have determined that the going concern basis is no longer appropriate, and the 2018/19 financial statements have been prepared on a break-up basis.

1.4 Members' remuneration and allocation of profits

Members are not remunerated by the LLP. A member's share in the profit or loss for the accounting period is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

Notes (continued)

1 Accounting policies (continued)

1.5 Members' capital

The capital requirements of the LLP are determined from time to time by the members. No interest is paid on capital.

1.6 Value added tax

The LLP was registered for VAT purposes up to 31 March 2019. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.7 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.8 Tangible fixed assets

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. In accordance with parent company guidelines, assets purchased in excess of the *de minimis* level of £6,000 are included in the balance sheet as fixed assets. Depreciation is applied in the year from 1 April based on historical cost asset valuations as at 31 March of the previous financial year.

Depreciation is charged on a straight line basis and the useful life of an asset is deemed to be:

IT Systems	4 years
Plant and Equipment	5 years
Fixtures and Fittings	10 years

Assets disposed of, or taken out of use will be fully written off in year of disposal or removal from use. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9 Taxation

Taxation on all partnership profits is solely the personal liability of individual members. Consequently neither taxation nor related deferred taxation arising in the LLP are accounted for in these financial statements.

1.10 Turnover and income recognition

Income is recognised in the accounting period to which it relates exclusive of VAT. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year. Where a bulk credit is provided to Glasgow City Council this is accounted for as a reduction in turnover.

Turnover represents the invoiced value of goods and services supplied under the principal activities of the LLP.

Notes (continued)

1 Accounting policies (continued)

1.11 Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.12 Employee benefits

Defined benefit plans

All existing and new members of staff have the option of joining the defined benefit pension scheme; Strathclyde Pension Fund ("the Fund"). A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The LLP's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The LLP determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments. Assets and liabilities of the Fund are held separately from those of the LLP.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Fund's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The LLP recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.13 Provisions

A provision is recognised in the balance sheet when the LLP has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes (continued)

2 Gross profit

The activities of the LLP are broken down as follows:

	Care		Catering		Facilities		Admin		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover										
Total sales	40,012	77,856	18,896	39,280	14,682	28,801	713	1,396	74,303	147,333
Operating (loss)/profit										
Segment (loss)/profit	(6,122)	(10,113)	(421)	1,304	164	358	(533)	(1,145)	(6,912)	(9,596)
Operating loss									(6,912)	(9,596)
Other interest receivable									14	7
Net interest on pension assets / liabilities									420	(318)
Loss									(6,478)	(9,907)

3 Operating Loss

	2019	2018
	£000	£000
<i>Operating loss is stated after charging:</i>		
Operating lease payments	703	1,416
Depreciation and other amounts written off fixed assets	44	95
Auditor's remuneration:		
Audit of these financial statements	12	22
Taxation compliance services	9	4

Pension adjustment:

In accordance with FRS 102 the current service cost is calculated by the actuary each year based upon the increase in the present value of the defined benefit obligation resulting from the employee service in the current period. This can differ from what the employer is currently paying in cash contributions based on the certified rates at the last formal valuation. As set out in note 11 the current service cost for 2019 is £10.3 million (2018 - £17.9 million) and the corresponding cash contributions by the LLP were 2019: £5.2 million (2018 - £8.4 million).

Given the services provided and the ownership by Glasgow City Council management focus on the 'cash cost' of the pensions provided to their employees and have therefore presented the operating profit before the pension adjustment on the profit and loss account. The pension adjustment represents the difference between the current service cost calculated by the actuary and the contributions payable by the LLP during the period.

Notes *(continued)*

4 Staff numbers and costs

The average Full Time Equivalent number of persons employed by the LLP during the year, analysed by category, was as follows:

	Number of employees (FTE)	
	2019	2018
Direct operatives	3,922	3,756
Administration	347	152
	<u>4,269</u>	<u>3,908</u>

The aggregate payroll costs for the above persons were:

	2019	2018
	£000	£000
Wages and salaries	50,050	98,960
Social security costs	3,336	6,411
Pension costs	10,126	18,076
	<u>63,512</u>	<u>123,447</u>

5 Other interest receivable and similar income

	2019	2018
	£000	£000
Other interest receivable	14	7
	<u>14</u>	<u>7</u>

6 Particulars of members

The number of members of the Limited Liability Partnership for the year was two. No remuneration was paid to either member.

Notes (continued)

7 Property, Plant and Equipment

	IT Systems £000	Plant & Equipment £000	Fixtures & Fittings £000	Total £000
<i>Cost</i>				
At 1 April 2018	366	134	466	966
Distribution to members	(366)	(134)	(466)	(966)
	-----	-----	-----	-----
	-	-	-	-
	=====	=====	=====	=====
<i>Depreciation</i>				
At 1 April 2018	293	128	172	593
Charge for the year	19	2	23	44
Distribution to members	(312)	(130)	(195)	(637)
	-----	-----	-----	-----
At 31 March 2019	-	-	-	-
	-----	-----	-----	-----
<i>Net book value</i>				
At 31 March 2019	-	-	-	-
	=====	=====	=====	=====
At 31 March 2018	75	7	293	375
	=====	=====	=====	=====

8 Stock

	2019 £000	2018 £000
Raw materials and consumables	-	868
	=====	=====

9 Debtors

	2019 £000	2018 £000
Trade debtors	-	4,491
Amounts owed by group undertakings	-	2,070
Prepayments and accrued income	-	784
Other debtors	-	135
Value added tax	-	-
	-----	-----
	-	7,480
	=====	=====

Notes (continued)

10 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	-	1,946
Amounts owed to group undertakings	-	2,109
Other taxation and social security	-	1,859
Other creditors	-	1,647
Value added tax	-	1,457
Accruals and deferred income	-	4,882
	-	13,900
	-	13,900

11 Pension costs

The information disclosed below is in respect of the LLP's share of assets and liabilities within the Strathclyde Pension Fund, in which it is a participating employer. The latest full actuarial valuation was carried out as at 29 September 2018 upon which time employees TUPE transferred to Glasgow City Council (GCC). The pension asset and liability also transferred to GCC and is shown as nil.

	2019	2018
	£000	£000
Present value of funded defined benefit obligations		
Fair value of plan assets as at 29/09/18	328,211	304,436
Transfer of plan asset to GCC	(328,211)	-
	-	304,436
Present value of unfunded defined benefit obligations as at 29/09/18	(278,260)	(270,576)
Transfer of unfunded defined benefit obligations to GCC	278,260	-
	-	33,860
Net asset/ (liability)	-	33,860

Movements in present value of defined benefit obligation

	2019	2018
	£000	£000
At 1 April	270,576	288,496
Current service cost	10,302	17,951
Interest cost	3,698	7,703
Remeasurement: Actuarial (gains)/losses	(6,425)	(41,704)
Contributions by members	1,523	2,641
Benefits paid	(1,414)	(4,511)
Transfer of unfunded defined benefit obligations to GCC	(278,260)	-
	-	270,576
At 31 March	-	270,576

Notes *(continued)*

11 Pension costs *(continued)*

Movements in fair value of plan assets were as follows:

	2019	2018
	£000	£000
At 1 April	304,436	280,961
Remeasurement: return on plan assets less interest income	14,324	9,471
Interest income	4,118	7,385
Contributions by employer	5,224	8,489
Contributions by members	1,523	2,641
Benefits paid	(1,414)	(4,511)
Transfer of plan asset to GCC	(328,211)	-
	<hr/>	<hr/>
At 31 March	-	304,436
	<hr/> <hr/>	<hr/> <hr/>

Expenses recognised in the profit and loss account

	2019	2018
	£000	£000
Current service cost	10,302	17,951
Net interest on defined benefit pension plan obligation	(420)	318
	<hr/>	<hr/>
At 31 March	9,882	18,269
	<hr/> <hr/>	<hr/> <hr/>

The expense is recognised in the following line items in the profit and loss account:

	2019	2018
	£000	£000
Cost of sales	(75,728)	(142,815)
Administrative expenses	(6,747)	(14,113)
Other interest receivable and similar income / interest payable and similar charges	434	(311)
Pension adjustment	(5,078)	(9,462)
	<hr/>	<hr/>
	(87,119)	(166,701)
	<hr/> <hr/>	<hr/> <hr/>

The total amount recognised in other comprehensive income in respect of actuarial gains is £20,749,000 (2018: £51,175,000). The cumulative actuarial gains recognised in other comprehensive income £44,482,000 (2018: £23,733,000).

Notes *(continued)*

11 Pension costs *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	Fair value	
	2019	2018
	£000	£000
Equities	210,056	200,748
Corporate bonds	72,206	45,342
Property	36,103	27,564
Other	9,846	30,782
Transfer of plan asset to GCC	(328,211)	-
	<hr/>	<hr/>
	-	304,436
	<hr/> <hr/>	<hr/> <hr/>

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2019	2018
	%	%
Discount rate	2.9	2.7
Future salary increases	3.7	3.6
Inflation/pension increase rate	2.5	2.4

In valuing the liabilities of the pension fund at 29 September 2018, mortality assumptions have been made as indicated below.

Last full actuarial valuation was performed on 31 March 2017.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Salary increases are expected to be 3.7% p.a.
- Current pensioner aged 65: 21.4 years (male), 23.7 years (female)
- Future retiree upon reaching 65: 23.4 years (male), 25.8 years (female)

Notes *(continued)*

11 Pension costs *(continued)*

History of plans

The history of the plans for the current and prior periods is as follows:

	2019 £000	2018 £000	2017 £000	2016 £000
Present value of scheme liabilities	-	(270,576)	(288,496)	(206,289)
Fair value of scheme assets	-	304,436	280,961	221,242
Net asset	-	33,860	(7,535)	14,953

12 Subsequent events

There were no subsequent events requiring adjustment or disclosure within the financial statements.

13 Operating lease commitments – (leases were novated to Glasgow City Council on 30 September 2018)

	2019 £000	2018 £000
Within one year	-	173
Within two to five years	-	1,564
Total commitments to operating leases	-	1,737

During the year £703k was recognised as an expense in the profit and loss account in respect of operating leases.

14 Ultimate parent organisation

The LLP's ultimate parent undertaking is Glasgow City Council, one of its designated members, as this is the largest group into which the results of the LLP are consolidated. The consolidated group financial statements of Glasgow City Council may be obtained from its registered office at the City Chambers, Glasgow, G2 1DU.

15 Accounting estimates and judgements

Key sources of estimation uncertainty

The LLP believes that there is estimation uncertainty within the defined benefit pension liability which may materially affect the financial results.

Critical accounting judgements in applying the LLP's accounting policies

The LLP uses an expert to be able to make critical accounting judgements to aid the estimation of the pension liability.

16 Distribution of net assets to members

On 29 September 2018, the entire net assets of the LLP were distributed to the ultimate parent undertaking, Glasgow City Council under the terms of a business transfer agreement.