
GLASGOW CITY COUNCIL

ANNUAL ACCOUNTS

For the year ended 31 March 2016

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❖ Management Commentary

Introduction

Glasgow City Council is the main provider of services to the city's 599,650 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.

Glasgow City Council was named UK Council of the Year 2015 by the Local Government Chronicle, recognising the city's ambition, innovation and its strong track record for delivery. The city also continued to prove itself a natural home for major cultural and sporting events – hosting the Turner Prize, 2015 World Gymnastics Championships and IPC World Swimming Championships during the year. Meanwhile, it was announced that Glasgow and Berlin will stage the first multi-sport European Championships in 2018 and the city won its bid to host the 2019 European Athletics Indoor Championships.

This publication represents the Annual Accounts of both Glasgow City Council (the council) and its group for the year ended 31 March 2016, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code). The Code is based on International Financial Reporting Standards (IFRS), with interpretation appropriate to the public sector.

Strategic objectives

The council has identified an ambitious and targeted strategy to develop both the city and the services we provide. The council's Strategic Plan 2012-2017 identifies 6 key objectives, the priorities for each of these themes and the process through which progress is measured. The council's strategic priorities are to deliver:

- Economic growth;
- A vibrant city;
- A sustainable city;
- A city that looks after its vulnerable people;
- A learning city;
- A city that makes best use of resources.

The full plan can be found on the council's website.

Performance management

The council's approach to reporting on performance at both a Corporate and a Service level is set out in full in the Corporate Performance Management Framework, reported to the Operational Delivery Scrutiny Committee (ODSC) and the Finance and Audit Scrutiny Committee (FASC) in November 2013. This approach to performance management has been refined 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 Executive Committee, the ODSC, the FASC and the Extended Corporate Management Team (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,
- Annual Service Plan and Improvement Reports (ASPIRs),
- the Single Outcome Agreement (SOA) and SOA Annual Report,
- Equality Outcomes,
- Equality Monitoring reports,
- 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 Annual Performance Report. The latest report was approved by the Executive Committee on 25 August 2016 and is published on the council's website. This report provides an assessment of how the council is performing against the strategic priorities and commitments outlined within the strategic plan. A summary of progress is outlined below:

Theme	Commitment met – Action is complete or is delivering on target	Commitment is in progress – Original target may have been revised or there is a lack of evidence	Commitment not met
Economic Growth	24 (100%)	0	0
Vibrant City	17 (100%)	0	0
Sustainable City	24 (96%)	1	0
Vulnerable People ¹	40 (91%)	1	0
Learning City	17 (100%)	0	0
Total	122 (96%)	2	0

Note 1: The commitments totalled 127, this table excludes 3 commitments where the council would require additional powers to fully implement.

The council's performance in relation to 'Making Best Use of Resources' is contained within the financial review below.

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 assessed on a six monthly basis by the Corporate Risk Management Working Group which consists of service representatives and members of the council's resilience team.

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 2016 was considered by FASC on 15 June 2016.

The top risks identified within that report were:

Theme	Risk
Vulnerable people	<ul style="list-style-type: none"> Welfare reform (B) – Increase in deprivation for the most vulnerable citizens Poverty and inequality
Making Best Use of Resources	<ul style="list-style-type: none"> Catastrophic Service / ICT Outage

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 2015/16, the council continued to face significant financial pressures. During the year overspends were reported mainly within Social Work Services relating to the requirements to maintain minimal staffing levels in residential establishments and increased costs for looked after children, and in Education Services relating to the cumulative impact of rising school rolls and property costs. In addition, all services managed the impact of the actual pay award being 0.5% higher than the budgeted pay award. The pressures on each service budget were closely monitored throughout the year 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 completion of probable outturns at various stages during the year. In light of this process, services are reporting a net underspend of £2.0 million (0.16%) against budget.

The principal sources of finance utilised by the council in 2015/16 were as follows:

General Revenue Grant	£887.888 million	provided by the Scottish Government
Non-Domestic Rate Income	£382.497 million	provided by the Scottish Government
Council Tax	£186.803 million	raised from local taxpayers

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 13% 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 94.75% (2014/15 94.61%). The actual value of Council Tax income received was £186.803 million, £0.192 million more than budgeted (2014/15 £0.111 million more than budgeted).

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 £1.490 million and the Transport Trading Operation reported a surplus of £0.433 million. This represents £0.027 million and £0.270 million more than budget respectively.

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 45 summarises the performance of the Trading Operations.

Surpluses received from related companies amounted to £6.765 million, some £2.040 million less than budgeted. This reflects pay rises and the impact of the living wage increases within Cordia.

Financing costs (see note 1.11 on page 21) associated with the council's debt portfolio were underspent by £26.461 million. This reflects the application of capital receipts from asset sales (£18.653 million), lower than anticipated revenue consequences of capital investment and the ongoing impact of lower interest rates. The capital interest rate charged by the council's Loans Fund in the year was 4.55%. Further details can be found in note 29 on pages 65 to 69. The application of asset sales in the year allowed for resources to be contributed to the Culture and Recreational Fund (£11.353 million) to meet future commitments and the Capital Fund (£7.300 million) to meet future budget commitments.

The Comprehensive Income and Expenditure Statement records an accounting surplus of £445.583 million, represented by a movement in Unusable Reserves of £425.690 million and Usable Reserves of £19.893 million (as shown in the Movement in Reserves Statement). The Financial Statements show an increase to the General Fund Reserve balance of £21.923 million for the year. This results in a total General Fund Reserve balance of £61.536 million. Having accounted for earmarked reserves of £30.458 million, General Fund unearmarked reserves total £31.078 million, which represents 2.1% of the net budgeted expenditure. The council's policy remains to maintain balances to 2% of the net budgeted expenditure over the medium term.

- **Assets and liabilities**

The council's Balance Sheet shows Net Assets of £1,531.330 million as at 31 March 2016 (Net Assets of £1,085.747million at 31 March 2015).

Long-term assets amount to £4,512.042 million (2014/15 £4,495.952 million) and mainly reflect Property, Plant and Equipment and Heritage assets.

The Financial Statements reflect provisions for anticipated future liabilities, including confirmed outstanding equal pay compensation payments, estimated future costs in respect of former landfill site decommissioning and those associated with the council's schools PPP scheme. Council Tax debtors of £15.652 million (2014/15 £16.938 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, whilst continuing to pursue collection of these debts with individuals. These costs were fully provided for in previous years. In addition, sundry debtors over two years

old totalling £4.771 million (2014/15 £15.004 million) have been written off in the year against the provision, in accordance with the council's accounting policy.

The council's total debt outstanding amounts to £1,612.436 million (2014/15 £1,692.464 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 Executive 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 2015/16 actuarial report shows a £352 million decrease in the net pension liability, which is £1,184 million as at 31 March 2016.

- **Capital investment expenditure and income**

The council's Capital Expenditure and Income Statement is detailed in note 19.7 on page 57. Gross Capital Expenditure for the year totalled £185.947 million. The major elements of expenditure are outlined in the table below.

Major Programmes	2015/16 £m
4R's for Glasgow, which represents further investment in the primary school estate	44.739
Redevelopment of Kelvin Hall	18.621
Scottish Futures Trust School Building Programme	14.566
Local Authority Care Homes	10.711

Of the total expenditure, £1.613 million was met from finance leasing, and £146.738 million was met from revenue contributions, government grants and other receipts. This resulted in a balance of £37.596 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 2016 was £12.362 million (see note 7 on page 39). Capital receipts from asset sales achieved during the year totalled £18.653 million.

- **Prudential indicators**

The Capital Financing Requirement (CFR) defines the underlying need to borrow for capital purposes. As at 31 March 2016, the CFR was £1,820 million, while net external borrowing stood £173 million lower at £1,647 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 2016, the ratio of financing costs to net revenue stream was 11.97%. 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. Current capital investment plans will have no incremental impact on the Council Tax, with ongoing revenue implications of investment decisions being managed within existing budgetary levels.

- **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 £1,588.526 million as at 31 March 2016 (£987.283 million at 31 March 2015).

The 2015/16 Annual Accounts show an overall group pension liability of £1,235.832 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 very 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 forecast which identified a spending gap of £130 million over the period 2016-2018 (£83 million 2016/17 and £47 million 2017/18).

In order to address this gap the council has developed a Transformation Programme designed to deliver cost savings while focusing on outcomes for individuals, families and businesses. The programme will develop over time but is initially focused on three key themes. These are:

- Transforming the Council Family – identifying more efficient ways of working, reducing duplication and spending, and generating income;
- Transforming the City - developing new ways of delivering services and outcomes for benefit of the city. This will involve working with citizens, communities and partners by looking at innovative ways of using council and city assets to deliver better outcomes;
- Council Family Review - delivering a business operating model which is fit for purpose, focused, agile and responsive, in the context of the financial challenges faced, legislative changes and the Council's priorities.

On 10 March 2016, the Council approved its 2016/17 revenue and capital budget which included measures to bridge the savings gap in 2016/17 and contribute to the 2017/18 gap. These savings have now been embedded within the 2016/17 revenue budget and will be closely monitored during the course of the year.

The council will continue to assess its financial position during the year and revise its financial forecast for 2017/18 in light of any changes to the financial environment and delivery of the transformation programme.

Councillor Frank McAveety
Leader of the Administration
29 September 2016

Annemarie O'Donnell
Chief Executive
29 September 2016

Lynn Brown
Executive Director of Financial
Services
29 September 2016

Further information on the Annual Accounts, or on any aspect of the council's finances, can be obtained from the Executive Director of Financial Services, 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 Financial Services;
- 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.

I certify that the Annual Accounts have been approved for signature by the Executive Committee at its meeting on 22 September 2016.

Councillor Frank McAveety
Leader of the Administration
29 September 2016

2. The Executive Director of Financial Services Responsibilities

The Executive Director of Financial Services 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 Financial Services 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 Financial Services 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 2016 and the transactions for the year then ended.

Lynn Brown OBE MA (Hons) CPFA
Executive Director of Financial Services
29 September 2016

❖ The Financial Statements

A summary of the main financial statements is provided below.

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.

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.

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. The residual collection of outstanding Community Charge is also shown.
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 and associates. The Group Financial Statements comprise the same primary statements as the council: Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement.

Movement in Reserves Statement for the Year ended 31 March 2016

	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 2014	32,789	66,657	5,601	29,878	134,925	1,187,555	1,322,480
Movement in reserves during 2014/15:							
Surplus or (Deficit) on the Provision of Services	(55,656)				(55,656)	0	(55,656)
Other Comprehensive Income and (Expenditure)					0	(181,077)	(181,077)
Total Comprehensive Income and (Expenditure)	(55,656)	0	0	0	(55,656)	(181,077)	(236,733)
Adjustments between accounting basis and funding basis under regulations (note 6)	30,507			(17,635)	12,872	(12,872)	0
Net Increase or (Decrease) before transfers to other statutory reserves	(25,149)	0	0	(17,635)	(42,784)	(193,949)	(236,733)
Transfers (to) and from other statutory reserves (note 7)	31,973	(31,507)	(466)		0	0	0
Increase or (Decrease) in the year	6,824	(31,507)	(466)	(17,635)	(42,784)	(193,949)	(236,733)
Balance at 31 March 2015	39,613	35,150	5,135	12,243	92,141	993,606	1,085,747
Movement in reserves during 2015/16:							
Surplus or (Deficit) on the Provision of Services	(3,680)				(3,680)	0	(3,680)
Other Comprehensive Income and (Expenditure)					0	449,263	449,263
Total Comprehensive Income and (Expenditure)	(3,680)	0	0	0	(3,680)	449,263	445,583
Adjustments between accounting basis and funding basis under regulations (note 6)	34,644			(11,071)	23,573	(23,573)	0
Net Increase or (Decrease) before transfers to other statutory reserves	30,964	0	0	(11,071)	19,893	425,690	445,583
Transfers (to) and from other statutory reserves (note 7)	(9,041)	1,814	7,227		0	0	0
Increase or (Decrease) in the year	21,923	1,814	7,227	(11,071)	19,893	425,690	445,583
Balance at 31 March 2016	61,536	36,964	12,362	1,172	112,034	1,419,296	1,531,330

Notes 5 to 7 on pages 32 to 39 provide further details on the Movement in Reserves Statement

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2016

2014/15 Expenditure £000	2014/15 Income £000	2014/15 Net Expenditure £000	Service	Note	2015/16 Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000
190,574	(11,998)	178,576	Cultural and Related Services		155,749	(9,695)	146,054
526,158	(26,851)	499,307	Education Services		539,508	(27,682)	511,826
111,773	(18,408)	93,365	Environmental Services		124,444	(17,771)	106,673
550,868	(478,661)	72,207	Housing Services		547,067	(478,637)	68,430
129,289	(29,801)	99,488	Planning and Development Services		98,437	(21,195)	77,242
78,956	(29,440)	49,516	Roads and Transport Services		81,370	(29,154)	52,216
565,858	(159,449)	406,409	Social Work Services		574,913	(164,247)	410,666
46,125	(26,596)	19,529	Central Services		43,551	(27,318)	16,233
14,117	0	14,117	Corporate and Democratic Core		14,525	0	14,525
17,123	0	17,123	Non-distributed Costs		25,126	0	25,126
(60)	0	(60)	Former Authority Residual Costs		(257)	0	(257)
2,230,781	(781,204)	1,449,577	Cost of Services		2,204,433	(775,699)	1,428,734
0	(1,228)	(1,228)	(Gain) or loss on the disposal of Property, Plant and Equipment		0	(4,282)	(4,282)
0	(1,228)	(1,228)	Other Operating (Income) and Expenditure		0	(4,282)	(4,282)
3,221	(5,592)	(2,371)	(Surplus) or deficit on Trading Operations (where not included elsewhere)		3,253	(5,163)	(1,910)
100,247	0	100,247	Interest payable		97,151	0	97,151
0	(7,017)	(7,017)	Interest and investment income		0	(6,266)	(6,266)
56,000	0	56,000	Net interest on the net defined benefit liability	13	49,000	0	49,000
159,468	(12,609)	146,859	Financing and Investment (Income) and Expenditure		149,404	(11,429)	137,975
0	(909,939)	(909,939)	Non-ring fenced government grants	14	0	(887,888)	(887,888)
0	(363,061)	(363,061)	Non-Domestic Rates	14	0	(382,497)	(382,497)
0	(181,428)	(181,428)	Council Tax / Community Charge		0	(186,803)	(186,803)
0	(85,124)	(85,124)	Capital grants and contributions	14	0	(101,559)	(101,559)
0	(1,539,552)	(1,539,552)	Taxation and Non-specific Grant Income		0	(1,558,747)	(1,558,747)
2,390,249	(2,334,593)	55,656	(Surplus) or Deficit on the Provision of Services		2,353,837	(2,350,157)	3,680
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		8,912	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(37,378)
		172,000	Actuarial (gains) or losses on Pension Assets and Liabilities	13			(413,000)
		117	Other unrealised (gains) or losses				90
		181,029					(450,288)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		48	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets				1,025
		181,077	Other Comprehensive (Income) and Expenditure				(449,263)
		236,733	Total Comprehensive (Income) and Expenditure				(445,583)

Balance Sheet as at 31 March 2016

31 March 15 £000		Note	£000	31 March 16 £000
2,040,336	Other land and buildings		2,049,546	
139,998	Vehicles, plant, furniture and equipment		135,765	
561,685	Infrastructure assets		572,175	
25,528	Community assets		24,448	
83,988	Assets under construction		99,493	
<u>74,267</u>	Corporate surplus assets		<u>63,187</u>	
2,925,802	Property, Plant and Equipment	20		2,944,614
1,417,088	Heritage assets	21		1,417,093
8,121	Intangible assets	22		6,883
0	Assets held for sale	23		0
31,923	Long-term investments	29		29,345
113,018	Long-term debtors	29		114,107
4,495,952	Long-term Assets			4,512,042
33,198	Short-term investments	29		70,301
1,240	Inventories	24		1,320
183,344	Net short-term debtors	25		193,383
68,847	Cash and cash equivalents	26		53,422
1,523	Intangible Assets			146
13,388	Assets held for sale	23		28,789
301,540	Current Assets			347,361
(312,511)	Short-term borrowing	29		(298,123)
(235,747)	Short-term creditors	27		(269,528)
(20,677)	Short-term provisions	28		(15,300)
(568,935)	Current Liabilities			(582,951)
(19,738)	Long-term provisions	28		(20,618)
(1,379,953)	Long-term borrowing	29		(1,314,313)
(1,536,000)	Net pensions liability	13		(1,184,000)
(204,321)	Deferred liabilities	30		(202,495)
(2,798)	Capital grants receipts in advance	14		(23,696)
(3,142,810)	Long-term Liabilities			(2,745,122)
1,085,747	Net Assets			1,531,330
39,613	General Fund Reserve	5,6		61,536
35,150	Revenue Reserve Funds	5,7		36,964
5,135	Capital Reserve Fund	5,7		12,362
12,243	Capital Grants Unapplied Account	5,6		1,172
92,141	Usable Reserves			112,034
993,606	Unusable Reserves	5,6		1,419,296
1,085,747	Total Reserves			1,531,330

The unaudited accounts were issued on 15 June 2016 and the audited accounts were authorised for publication on 22 September 2016.

Lynn Brown, OBE MA (Hons) CPFA
Executive Director of Financial Services
29 September 2016

Cash Flow Statement for the Year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
55,656	(Surplus) or Deficit on the Provision of Services		3,680
89,299	Adjustments to (Surplus) or Deficit on the Provision of Services for non-cash movements		136,091
(254,207)	Adjustments for items included in the (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		(284,695)
(109,252)	Net cash flows from Operating Activities	33	(144,924)
82,410	Investing Activities	34	81,555
34,088	Financing Activities	35	78,794
7,246	Net (increase) or decrease in Cash and cash equivalents		15,425
(76,093)	Cash and cash equivalents at the beginning of the reporting period		(68,847)
(68,847)	Cash and cash equivalents at the end of the reporting period		(53,422)

❖ **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 2016 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 2015/16 (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 2016 are included, together with the specific accrual of invoices received after that date for material amounts, provided the goods or services were received in 2015/16. 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:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation;
- Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early, impairment losses chargeable on assets held for sale, and the cost of permanently unoccupied office accommodation; and
- Charges to capital projects - costs relating to capital projects incurred by the Chief Executive's Office and Corporate Services, Development and Regeneration 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 46 to 51.

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 45.

1.9. Service expenditure analysis

The Comprehensive Income and Expenditure Statement is presented in accordance with the CIPFA Service Reporting Code of Practice (SeRCOP). The CIPFA SeRCOP analysis is not in accordance with the council's management structure. Details of income and expenditure based on the council's internal management structure are provided in note 9 on pages 41 to 43.

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.

Depreciation on corporate surplus assets is not charged to service revenue accounts. It is, however, reflected in the Comprehensive Income and Expenditure Statement within Non-distributed Costs.

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 and associates 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 64.

1.23. Contingent liabilities

Contingent liabilities are included in note 31 on page 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 69.

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 65 to 69.

1.26. Fair value measurement

Non-financial assets within the balance sheet such as surplus assets and 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 5 on pages 32 to 36, and in note 7 on page 39.

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 2016/17 Code:

- IAS19 Employee Benefits

- IFRS11 Joint Arrangements
- IAS16 Property, Plant and Equipment
- IAS38 Intangible Assets
- IAS1 Presentation of Financial Statements
- Annual Improvements to IFRS 2010-2012 Cycle
- Annual Improvements to IFRS 2012-2014 Cycle

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 annual accounts.

IAS19 provides guidance on the attribution of employee benefits. IFRS11 provides guidance on the acquisition of interests in joint operations. IAS16 and IAS38 provide clarification on acceptable methods of depreciation and amortisation. IAS1 covers disclosures required in the financial statements and materiality around disclosures. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the Annual Accounts.

It should be noted that from 2016/17 local authorities will be disclosing Highways Network Asset as a new category within the long-term assets section of the Balance Sheet. The Code does not require any 2015/16 restatement for this change and as such this change is not considered a standard issued but not yet adopted. This change will see a significant change in balance sheet valuation so the impact is noted for information. Highways Network Asset (HNA) is defined as a network and grouping of interconnected inalienable components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or other use. The interconnected network is made up of carriageways, footways and cycleways and the structures, street lighting and other assets that are directly associated with them. HNA is valued at depreciated replacement cost.

It is anticipated that the vast majority of assets held within Infrastructure assets will be reclassified and revalued to be included as HNA. A full review of assets held as Infrastructure will be undertaken during 2016/17 in order to identify assets that meet the definition of HNA. Assets held as Infrastructure are held at depreciated historic cost with a value of £561.685m as at 31 March 2015.

For Whole of Government Accounts (WGA) local authorities disclose Roads Assets at depreciated replacement cost and it is this value which will be disclosed moving forward as HNA. The Roads Assets depreciated replacement cost for 2014/15 is £7,415.192m.

Using the 2014/15 values, the movement from depreciated historic cost to depreciated replacement cost would be a revaluation gain of £6,853.507m.

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 2016 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 £387 million. Similarly, a 0.5% increase in the rate of salary increase and pension increase rates would increase the liability by £123 million and £257 million respectively. In terms of life expectancy, an increase of 1 year would equate to an increased liability of £121 million.

5. 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.

5.1. Usable Reserves

5.1.1. 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 2016 stands at £61.536 million, an increase of £21.923 million from the previous year. A cumulative total of £30.458 million has been earmarked to meet expenditure in future years, leaving an uncommitted balance of £31.078 million (31 March 2015 £19.428 million).

5.1.2. 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 7 on page 39 provides information on these reserves showing the purpose of the reserve and an analysis of the movement in reserves from 1 April 2014 to 31 March 2016.

5.1.3. 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.

5.2. Unusable Reserves

Unusable Reserves in the Balance Sheet comprises the following reserves:

2014/15 £000	Unusable Reserves	2015/16 £000
727,957	Capital Adjustment Account	782,751
1,890,749	Revaluation Reserve	1,904,193
(77,878)	Financial Instruments Adjustment Account	(73,858)
2,076	Available-for-Sale Financial Instruments Reserve	1,051
(1,536,000)	Pensions Reserve	(1,184,000)
(13,298)	Employee Statutory Adjustment Account	(10,841)
993,606	Total	1,419,296

5.2.1. 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:

2014/15 £000	Capital Adjustment Account	2015/16 £000
663,883	Balance at 1 April	727,957
	Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(106,287)	Charges for depreciation and impairment	(122,735)
(45,774)	Revaluation losses	(49,885)
(1,801)	Amortisation of Intangible assets	(1,948)
(10,195)	Disposals	(14,371)
18,432	Adjusting amounts written out of the Revaluation Reserve	23,934
	Capital financing applied in the year:	
84,061	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	101,519
18,698	Application of grants to capital financing from Capital Grant Unapplied	11,111
104,123	Loans Fund principal repayment	101,631
(117)	Home loans principal repayment	(90)
2,934	Capital expenditure charged against the General Fund Reserve	5,628
727,957	Balance at 31 March	782,751

5.2.2. 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:

2014/15 £000	Revaluation Reserve	2015/16 £000
1,918,093	Balance at 1 April	1,890,749
32,910	Upward revaluation of assets	58,739
(41,822)	Downward revaluation of assets and impairment losses not charged to (Surplus) or Deficit on the Provision of Services	(21,361)
(8,912)	Surplus or deficit on revaluation of Property, Plant and Equipment not posted to (Surplus) or Deficit on the Provision of Services	37,378
(12,938)	Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(16,977)
(5,494)	Accumulated gains on assets sold or scrapped	(6,957)
(18,432)	Amounts written off to the Capital Adjustment Account	(23,934)
1,890,749	Balance at 31 March	1,904,193

5.2.3. 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:

2014/15 £000	Financial Instruments Adjustment Account	2015/16 £000
(81,421)	Balance at 1 April	(77,878)
3,543	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	4,020
(77,878)	Balance at 31 March	(73,858)

5.2.4. 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:

2014/15 £000	Available-for-Sale Financial Instruments Reserve	2015/16 £000
2,124	Balance at 1 April	2,076
(48)	Surplus/(Deficit) arising on revaluation of Available-for-Sale financial assets	(1,025)
2,076	Balance at 31 March	1,051

5.2.5. 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 2017. The following table shows the movement on the Pension Reserve during the year:

2014/15 £000	Pension Reserve	2015/16 £000
(1,302,000)	Balance at 1 April	(1,536,000)
(172,000)	Actuarial gains or (losses) on Pension Assets/Liabilities	413,000
(131,000)	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	(130,000)
69,000	Employers' pension contributions paid to Strathclyde Pension Fund	69,000
(1,536,000)	Balance at 31 March	(1,184,000)

5.2.6. 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 by 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:

<i>2014/15</i> <i>£000</i>	Employee Statutory Adjustment Account	<i>2015/16</i> <i>£000</i>
(13,124)	Balance at 1 April	(13,298)
13,124	Settlement or cancellation of accrual made at the end of the preceding year	13,298
(13,298)	Amounts accrued at the end of the current year	(10,841)
(13,298)	Balance at 31 March	(10,841)

6. 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 2014/15 are provided in an additional table to allow comparison:

Accounting adjustments permitted under regulation during 2015/16	31 March 2016		
	Usable Reserves	Capital Grants	Unusable Reserves
	General Fund Reserve	Unapplied Account	Reserves
	£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	172,620		(172,620)
Amortisation of Intangible assets	1,948		(1,948)
Capital grant and contributions applied to the Comprehensive Income and Expenditure Statement	(101,559)	(11,071)	112,630
Net gain on sale of Property, Plant and Equipment and Assets held for sale	(4,282)		4,282
Loans Fund principal	(101,631)		101,631
Capital receipts applied	18,653		(18,653)
Capital expenditure charged to General Fund Reserve	(5,628)		5,628
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	(4,020)		4,020
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	61,000		(61,000)
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.	(2,457)		2,457
Totals	34,644	(11,071)	(23,573)

Comparative Information 2014/15

Accounting adjustments permitted under regulation during 2014/15	31 March 2015		
	General Fund Reserve (Restated) £000	Usable Reserves Capital Grants Unapplied Account (Restated) £000	Unusable Reserves (Restated) £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	152,061		(152,061)
Amortisation of Intangible assets	1,801		(1,801)
Capital grant and contributions applied to the Comprehensive Income and Expenditure Statement	(85,124)	(17,635)	102,759
Net gain on sale of Property, Plant and Equipment and Assets held for sale	(1,228)		1,228
Loans Fund principal	(104,123)		104,123
Capital receipts applied	11,423		(11,423)
Capital expenditure charged to General Fund Reserve	(2,934)		2,934
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	(3,543)		3,543
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	62,000		(62,000)
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.	174		(174)
Totals	30,507	(17,635)	(12,872)

7. 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 2014 to 31 March 2016. 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 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Purpose of the reserve
Property Repairs and Renewals	8,937	(2,035)	1,552	8,454	(4,200)	1,553	5,807	For the repair and renewal of council property
Winter Gardens Appeal	38	0	0	38	0	1	39	For the upkeep of the Winter Gardens
Energy Efficiency	838	(516)	714	1,036	(1,037)	597	596	For energy efficiency initiatives in council properties
New Technology	3,798	(217)	669	4,250	(679)	673	4,244	To fund new technology projects
Douglas Flagpole Appeal	16	0	1	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
Hostels Repairs and Renewals	51	(51)	0	0	0	0	0	For the repair and renewal of council hostels
Winter Maintenance Reserve Fund	1,538	0	10	1,548	0	10	1,558	To equalise the effect of severe, mild and average winters
Total Repairs and Renewals Funds	15,234	(2,819)	2,946	15,361	(5,916)	2,834	12,279	
Culture and Recreational Fund	36,292	(43,392)	13,116	6,016	(6,016)	13,046	13,046	For the provision of social, cultural, and recreational activities and in 2014/15 the Commonwealth Games contribution
Insurance Fund	15,131	(9,095)	7,737	13,773	(9,187)	7,053	11,639	For property, motor and liability insurance
Total Revenue Reserves	66,657	(55,306)	23,799	35,150	(21,119)	22,933	36,964	
Capital Reserve Fund	5,601	(502)	36	5,135	(107)	7,334	12,362	To fund capital investment projects
Total Revenue and Capital Reserve Funds	72,258	(55,808)	23,835	40,285	(21,226)	30,267	49,326	

8. Subjective analysis

2014/15 £000	Subjective analysis	2015/16 £000	%
	Where the money came from		
(1,468,144)	Government grants and local taxation	(1,465,939)	62.5
(543,411)	Other grants, reimbursements and contributions	(534,216)	22.7
(229,630)	Customer and client receipts	(237,872)	10.1
(5,416)	Interest	(5,635)	0.2
(121,047)	Income from other departments	(117,918)	5.0
(1,640)	Other miscellaneous income	(654)	0.0
(1,228)	Gain on disposal of property, plant and equipment	(4,282)	0.2
121,047	Inter-departmental recharges	117,918	-5.0
(85,124)	Capital grants and contributions	(101,559)	4.3
(2,334,593)	Total income	(2,350,157)	100.0
	How the money was spent		
662,320	Employee costs	667,421	28.4
87,535	Premises costs	91,356	3.9
218,345	Supplies and services	224,042	9.5
65,873	Transport and plant	62,877	2.7
658,600	Third party payments	607,829	25.8
517,179	Transfer payments	507,136	21.5
153,862	Depreciation, amortisation and impairment	174,568	7.4
100,247	Financing costs	97,151	4.1
(8,605)	Allocations	(9,368)	-0.4
56,000	Net interest on the net defined benefit liability	49,000	2.1
(121,047)	Inter-departmental recharges	(117,918)	-5.0
(60)	Former authority residual costs	(257)	0.0
2,390,249	Total expenditure	2,353,837	100.0
55,656	(Surplus) or Deficit on the Provision of Services	3,680	

9. Amounts reported for resource allocation decisions

The standard service groups shown on the face of the Comprehensive Income and Expenditure Statement are prescribed by the CIPFA 'Service Reporting Code of Practice' and are designed to make inter-authority comparisons more meaningful. These nationwide generic groups do not reflect the local management of service delivery and budgetary responsibilities as determined by the council.

The council is divided into the following service areas:

- Education Services
- Social Work Services
- Land and Environmental Services
- Chief Executive's Office and Corporate Services
- Development and Regeneration Services
- Financial Services

Each service area provides four weekly financial monitoring reports to council members via the Executive Committee and Finance and Audit Scrutiny Committee. These reports are also presented to senior management at the Council Management Team. A separate monitoring report is also provided, which details the amounts paid to the council's subsidiaries, associates and joint boards in the form of service fees and other contributions. The overall financial performance of subsidiaries (including all their income and expenditure, not just the council's contribution) is also reported to the Operational Delivery Scrutiny Committee during the year.

These internal financial reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year; and
- Expenditure on support services is budgeted for centrally and is not recharged to services.

The income and expenditure of the council's service areas as reported to management for the financial year is detailed in the following tables (prior year figures have also been included for comparative purposes). The Code requires a service to be reported where its expenditure is 10% or more of the gross expenditure within the net cost of services, or its income is 10% or more of the gross income within the net cost of services.

2015/16 Service Income and Expenditure

Service Income and Expenditure	Development and Regeneration Services £000	Education Services £000	Financial Services £000	Social Work Services £000	Joint Boards and Related Companies £000	Total £000
Income	(101,644)	(25,960)	(352,096)	(191,737)	(24,758)	(696,195)
Specific grant	0	(505)	0	0	0	(505)
Total Income	(101,644)	(26,465)	(352,096)	(191,737)	(24,758)	(696,700)
Employee costs	19,886	316,433	9,973	145,017	106	491,415
Premises costs	5,509	42,694	1,538	22,918	22	72,681
Transport costs	132	11,879	1,557	5,809	0	19,377
Supplies and services	10,728	102,890	3,709	18,629	81	136,037
Third party costs	3,192	11,351	3,271	365,324	169,921	553,059
Transfer payments	94,389	12,607	346,428	26,859	1,400	481,683
Allocations	(6,088)	0	0	0	0	(6,088)
Total Expenditure	127,748	497,854	366,476	584,556	171,530	1,748,164
Net Expenditure	26,104	471,389	14,380	392,819	146,772	1,051,464

The table below shows how the figures in the analysis of Service Income and Expenditure reconcile to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16 Reconciliation to subjective analysis

Reconciliation	Service analysis £000	Services and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES £000	Allocation of recharges £000	Sub-total Cost of Service £000	Corporate amounts £000	Total £000
Fees, charges and other service income	(164,887)	(64,620)	(16,659)	0	13,284	(232,882)	(5,163)	(238,045)
Gain on disposal of property, plant and equipment	0	0	0	0	0	0	(4,282)	(4,282)
Interest and investment income	(18)	(5)	0	0	0	(23)	(6,266)	(6,289)
Income from council tax	0	0	0	0	0	0	(186,803)	(186,803)
Government grants and contributions	(531,795)	1,945	(12,944)	0	0	(542,794)	(1,371,944)	(1,914,738)
Total Income	(696,700)	(62,680)	(29,603)	0	13,284	(775,699)	(1,574,458)	(2,350,157)
Employee costs	491,415	105,811	58,372	(43,658)	0	611,940	55,481	667,421
Other service costs	1,256,749	180,496	(3,607)	0	(13,284)	1,420,354	(54,657)	1,365,697
Support service recharges	0	(2,345)	0	0	0	(2,345)	2,345	0
Depreciation, amortisation and impairment	0	0	174,484	0	0	174,484	84	174,568
Interest payments	0	0	0	0	0	0	97,151	97,151
Net Interest on the net defined benefit liability	0	0	0	0	0	0	49,000	49,000
Total Expenditure	1,748,164	283,962	229,249	(43,658)	(13,284)	2,204,433	149,404	2,353,837
(Surplus) or Deficit on the Provision of Services	1,051,464	221,282	199,646	(43,658)	0	1,428,734	(1,425,054)	3,680

2014/15 Service Income and Expenditure

Service Income and Expenditure	Development and Regeneration Services £000	Education Services £000	Financial Services £000	Social Work Services £000	Joint Boards and Related Companies £000	Total £000
Income	(100,591)	(25,263)	(355,880)	(183,510)	(24,920)	(690,164)
Specific grant	0	(505)	0	0	0	(505)
Total Income	(100,591)	(25,768)	(355,880)	(183,510)	(24,920)	(690,669)
Employee costs	18,616	312,151	9,520	144,911	104	485,302
Premises costs	5,230	40,892	1,656	21,540	0	69,318
Transport costs	131	12,045	1,559	6,082	95	19,912
Supplies and services	10,701	99,442	3,478	19,053	83	132,757
Third party costs	5,943	12,936	5,766	371,017	195,645	591,307
Transfer payments	94,672	12,609	354,422	25,914	1,400	489,017
Allocations	(5,036)	0	(219)	0	0	(5,255)
Total Expenditure	130,257	490,075	376,182	588,517	197,327	1,782,358
Net Expenditure	29,666	464,307	20,302	405,007	172,407	1,091,689

2014/15 Reconciliation to subjective analysis

Reconciliation	Service analysis £000	Services and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES £000	Allocation of recharges £000	Sub-total Cost of Service £000	Corporate amounts £000	Total £000
Fees, charges and other service income	(158,044)	(66,291)	(14,435)	0	14,574	(224,196)	(5,592)	(229,788)
Gain on disposal of property, plant and equipment	0	0	0	0	0	0	(1,228)	(1,228)
Interest and investment income	(22)	(4)	(12)	0	0	(38)	(7,017)	(7,055)
Income from council tax	0	0	0	0	0	0	(181,428)	(181,428)
Government grants and contributions	(532,603)	(5,461)	(18,906)	0	0	(556,970)	(1,358,124)	(1,915,094)
Total Income	(690,669)	(71,756)	(33,353)	0	14,574	(781,204)	(1,553,389)	(2,334,593)
Employee costs	485,302	110,669	55,880	(43,695)	0	608,156	54,164	662,320
Other service costs	1,297,056	185,092	3,521	0	(14,574)	1,471,095	(53,275)	1,417,820
Support service recharges	0	(2,248)	0	0	0	(2,248)	2,248	0
Depreciation, amortisation and impairment	0	0	153,778	0	0	153,778	84	153,862
Interest payments	0	0	0	0	0	0	100,247	100,247
Net Interest on the net defined benefit liability	0	0	0	0	0	0	56,000	56,000
Total Expenditure	1,782,358	293,513	213,179	(43,695)	(14,574)	2,230,781	159,468	2,390,249
(Surplus) or Deficit on the Provision of Services	1,091,689	221,757	179,826	(43,695)	0	1,449,577	(1,393,921)	55,656

10. Material items

The Code requires disclosure of the nature and amount of material items. During 2015/16 the following items are regarded as material:

Nature	2015/16 £m
A decrease in the net pension liability mainly arising from a reduction in the present value of funded and unfunded liabilities.	352.000

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 £331.522 million (2014/15 £343.007 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	23.229	7.745	20.800	51.774
2 to 5 years	99.931	34.658	82.139	216.728
6 to 10 years	160.103	43.422	90.976	294.501
11 to 15 years	158.548	45.207	69.690	273.445
Total	441.811	131.032	263.605	836.448

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:

2013/14 (Surplus)/ Deficit £000	2014/15 (Surplus)/ Deficit £000	Trading Operations Financial Summary	Expenditure £000	2015/16 Income £000	(Surplus)/ Deficit £000	3-year (Surplus)/ Deficit £000
(1,274)	(1,317)	Area Operations	76,214	(77,704)	(1,490)	(4,081)
(358)	(1,069)	Transport	31,672	(32,105)	(433)	(1,860)
(1,632)	(2,386)	(Surplus) / Deficit for year	107,886	(109,809)	(1,923)	(5,941)

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 £0.013 million (2014/15 £0.015 million) must be presented in the Comprehensive Income and Expenditure Statement against Interest and investment income.

In 2015/16 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 48 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:

2014/15 £000	Local Government Pension Scheme	2015/16 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
73,000	Current service cost	81,000
2,000	Past service cost	0
Financing and Investment Income and Expenditure:		
56,000	Net interest cost	49,000
131,000	Total Post-employment Benefits charged / (credited) to the (Surplus) or Deficit on the Provision of Services	130,000
Other Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability:		
(121,000)	Return on assets	15,000
417,000	Actuarial (gains) / losses arising on changes in financial assumptions	(360,000)
85,000	Actuarial (gains) / losses arising on changes in demographic assumptions	0
(209,000)	Other Experience	(68,000)
303,000	Total Post-employment Benefits charged / (credited) to the Comprehensive Income and Expenditure Statement	(283,000)
131,000	Net charge / (credit) to the Surplus or Deficit on the Provision of Services brought forward	130,000
Movement in Reserves Statement		
(62,000)	Reversal of net (charge) / credit made to the Surplus or Deficit on the Provision of Services in accordance with IAS19	(61,000)
Actual amount charged against the General Fund balance for pensions in the year:		
69,000	Employers contribution paid	69,000

13.1.1. Pension assets and liabilities

As explained in the Accounting Policies (see note 1.6, Retirement Benefits on pages 19 to 20) 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 2014.

The credit to the Surplus or Deficit on the Provision of Services from the Pension Reserve per note 13.1 is £61.000 million. The council's net liability in respect of pensions decreased by £352.000 million in 2015/16 to £1,184.000 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 0.8% at March 2015 to 1.3% at March 2016.

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 £1,184.000 million at 31 March 2016:

2014/15	Actuarial assumptions	2015/16
	Long-term expected rate of return on assets in the scheme:	
3.2%	Equity investments	3.5%
3.2%	Bonds	3.5%
3.2%	Property	3.5%
3.2%	Cash and net debtors / creditors	3.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
23.6	Women	23.6
	Longevity at 65 for future pensioners:	
24.8	Men	24.8
26.2	Women	26.2
	General assumptions:	
2.4%	Rate of price increases	2.2%
See note	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
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%

Note: For 2014/15 salary increase assumptions were 1% per annum for the year to 31 March 2015, reverting to 4.3% per annum thereafter.

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

2014/15 £000	Pension Assets and Liabilities recognised in the Balance Sheet	2015/16 £000
4,346,000	Present value of the defined benefit obligation	4,018,000
(2,810,000)	Fair value of plan assets	(2,834,000)
1,536,000	Net liability arising from defined benefit obligation	1,184,000

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

2014/15 £000	Reconciliation of present value of scheme liabilities	2015/16 £000
3,923,000	Opening balance at 1 April	4,346,000
73,000	Current service costs	81,000
168,000	Interest costs	138,000
17,000	Contributions by scheme participants	16,000
	Remeasurement (gains) and losses:	
417,000	Actuarial (gains) / losses arising from changes in financial assumptions	(360,000)
85,000	Actuarial (gains) / losses arising from changes in demographic assumptions	0
(209,000)	Other	(68,000)
2,000	Past service cost (including curtailments)	0
(130,000)	Benefits paid	(135,000)
4,346,000	Closing balance at 31 March	4,018,000

2014/15 £000	Reconciliation of the movements in the fair value of scheme assets	2015/16 £000
2,621,000	Opening fair value of scheme assets	2,810,000
112,000	Interest income	89,000
	Remeasurement gain / (loss):	
121,000	Return on assets, excluding the amount included in the net interest cost	(15,000)
69,000	Contributions by employer	69,000
17,000	Contributions by scheme participants	16,000
(130,000)	Benefits paid	(135,000)
2,810,000	Closing fair value of scheme assets	2,834,000

13.1.2. Analysis of Pension Fund's Assets

Quoted Prices in Active Markets £m	2014/15		Local Government Pension Scheme assets	Quoted Prices in Active Markets £m	2015/16	
	Prices not quoted in Active Markets £m	Total £m			Prices not quoted in Active Markets £m	Total £m
0	69	69	Cash and cash equivalents	95	3	98
			Equity Instruments:			
266	0	266	Consumer	266	0	266
210	2	212	Manufacturing	210	2	212
83	0	83	Energy and utilities	83	0	83
195	0	195	Financial institutions	195	0	195
114	0	114	Health and care	114	0	114
162	0	162	Information technology	162	0	162
1,030	2	1,032	Sub-total equity instruments	1,030	2	1,032
			Private Equity:			
0	273	273	All	0	276	276
			Property:			
0	257	257	UK	0	304	304
			Other investment funds:			
30	777	807	Equities	25	711	736
0	356	356	Bonds	0	346	346
1	0	1	Commodities	1	0	1
0	9	9	Infrastructure	0	0	0
0	5	5	Other	0	40	40
31	1,147	1,178	Sub-total other investment funds	26	1,097	1,123
			Derivatives:			
1	0	1	Other	1	0	1
1,062	1,748	2,810	Total Assets	1,152	1,682	2,834

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 2017.

The total contributions expected to be made by the council to Strathclyde Pension Fund in the year to 31 March 2017 is £49.973 million.

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years, (2014/15 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 2016, the council's level of participation in the scheme is approximately 8.2%.

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 amount paid over to the Scottish Public Pensions Agency was as follows:

2014/15 £000	Scottish Teachers Superannuation Scheme	2015/16 £000
26,641	Employer's Contributions	28,709
17,332	Employee's Contributions	16,265
43,973	Total	44,974

The employer's contributions due to be paid in the next financial year are estimated to be £31.016 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 2015/16 these amounted to £6.344 million (2014/15 £6.241 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 2015/16 the capitalised costs attributable to the early retirals from Glasgow City Council and from predecessor authorities, were as follows:

2014/15 £000	Capital cost of discretionary increases	2015/16 £000
1,878	Current year	435
395,122	In earlier years	357,565
397,000	Total	358,000

14. Grant income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000	Grant income in the Comprehensive Income and Expenditure Statement	2015/16 £000
	Credited to Taxation and Non-specific Grant Income	
(909,939)	General Revenue Grant	(887,888)
(363,061)	Redistribution from Non-Domestic Rates pool	(382,497)
(85,124)	Capital Grant and Contributions	(101,559)
	Credited to Services	
(340,542)	Housing benefit subsidy	(341,142)
(93,722)	Housing investment	(87,751)
(75,001)	Health Board	(76,813)
(18,225)	Criminal Justice	(18,109)
(5,586)	Benefits administration subsidy and initiatives	(4,920)
(6,637)	Various education services grants	(8,432)
(14,534)	Various other grants	(3,355)
(2,723)	Various other contributions	(2,272)
(1,915,094)	Total	(1,914,738)

The council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the provider, should the conditions not be met. The balances at the year end are as follows:

2014/15 £000	Capital grants receipts in advance	2015/16 £000
(794)	Scottish Government	0
0	Scottish Government / UK Government	(23,450)
(2,001)	Royal Scottish National Orchestra	(0)
(3)	Other	(246)
(2,798)	Total	(23,696)

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 2015/16, the council billed £371.310 million (2014/15 £362.734 million) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the council contributed £360.714 million to the National Non-Domestic Rates Pool (2014/15 £350.887 million) and received back from the pool £382.497 million in income (2014/15 £363.061 million).

The council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2015/16 the council received £2.565 million for providing this service (2014/15 £2.544 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 2015/16 expenditure on the project amounted to £0.702 million. The council contributed £0.082 million to the project in 2015/16 (2014/15 receipt £0.090 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 £0.306 million were made to Scotland Excel during 2015/16 in this respect (2014/15 £0.312 million).

16. Auditor remuneration

The council incurred fees of £0.703 million (2014/15 £0.704 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 52.

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 2016 are as follows:

2014/15 Net Expenditure / (Income) £000	Debtor / (Creditor) at 31 March 2015 £000	Related party transactions and balances	2015/16		Debtor / (Creditor) at 31 March 2016 £000
			Expenditure £000	Income £000	
8,881	42	Glasgow City Marketing Bureau Ltd	6,250	(339)	346
536	42,983	Scottish Exhibition Centre Ltd	643	(111)	44,311
129,252	(1,763)	City Building (Glasgow) LLP	138,409	(3,691)	4,319
2,404	35,144	City Parking (Glasgow) LLP	5,553	(3,284)	28,629
74,772	(2,049)	Culture and Sport Glasgow	81,272	(9,249)	(432)
53,068	(3,401)	Cordia (Services) LLP	59,106	(5,609)	643
58,439	(420)	Cordia (Care) LLP	60,029	0	289
3,631	(246)	City Property Glasgow (Investments) LLP	5,753	(1,770)	479
1,594	10	City Property (Glasgow) LLP	2,214	(478)	57
14,428	360	Glasgow Community and Safety Services Ltd	15,752	(1,910)	(110)
57,071	(3,503)	Service Glasgow LLP	56,760	(8,560)	(5,415)
11,378	(464)	Jobs & Business Glasgow	11,049	(1,023)	(1,256)
11,101	2,759	Strathclyde Partnership for Transport	11,101	0	2,426
65,497	(865)	Strathclyde Pension Fund	69,076	(3,063)	(767)
26,641	(2,182)	Teachers' Pension Fund	28,709	0	(2,562)
26,186	0	Glasgow 2014 Ltd	0	0	0
(1,958)	211	Clyde Gateway	1,058	(1,285)	191

There were no transactions during the year or balances held in respect of City Buildings (Contracts) LLP as at 31 March 2016.

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 £14.074 million (2014/15 £19.535 million), broken down as follows:

<i>31 March 15</i> £000	Organisation	31 March 16 £000
1,814	Fair Deal	1,968
8,150	NHS Greater Glasgow & Clyde	8,345
3,068	Queens Cross Housing Association	0
3,630	Scottish Police Authority	0
2,873	Talbot Association Ltd	2,619
0	C-Change Scotland	1,142
19,535	Total	14,074

Payments made to organisations on which council officers are represented or have interests totalled £0.059 million (2014/15 £0.060 million).

18. Operating leases

The council utilises 1,046 items of 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 £4.243 million (2014/15 £3.297 million). The future minimum lease payments due under non-cancellable leases in future years and in cash terms are as follows:

<i>31 March 15</i> £000	Operating lease commitments	31 March 16 £000
2,195	No later than one year	2,701
2,408	Later than one year and not later than five years	3,630
4,603	Total	6,331

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 2016	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

2014/15 £000	Capital expenditure and sources of finance	2015/16 £000
	Capital investment	
187,085	Property, Plant and Equipment	185,227
798	Intangible assets	710
18	Assets held for sale	10
187,901	Total Gross Expenditure per Capital Expenditure and Income Statement (page 57)	185,947
	Sources of finance	
85,248	Net borrowing	37,596
11,423	Asset Sales	18,653
375	Assets acquired under finance leases	1,613
87,921	Government grants and other capital contributions	122,457
2,934	Revenue contributions	5,628
187,901	Total	185,947

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 252 items of vehicles, plant, furniture and equipment and nine properties under the terms of a finance lease. Lease rentals payable under these arrangements in the year total £8.728 million (2014/15 £10.113 million), comprising £5.251 million (2014/15 £5.533 million) charged to the Comprehensive Income and Expenditure Statement in respect of interest and £3.477 million (2014/15 £4.580 million) in respect of principal repayments.

19.7. Capital Expenditure and Income Statement

2014/15 Gross Capital Expenditure £000		Gross Capital Expenditure £000	2015/16 Sources of Finance			Net Borrowing £000
			Finance Leases £000	Revenue £000	Receipts £000	
2,664	Corporate Services	1,124	0	46	0	1,078
12,780	Cultural and Related Services	22,097	0	2,370	10,598	9,129
18,845	Development and Regeneration Services	20,061	0	2,498	25,434	(7,871)
61,266	Education Services	64,137	0	292	0	63,845
282	Financial Services	183	0	183	0	0
14,250	Service Reform	11,485	0	0	(15)	11,500
57,119	Land and Environmental Services	46,608	1,613	239	14,724	30,032
20,695	Social Work Services	20,252	0	0	0	20,252
0	General Capital Grant	0	0	0	71,716	(71,716)
0	Asset Sales	0	0	0	18,653	(18,653)
187,901	Total	185,947	1,613	5,628	141,110	37,596

The above table reflects the receipt of asset sales totalling £18.653 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 been therefore 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 2016/17 and subsequent years. As at 31 March 2016, the council has outstanding commitments on significant contracts for capital investment totalling £249.884 million (31 March 2015 £164.334 million). These outstanding commitments comprise the following:

Project description	Outstanding commitment at 31 March 2016 £000	Contract completion
4R's for Glasgow	122,140	End 2019
Reconfiguration of residential care for older people	42,584	End 2019
Scottish Futures Trust School Building Programme	20,369	Early 2018
Sighthill TRA – City Deal	11,970	Mid 2017
South Cathkin Landfill Development Works	11,026	Mid 2017
Replacement Services for Homelessness Provision	5,479	Early 2017
Various other projects (48 contracts)	36,316	Various
Total	249,884	

As at 31 March 2016, outstanding obligations to make payments under finance leases are as follows:

31 March 2015 £000	Finance lease obligations	31 March 2016 £000
3,439	Not later than one year	2,467
14,630	Later than one year and not later than five years	11,940
42,794	Later than five years	43,188
60,863	Total	57,595

The total outstanding obligations are accounted for within short-term creditors (leases expiring within one year) £2.467 million (2014/15 £3.439 million) and deferred liabilities (leases expiring after one year) £55.128 million (2014/15 £57.424 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 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 2015/16, both the income and market valuation techniques were widely adopted in forming opinions of fair value. The resulting valuation for surplus assets of £44.671 million comprises £42.382 million with level 2 inputs and £2.289 million with level 3 inputs. During the year, surplus assets with a value of £25.772 million were transferred to assets held for sale. The valuation of these assets comprises £25.749 million with level 2 inputs and £0.023 million with 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 2016, to be funded from borrowing, in respect of TIF assets totalled £6.154 million (2014/15 £7.705 million). This is reflected within the 'Summary of capital expenditure and sources of finance', outlined within note 19.5 on page 56. Total TIF debt, to be repaid over the project period, in respect of investment to 31 March 2016, has been calculated in accordance with Local Government Finance Circular No. 4/2014 at £21.882 million (£13.466 million at 31 March 2015).

20. Property, Plant and Equipment

This note details the movement in Property, Plant and Equipment (PPE) during 2015/16. The valuation bases, useful lives and depreciation methods used are disclosed within notes 19.1 and 19.2 (page 55). 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 (pages 57 to 58).

Movement in PPE 2015/16	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 2015	2,157,421	216,857	740,830	25,528	83,988	78,315	3,302,939	398,931
Additions in year	70,336	24,989	29,287	12	58,017	2,586	185,227	308
Revaluation adjustments to Revaluation Reserve	983	0	0	0	0	32,407	33,390	0
Revaluation adjustments to Comprehensive Income and Expenditure Statement	(31,188)	0	0	0	0	(25,130)	(56,318)	0
Disposals	(5,346)	(37,554)	(1,556)	(15)	0	(5,055)	(49,526)	(32,519)
Reclassifications from / (to) Held for Sale	0	0	0	0	0	(25,772)	(25,772)	0
Other reclassifications (transfers)	32,914	499	1,139	(17)	(42,512)	7,977	0	546
At 31 March 2016	2,225,120	204,791	769,700	25,508	99,493	65,328	3,389,940	367,266
Depreciation and impairment:								
At 1 April 2015	(117,085)	(76,859)	(179,145)	0	0	(4,048)	(377,137)	(55,924)
Depreciation charge for year	(61,624)	(26,330)	(19,936)	0	0	(1,057)	(108,947)	(10,216)
Depreciation written out to the Revaluation Reserve	2,212	0	0	0	0	3,977	6,189	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,773	0	0	0	0	1,664	6,437	0
Impairment losses to Revaluation Reserve	(1,153)	0	0	0	0	(1,036)	(2,189)	0
Impairment losses to Comprehensive Income and Expenditure Statement	(9,645)	(1,986)	0	(1,060)	0	(1,097)	(13,788)	(1,987)
On Disposals	3,798	36,149	1,556	0	0	2,606	44,109	32,519
Reclassifications from / (to) Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications (transfers)	3,150	0	0	0	0	(3,150)	0	(136)
At 31 March 2016	(175,574)	(69,026)	(197,525)	(1,060)	0	(2,141)	(445,326)	(35,744)
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
Balance Sheet Amount at 31 March 2015	2,040,336	139,998	561,685	25,528	83,988	74,267	2,925,802	343,007
Nature of Asset Holding:								
Owned	1,700,343	126,462	572,175	24,448	99,493	63,187	2,586,108	0
Finance leased	17,681	9,303	0	0	0	0	26,984	0
PPP	331,522	0	0	0	0	0	331,522	331,522
Total	2,049,546	135,765	572,175	24,448	99,493	63,187	2,944,614	331,522

Movement in PPE 2014/15	Other Land and Buildings £000	Vehicles, Plant, Furniture and Infrastructure 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 2014 (Restated)	2,216,251	163,134	691,146	25,179	106,641	111,059	3,313,410	399,515
Additions in year	73,185	35,726	11,994	271	64,968	941	187,085	574
Revaluation adjustments to Revaluation Reserve	(2,920)	0	0	0	0	(5,639)	(8,559)	(484)
Revaluation adjustments to Comprehensive Income and Expenditure Statement	(42,210)	0	0	0	0	(13,454)	(55,664)	(3,963)
Disposals	(107,830)	(6,026)	0	0	0	(6,595)	(120,451)	0
Reclassifications from / (to) Held for Sale	(3,967)	0	0	0	0	(8,389)	(12,356)	0
Other reclassifications (transfers)	24,912	24,023	37,690	78	(87,621)	392	(526)	3,289
At 31 March 2015	2,157,421	216,857	740,830	25,528	83,988	78,315	3,302,939	398,931
Depreciation and impairment:								
At 1 April 2014 (Restated)	(171,659)	(59,542)	(160,423)	0	0	(9,182)	(400,806)	(46,296)
Depreciation charge for year	(59,339)	(20,887)	(18,722)	0	0	(1,651)	(100,599)	(10,565)
Depreciation written out to the Revaluation Reserve	1,677	0	0	0	0	2,549	4,226	(440)
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,118	0	0	0	0	694	12,812	1,606
Impairment losses to Revaluation Reserve	(1,772)	0	0	0	0	(30)	(1,802)	0
Impairment losses to Comprehensive Income and Expenditure Statement	(4,745)	(809)	0	0	0	(137)	(5,691)	0
On Disposals	105,776	4,952	0	0	0	3,492	114,220	0
Reclassifications from / (to) Held for Sale	277	0	0	0	0	226	503	0
Other reclassifications (transfers)	582	(573)	0	0	0	(9)	0	(229)
At 31 March 2015	(117,085)	(76,859)	(179,145)	0	0	(4,048)	(377,137)	(55,924)
Balance Sheet Amount at 31 March 2015	2,040,336	139,998	561,685	25,528	83,988	74,267	2,925,802	343,007
Balance Sheet Amount at 31 March 2014 (Restated)	2,044,592	103,592	530,723	25,179	106,641	101,877	2,912,604	353,219
Nature of Asset Holding:								
Owned	1,681,517	125,404	561,685	25,528	83,988	74,267	2,552,389	0
Finance leased	18,296	12,110	0	0	0	0	30,406	0
PPP	340,523	2,484	0	0	0	0	343,007	343,007
Total	2,040,336	139,998	561,685	25,528	83,988	74,267	2,925,802	343,007

21. Heritage assets

This note details the movement in Heritage Assets during 2015/16. The valuation bases, useful lives and depreciation methods used are disclosed within notes 19.1 and 19.4 (page 55).

Movement in Heritage assets 2015/16	Fine art £000	Civic regalia £000	Statues and fountains £000	Total Heritage assets £000
Cost or Valuation:				
At 1 April 2014	1,400,000	608	16,620	1,417,228
Revaluations	0	(140)	0	(140)
At 31 March 2015	1,400,000	468	16,620	1,417,088
Movement in 2015/16:				
Revaluations	0	5	0	5
At 31 March 2016	1,400,000	473	16,620	1,417,093

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 2016
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 2015/16 was £1.948 million (2014/15 £1.801 million). Assets with a gross book value of £0.483 million have been fully depreciated and disposed of (2014/15 nil). There has been no impairment charge in 2015/16 (2014/15 £nil). The movement on Intangible asset balances during the year is as follows:

2014/15 £000	Movement in Intangible assets	2015/16 £000
	Balance at start of year:	
11,748	Gross carrying amounts	13,072
(3,150)	Accumulated amortisation	(4,951)
8,598	Net carrying amount at start of year	8,121
798	Additions	710
526	Transfers	0
(1,801)	Amortisation for the period	(1,948)
8,121	Net carrying amount at end of the year	6,883
	Comprising:	
13,072	Gross carrying amounts	13,299
(4,951)	Accumulated amortisation	(6,416)
8,121	Net carrying amount at end of the year	6,883

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 2016, the valuation of assets held for sale was £28.789 million (£13.388 million as at 31 March 2015).

2014/15		Assets held for sale	2015/16	
Long-term £000	Current £000		Long-term £000	Current £000
5,600	6,513	Balance at 1 April	0	13,388
		Assets newly classified as held for sale:		
0	12,066	Property, plant and equipment	0	25,772
0	(5,555)	Revaluation losses	0	(21)
		Assets declassified as held for sale:		
0	(213)	Property, plant and equipment	0	0
0	(5,041)	Assets disposed	0	(10,360)
0	18	Expenditure in year	0	10
(5,600)	5,600	Transfers from long-term to current	0	0
0	13,388	Balance at 31 March	0	28,789

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:

2014/15			Inventories	2015/16		
Raw materials and consumables £000	Work in progress £000	Total £000		Raw materials and consumables £000	Work in progress £000	Total £000
1,588	0	1,588	Opening balance	1,240	0	1,240
33	0	33	Purchases	119	0	119
(307)	0	(307)	Reclassifications / transfers	0	0	0
(74)	0	(74)	Disposals	(39)	0	(39)
1,240	0	1,240	Closing balance	1,320	0	1,320

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 2015/16, there was an accounting adjustment made to debtors and the associated bad debt provision within the Financial Statements of £20.423 million. This mainly related to Council Tax (£15.652 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:

2014/15 £000	Analysis of Net short-term debtors	2015/16 £000
97,119	Bodies external to general government	100,901
80,610	Central government bodies	83,680
4,103	Other local authorities	6,561
1,496	NHS bodies	2,223
16	Public corporations and trading funds	18
183,344	Total	193,383

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:

2014/15 £000	Cash and cash equivalents	2015/16 £000
9,043	Short-term deposits	37,426
59,637	Bank current accounts	15,834
167	Cash imprest held by the council	162
68,847	Total	53,422

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:

2014/15 £000	Analysis of creditors	2015/16 £000
202,685	Bodies external to general government	233,313
28,362	Central government bodies	26,679
1,653	Other local authorities	6,889
2,101	NHS bodies	1,931
946	Public corporations and trading funds	716
235,747	Total	269,528

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 2015/16:

Provisions	Asset decommissioning £000	Other outstanding legal cases £000	Employee related legal cases £000	Other provisions £000	Total £000
Balance as at 1 April 2015	38,540	398	663	814	40,415
Additional provisions made during the year	9,681	0	0	967	10,648
Costs incurred and charged against provision	(13,821)	(108)	(460)	(343)	(14,732)
Unused amounts reversed during the year	0	(260)	0	(153)	(413)
Balance at 31 March 2016	34,400	30	203	1,285	35,918

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 estimated outstanding compensation payments in respect of equal pay claims, including associated tax and national insurance liabilities (£0.115 million at 31 March 2016). During 2015/16, equal pay compensation payments of £0.284 million have been met from the provision. All other provisions are individually immaterial.

Provisions for other legal cases relates to estimated payments (£0.030 million at 31 March 2016) 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 £0.108 million were made in respect of claims by former employees of Strathclyde Regional Council (SRC) and Glasgow District Council (GDC) during 2015/16. The Council annually reviews the position in respect of the residual costs associated with the former Strathclyde Regional Council, the remaining £0.260 million was released and applied to the Insurance Fund to support any future liabilities.

Other provisions include estimated future costs associated with the council's schools PPP scheme (£0.967 million) and two financial guarantees in relation to loan repayments of group subsidiaries (£0.318 million). During the year, the financial guarantees were amortised, allowing the release of £0.153 million from the provision.

29. Financial instruments

29.1. Types of financial instruments

The statement of accounting policies in note 1.25 on page 27, 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 SEC Ltd 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:

2014/15		Category of financial instrument	2015/16	
Long-term £000	Short-term £000		Long-term £000	Short-term £000
1,379,953	312,511	Financial liabilities amortised at cost - borrowing	1,314,313	298,123
204,792	218,040	Financial liabilities amortised at cost - other	202,813	250,291
1,584,745	530,551	Total financial liabilities	1,517,126	548,414
113,018	256,454	Loans and receivables	114,107	287,468
31,923	1,173	Available-for-sale financial assets	29,345	250
144,941	257,627	Total investments	143,452	287,718

29.2. Gains and losses on financial instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement (page 15) in relation to the financial instruments comprise the following:

2014/15		2015/16			
Total £000	Gains and losses financial instruments	Financial liabilities measured at amortised cost £000	Financial assets Loans and receivables £000	Available- for-sale £000	Total £000
100,372	Interest expense	97,151	0	101	97,252
7,330	Impairment loss	0	8,898	0	8,898
107,702	Interest payable	97,151	8,898	101	106,150
(7,017)	Interest and investment income	0	(5,495)	(771)	(6,266)
48	(Gain) / loss on revaluation	0	0	1,025	1,025
100,733	Net (gain) / loss for the year	97,151	3,403	355	100,909

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 2016.

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 2016, 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.

2014/15		Valuation of financial liabilities	2015/16	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
1,692,464	2,015,667	Borrowing	1,612,436	1,946,794

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.

2014/15			Credit risk	2015/16		
Historical experience of non-payment adjusted for market conditions £000	%	Estimated maximum exposure to default and uncollectibility £000		Historical experience of non-payment adjusted for market conditions £000	%	Estimated maximum exposure to default and uncollectibility £000
100,705	0	0	Deposits with banks and other financial institutions	123,311	0	0
292,347	8.123	23,747	Customers	307,172	9.464	29,070
393,052		23,747	Total	430,483		29,070

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

2014/15 £000	Aged debt profile	2015/16 £000
169,577	Less than 3 months	184,827
2,156	3 to 6 months	1,632
2,073	6 months to 1 year	1,482
118,541	More than 1 year	119,231
292,347	Total	307,172

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 council's policy is to ensure that no more than 20% of loans are due to mature within any financial year, through a combination of prudent planning of new loans taken out and, where it is economic to do so, debt restructuring and early repayments.

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

2014/15 £000	Loans outstanding	2015/16 £000
954,241	Public Works Loans Board	853,401
449,000	Lender Option Buyer Option (LOBO)	449,000
257,195	Temporary borrowing	279,676
1,660,436	Total	1,582,077
294,954	Less than 1 year	282,118
106,731	Between 1 and 2 years	87,994
195,766	2 to 5 years	178,325
129,777	5 to 10 years	145,447
316,208	10 to 30 years	271,193
448,000	30 to 50 years	478,000
169,000	50 to 70 years	139,000
1,660,436	Total	1,582,077

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 £16.005 million (£17.556 million in 2014/15) and an effective interest rate adjustment of £14.354 million (£14.471 million in 2014/15) 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 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2014/15 £000	Estimated financial effect	2015/16 £000
5,025	Increase in the interest payable on variable rate borrowings	4,297
(1,048)	Increase in interest receivable on variable rate investments	(1,390)
3,977	Net impact on the Surplus or Deficit on the Provision of Services	2,907

2014/15 £000	Other presentational changes (no impact on the Comprehensive Income and Expenditure Statement)	2015/16 £000
211,962	Decrease in the fair value of fixed rate borrowings	211,154

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 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.

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 £3.642 million as at the 31 March 2016 exchange rate. The potential financial impact of exchange rate movements in this respect is not considered to be material.

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 2016 is provided in the following table:

2014/15 £000	Analysis of Deferred liabilities	2015/16 £000
131,219	Long-term liability relating to the PPP secondary schools contract	123,492
57,424	Long-term lease liability relating to council properties, vehicles and equipment	55,128
11,028	Developers' contributions received for the provision of recreational greenspace in line with council policy	16,828
4,650	Other	7,047
204,321	Total	202,495

31. Contingent liabilities

The council remains liable for a share of potential liabilities arising from claims lodged against Strathclyde Regional Council (SRC) on a geographical basis, and of other expenditure above a specified level on an agreed basis. There is also a potential liability to meet expenditure in respect of the former Glasgow District Council in proportion to an agreed formula. These potential liabilities include 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 date post-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, Culture and Sport Glasgow, City Parking (Glasgow) Limited Liability Partnership, Cordia (Services) Limited Liability Partnership, City Property (Glasgow) Limited Liability Partnership, City Property Glasgow (Investments) 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 £40 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 2016, 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 Scottish Government awarded a sum of £10 million to the council as a contribution towards any potential claim with regard to these environmental risks, with all liabilities falling to be met by the council.

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 2016, a sum of £34.400 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 2016 and the date of signing that require to be reflected in the Financial Statements.

On 23 June 2016, following the European Referendum, the United Kingdom voted to leave the European Union. In light of the uncertainty around the process and timing of leaving the European Union, the Council is not in a position to define the impact on its activities or any financial implications at this time.

33. Cash flow statement - Operating activities

2014/15 £000		2015/16 £000
658,430	Cash paid to and on behalf of employees	657,269
(909,939)	General Revenue Grant	(887,888)
(369,327)	Non-Domestic Rates receipts from national pool	(364,638)
511,584	Other net operating cash payments	450,333
(109,252)	Net cash flows from Operating Activities	(144,924)

34. Cash flow statement - Investment activities

2014/15 £000		2015/16 £000
184,054	Purchase of Property, Plant and Equipment and Intangible assets	186,608
(11,423)	Proceeds from sale of Property, Plant and Equipment and Intangible assets	(18,653)
4,791	Purchase of Short-term and Long-term investments	35,550
(95,012)	Other receipts from Investing Activities	(121,950)
82,410	Net cash flows from Investing Activities	81,555

35. Cash flow statement - Financing activities

2014/15 £000		2015/16 £000
(584,954)	Cash receipts of Short-term and Long-term borrowing	(1,045,555)
71	Other receipts from Financing Activities	(12,859)
14,260	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts	13,294
604,711	Repayment of Short-term and Long-term borrowing	1,123,914
34,088	Net cash flows from Financing Activities	78,794

❖ Council Tax Income Account

2014/15 £000	Council Tax	2015/16 £000
330,540	Gross Council Tax levied and contributions in lieu	333,221
	<i>Less :</i>	
(66,625)	Other discounts and reductions	(66,728)
(4,246)	Prior years' Council Tax	(2,009)
(9,613)	Provision for bad and doubtful debts	(11,436)
(68,629)	Council Tax Reduction	(66,245)
	<i>Add :</i>	
1	Community Charge	0
181,428	Transfers to Comprehensive Income and Expenditure Statement	186,803

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 2014)

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	66,084	8,823	182	52	40,863	805	46,820	6/9	31,205	£809
B	£27,001 - £35,000	78,835	4,892	91	142	42,708	725	62,980	7/9	48,984	£943
C	£35,001 - £45,000	66,892	4,000	-52	155	29,272	548	55,233	8/9	49,096	£1,078
D	£45,001 - £58,000	41,113	3,225	-28	149	14,327	355	34,086	1	34,086	£1,213
E	£58,001 - £80,000	29,146	2,764	-110	159	8,300	268	24,047	11/9	29,391	£1,483
F	£80,001 - £106,000	12,999	1,305	-38	107	3,114	144	10,795	13/9	15,593	£1,752
G	£106,001 - £212,000	6,159	338	-41	55	1,178	54	5,453	15/9	9,088	£2,022
H	Over £212,000	663	42	-4	4	69	21	589	18/9	1,178	£2,426
										218,621	
										Add: Class 17 and 24 dwellings	31
										Less: Provision for non-payment	10,933
										Band D Equivalent	207,719

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

❖ **Non-Domestic Rates Income Account**

2014/15 £000	Non-Domestic Rates	2015/16 £000
479,067	Gross rates levied and contributions in lieu	501,935
	Less :	
(116,333)	Relief and other deductions	(130,625)
(10,260)	Provision for bad and doubtful debts	(9,511)
352,474	Net Non-Domestic Rate Income	361,799
(1,587)	Prior years - adjustments	(1,085)
350,887	Contribution to National Non-Domestic Rates Pool	360,714
363,061	Sum due from central rates pool	382,435
0	Adjustments for years prior to the pool	62
363,061	Income credited to Comprehensive Income and Expenditure Statement	382,497

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 2015/16 was set by the Scottish Government at 48.0p (47.1p in 2014/15). The Small Business Rates Relief scheme was superseded by the Small Business Bonus Scheme, introduced on 1st April 2008 and applies to properties with a rateable value up to and including £25,000. This scheme is funded by a supplement (1.3p 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	
	2014/15	2015/16	2014/15 £000	2015/16 £000
Industrial and freight	1,915	1,961	54,333	53,337
Commercial subjects				
Shops	8,135	8,191	301,788	304,696
Offices	7,460	7,551	265,995	266,898
Hotels, boarding houses etc.	210	223	19,055	19,687
Others	3,457	3,475	117,145	117,898
Miscellaneous and formula valued subjects	4,142	4,061	222,020	234,260
Total	25,319	25,462	980,336	996,776

❖ 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 was £16.781 million as at 31 March 2016 (£18.351 million at 31 March 2015).

Common Good Fund Movement in Reserves Statement

	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2014	14,490	1,912	16,402
Movement in reserves during 2014/15:			
Surplus or (Deficit) on the Provision of Services	1,485	0	1,485
Other Comprehensive Income and (Expenditure)	0	464	464
Increase or (Decrease) in the year	1,485	464	1,949
Balance at 31 March 2015	15,975	2,376	18,351
Movement in reserves during 2015/16:			
Surplus or (Deficit) on the Provision of Services	(195)	0	(195)
Other Comprehensive Income and (Expenditure)	0	(1,375)	(1,375)
Increase or (Decrease) in the year	(195)	(1,375)	(1,570)
Balance at 31 March 2016	15,780	1,001	16,781

More detail on Unusable Reserves is provided in note 6 to the Common Good Fund (page 77).

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
968	Gross expenditure		944
(57)	Gross income		(49)
911	Cost of Services		895
(1,700)	Interest and investment income		(710)
(696)	Income, expenditure and changes in the fair value of investment properties		10
(2,396)	Financing and Investment (Income) and Expenditure		(700)
(1,485)	(Surplus) or Deficit on the Provision of Services	7	195
(464)	(Surplus) or deficit on revaluation of Available-for-sale Financial Assets		1,375
(1,949)	Total Comprehensive (Income) and Expenditure		1,570

Balance Sheet as at 31 March 2016

31 March 15 £000		Note	31 March 16 £000
2,315	Investment property	2, 3	2,066
14,146	Long-term investments	4	14,036
16,461	Long-term Assets		16,102
1,382	Short-term investments	4	372
16	Inventories		12
87	Net short-term debtors		73
507	Cash and cash equivalents	5	285
1,992	Current Assets		742
(102)	Short-term creditors		(63)
(102)	Current Liabilities		(63)
18,351	Net Assets		16,781
15,975	Usable Reserves	6	15,780
2,376	Unusable Reserves	6	1,001
18,351	Total Reserves		16,781

Notes to the Common Good Fund

1. Accounting policies

- 1.1 The financial statements for the year ended 31 March 2016 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 2015/16 (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 78).

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 2015/16, both the income and market valuation techniques were widely adopted in forming opinions of fair value. The resulting valuation of £2.066 million comprises £1.996 million with level 2 inputs and £0.070 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 2016 was £14.408 million (£15.528 million at 31 March 2015). 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 £0.285 million represents the balance held in the council's loans fund at 31 March 2016 (£0.507 million at 31 March 2015).

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 £15.780 million at 31 March 2016, a decrease of £0.195 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 £1.001 million as at 31 March 2016, a decrease of £1.375 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 £1.570 million.

7. Analysis of income and expenditure

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

2014/15 £000		2015/16 £000	%
Where the money came from			
(2,215)	Interest and gains/losses on investments	(461)	60
(235)	Rental income	(264)	34
(57)	Other receipts	(48)	6
(2,507)	Total income	(773)	100
How the money was spent			
437	Civic hospitality	415	43
55	Investment property costs	25	3
121	Treasury management	125	13
9	Other supplies and services	3	0
400	Contribution to Citizen Theatre	400	41
1,022	Total expenditure	968	100
(1,485)	(Surplus) or Deficit on the Provision of Services	195	

❖ 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 14 Sundry Trusts were held at 31 March 2016, with an overall balance of £14.243 million (14, with an overall balance of £15.235 million at 31 March 2015).

The tables below include the 14 Sundry Trusts distinguishing whether Glasgow City Council is sole trustee or not:

Glasgow City Council is sole trustee			
<i>Balance 2014/15 £000</i>	Name of Fund	Objectives	Balance 2015/16 £000
Charities			
980	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	928
811	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	781
2,829	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	2,716
4,620		Charities	4,425
Non-Charities			
25	Glasgow Education Trust	General purpose – education in schools	24
104	Glasgow Necropolis Fund	For the upkeep of the Necropolis	100
11	Southern Necropolis Lair Fund	For the upkeep of lairs and stones in Southern Necropolis	11
6,704	Art and Museum Purchase Fund	For the purchase of works of art for the council	6,357
232	Donald McPherson	For the purchase of books at the Mitchell Library	225
26	Louis E Campbell Bequests	For the purchase of books at the Mitchell Library	25
354	Mitchell Centenary Fund	For the purchase of books at the Mitchell Library	290
0	Lord Provost/Lady Provost Lunch	To raise funds for good causes	0
7,456		Non-Charities	7,032
12,076		Total	11,457

Glasgow City Council is not sole trustee			
<i>Balance 2014/15 £000</i>	Name of Fund	Objectives	Balance 2015/16 £000
Charities			
40	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	27
2,759	Blindcraft Trust Fund	Provide support of the blind or visually impaired	2,412
360	Fossil Grove Trust	Provide support for the preservation of fossils at Victoria Park	347
3,159		Charities	2,786

Of the Sundry Trusts reported, 6 have charitable status, with a Total Reserves balance of £7.211 million at 31 March 2016 (6, with an overall balance of £7.779 million at 31 March 2015). The remaining 8 trusts with non-charitable status have a Total Reserves balance of £7.032 million at 31 March 2016 (8, with an overall balance of £7.456 million at 31 March 2015).

Sundry Trusts and Funds Movement in Reserves Statement

	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2014	15,372	0	15,372
Movement in reserves during 2014/15:			
Surplus or (Deficit) on the Provision of Services	(1,767)	0	(1,767)
Other Comprehensive Income and (Expenditure)	0	1,630	1,630
Increase or (Decrease) in the year	(1,767)	1,630	(137)
Balance at 31 March 2015	13,605	1,630	15,235
Movement in reserves during 2015/16:			
Surplus or (Deficit) on the Provision of Services	(218)	0	(218)
Other Comprehensive Income and (Expenditure)	0	(774)	(774)
Increase or (Decrease) in the year	(218)	(774)	(992)
Balance at 31 March 2016	13,387	856	14,243

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2016

2014/15			2015/16				
Charities £000	Non – Charities £000	Total £000	Sundry Trusts and Funds	Note	Charities £000	Non – Charities £000	Total £000
378	1,873	2,251	Expenditure		371	160	531
(80)	(224)	(304)	Income		(57)	0	(57)
298	1,649	1,947	Cost of Services		314	160	474
(85)	(95)	(180)	Interest and investment income		(126)	(130)	(256)
(85)	(95)	(180)	Financing and Investment Income		(126)	(130)	(256)
213	1,554	1,767	(Surplus) or Deficit on the Provision of Services		188	30	218
(740)	(890)	(1,630)	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets		380	394	774
(527)	664	137	Total Comprehensive (Income) and Expenditure		568	424	992

Balance Sheet as at 31 March 2016

2014/15			2015/16				
Charities £000	Non – Charities £000	Total £000	Sundry Trusts and Funds	Note	Charities £000	Non – Charities £000	Total £000
7,218	7,420	14,638	Long-term investments	1	7,116	7,000	14,116
96	150	246	Short-term debtors		17	0	17
485	416	901	Cash and cash equivalents	2	89	32	121
581	566	1,147	Current Assets		106	32	138
(20)	(530)	(550)	Short-term creditors		(11)	0	(11)
(20)	(530)	(550)	Current Liabilities		(11)	0	(11)
7,779	7,456	15,235	Net Assets		7,211	7,032	14,243
7,039	6,566	13,605	Usable Reserves		6,851	6,536	13,387
740	890	1,630	Unusable Reserves		360	496	856
7,779	7,456	15,235	Total Reserves		7,211	7,032	14,243

Notes to the Accounts

1. Long-term investments

The fair value of investments managed by Ruffer LLP at 31 March 2016 was £14.066 million (£14.588 million at 31 March 2015). 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 2016 total £0.050 million (£0.050 million at 31 March 2015) 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 £0.121 million represents the balance held in the council's loans fund at 31 March 2016 (£0.901 million at 31 March 2015).

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 £13.387 million at 31 March 2016, a decrease of £0.218 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 £0.856 million as at 31 March 2016, a decrease of £0.774 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 £0.992 million.

❖ Group Financial Statements

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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

In recent years 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 companies are termed 'subsidiaries'. The council also has a 'significant interest' in a number of ALEOs, other companies and statutory bodies that are termed 'associates'. The subsidiaries and associates representing the combining entities are listed below. Additional information on these entities can be found in note 3 on pages 90 to 95.

Subsidiaries

- Scottish Exhibition Centre Limited
- City Building (Glasgow) Limited Liability Partnership
- 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 (formerly Glasgow's Regeneration Agency)

Associates

- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme
- Service Glasgow Limited Liability Partnership, trading as ACCESS

Basis of consolidation

The Group Financial Statements for the year ended 31 March 2016 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. To permit consolidation, the Profit and Loss Accounts of the subsidiary entities have been presented in accordance with the CIPFA 'Service Reporting Code of Practice' (SerCOP) Service Expenditure Analysis. Associates 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 2016, with the exception of Service Glasgow LLP, which has a year end of 31 December 2015.

Group Movement in Reserves Statement for the year ended 31 March 2016

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 1 April 2014 (Restated)	32,789	66,657	5,601	29,878	134,925	1,187,555	1,322,480	31,488	(60,799)	2,427	1,295,596
Movement in reserves during 2014/15:											
Surplus or (Deficit) on the Provision of Services	(387,889)				(387,889)	0	(387,889)	322,575		516	(64,798)
Other Comprehensive Income and (Expenditure)	0				0	(181,077)	(181,077)	0	(70,628)	(185)	(251,890)
Total Comprehensive Income and (Expenditure)	(387,889)	0	0	0	(387,889)	(181,077)	(568,966)	322,575	(70,628)	331	(316,688)
Adjustments between group accounts and authority accounts (note 8)	332,233				332,233	0	332,233	(332,233)			0
Net Increase or (Decrease) before transfers	(55,656)	0	0	0	(55,656)	(181,077)	(236,733)	(9,658)	(70,628)	331	(316,688)
Adjustments between accounting basis and funding basis under regulations	30,507			(17,635)	12,872	(12,872)	0	25,072	(25,072)		0
Net Increase or (Decrease) before transfers to other statutory reserves	(25,149)	0	0	(17,635)	(42,784)	(193,949)	(236,733)	15,414	(95,700)	331	(316,688)
Transfers (to) and from other statutory reserves	31,973	(31,507)	(466)	0	0	0	0				0
Increase or (Decrease) in the year	6,824	(31,507)	(466)	(17,635)	(42,784)	(193,949)	(236,733)	15,414	(95,700)	331	(316,688)
Balance at 31 March 2015 (Restated)	39,613	35,150	5,135	12,243	92,141	993,606	1,085,747	46,902	(156,499)	2,758	978,908
Movement in reserves during 2015/16:											
Surplus or (Deficit) on the Provision of Services	(390,447)				(390,447)	0	(390,447)	328,001		(144)	(62,590)
Other Comprehensive Income and (Expenditure)	0				0	449,263	449,263	0	217,317	1	666,581
Total Comprehensive Income and (Expenditure)	(390,447)	0	0	0	(390,447)	449,263	58,816	328,001	217,317	(143)	603,991
Adjustments between group accounts and authority accounts (note 8)	386,767				386,767	0	386,767	(386,767)			0
Net Increase or (Decrease) before transfers	(3,680)	0	0	0	(3,680)	449,263	445,583	(58,766)	217,317	(143)	603,991
Adjustments between accounting basis and funding basis under regulations	34,644			(11,071)	23,573	(23,573)	0	54,488	(54,488)		0
Net Increase or (Decrease) before transfers to other statutory reserves	30,964	0	0	(11,071)	19,893	425,690	445,583	(4,278)	162,829	(143)	603,991
Transfers (to) and from other statutory reserves	(9,041)	1,814	7,227	0	0	0	0	0			0
Increase or (Decrease) in the year	21,923	1,814	7,227	(11,071)	19,893	425,690	445,583	(4,278)	162,829	(143)	603,991
Balance at 31 March 2016	61,536	36,964	12,362	1,172	112,034	1,419,296	1,531,330	42,624	6,330	2,615	1,582,899

Note 8 on page 99 provides further details on the Movement in Reserves Statement

Group Comprehensive Income and Expenditure Statement for the Year ended 31 March 2016

2014/15 Exp. £000 (Restated)	2014/15 Income £000 (Restated)	2014/15 Net Exp. £000 (Restated)	Service	Note	2015/16 Exp. £000	2015/16 Income £000	2015/16 Net Exp. £000
240,473	(67,008)	173,465	Cultural and Related Services		212,042	(57,180)	154,862
497,854	(45,750)	452,104	Education Services		539,876	(37,436)	502,440
114,464	(21,734)	92,730	Environmental Services		127,469	(20,466)	107,003
550,118	(485,947)	64,171	Housing Services		546,600	(478,207)	68,393
132,463	(34,465)	97,998	Planning and Development Services		103,679	(20,734)	82,945
81,983	(38,875)	43,108	Roads and Transport Services		119,001	(38,840)	80,161
568,190	(179,144)	389,046	Social Work Services		578,668	(162,576)	416,092
26,148	(17,579)	8,569	Trading Services		21,047	(16,605)	4,442
36,751	(10,972)	25,779	Central Services		35,724	(12,440)	23,284
14,357	0	14,357	Corporate and Democratic Core		14,800	0	14,800
17,940	0	17,940	Non Distributed Costs		26,071	0	26,071
(60)	0	(60)	Former Authority Residual Costs		(257)	0	(257)
123,160	(47,147)	76,013	Contracted Services		74,147	(71,980)	2,167
602	(51)	551	Common Good Fund	5	598	(90)	508
792	(22)	770	Sundry Trusts	5	207	(57)	150
2,405,235	(948,694)	1,456,541	Cost of Services		2,399,672	(916,611)	1,483,061
0	(1,262)	(1,262)	(Gain) or loss on the disposal of Property, Plant and Equip.		0	(4,321)	(4,321)
0	(1,262)	(1,262)	Other Operating Expenditure		0	(4,321)	(4,321)
3,221	(5,592)	(2,371)	(Surplus) or deficit on Trading Operations where not included above		3,253	(5,163)	(1,910)
108,761	0	108,761	Interest payable		105,808	0	105,808
0	(5,345)	(5,345)	Interest and investment income		0	(3,521)	(3,521)
62,628	0	62,628	Net interest on the net defined benefit liability	11	56,966	0	56,966
10,099	(22,339)	(12,240)	Income, expenditure and changes in the fair value of investment properties	15	8,651	(21,364)	(12,713)
0	(516)	(516)	Minority interest		144	0	144
184,709	(33,792)	150,917	Financing and Investment Income and Expenditure		174,822	(30,048)	144,774
0	(909,939)	(909,939)	Non-ringfenced Government grants		0	(887,888)	(887,888)
0	(363,061)	(363,061)	Non-Domestic Rates		0	(382,497)	(382,497)
0	(181,428)	(181,428)	Council Tax / Community Charge		0	(186,803)	(186,803)
0	(85,124)	(85,124)	Capital grants and contributions		0	(101,559)	(101,559)
0	(1,539,552)	(1,539,552)	Taxation and Non-specific Grant Income		0	(1,558,747)	(1,558,747)
2,589,944	(2,523,300)	66,644	(Surplus) or Deficit on the Provision of Services		2,574,494	(2,509,727)	64,767
56,030	(56,856)	(826)	Share of (surplus) or deficit on provision of services by associates		54,944	(57,305)	(2,361)
0	(1,020)	(1,020)	Tax expenses or (receipts) of subsidiaries	13	184	0	184
2,645,974	(2,581,176)	64,798	Group (Surplus) or Deficit		2,629,622	(2,567,032)	62,590
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		8,727	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(46,320)
		241,579	Actuarial (gains) or losses on Pension Assets and Liabilities	11			(621,449)
		1,517	Other unrealised (gains) or losses				1,570
		1,597	Share of other comprehensive (income) and expenditure of associates				(3,412)
		516	Minority interest				(144)
		253,936					(669,755)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(2,046)	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets				3,174
		251,890	Other Comprehensive (Income) and Expenditure				(666,581)
		316,688	Total Comprehensive (Income) and Expenditure				(603,991)

Group Balance Sheet as at 31 March 2016

31 March 15 £000 (Restated)		£000	31 March 16 £000
	Note		
2,189,124	Other land and buildings	2,158,449	
154,195	Vehicles, plant, furniture and equipment	150,954	
561,685	Infrastructure assets	572,175	
25,528	Community assets	24,448	
83,988	Assets under construction	99,493	
<u>74,267</u>	Corporate surplus assets	<u>63,187</u>	
3,088,787	Property, Plant and Equipment		3,068,706
1,417,088	Heritage assets		1,417,093
161,860	Investment property	15	171,268
8,121	Intangible assets		6,883
40,826	Long-term investments		37,616
42,310	Investments in associates	17	48,553
<u>36,600</u>	Long-term debtors		<u>36,318</u>
4,795,592	Long-term Assets		4,786,437
34,580	Short-term investments		70,673
5,358	Inventories	18	5,596
224,941	Net short-term debtors		227,260
124,172	Cash and cash equivalents	19	108,869
1,523	Intangible Assets		146
<u>13,388</u>	Assets held for sale		<u>28,789</u>
403,962	Current Assets		441,333
(544)	Cash and cash equivalents	19	(453)
(315,991)	Short-term borrowing		(302,795)
(327,664)	Short-term creditors		(361,778)
<u>(22,233)</u>	Short-term provisions		<u>(17,449)</u>
(666,432)	Current Liabilities		(682,475)
(19,267)	Long-term provisions		(20,301)
(1,524,402)	Long-term borrowing		(1,450,874)
(1,771,846)	Net pensions liability	11	(1,235,832)
(204,825)	Deferred liabilities		(202,751)
(2,798)	Capital grants receipts in advance		(23,696)
(673)	Deferred tax liability	20	(857)
(24,584)	Deferred grants	21	(24,004)
(5,394)	Deferred income	22	(3,186)
<u>(425)</u>	Liabilities in associates	17	<u>(895)</u>
(3,554,214)	Long-term Liabilities		(2,962,396)
978,908	Net Assets / (Liabilities)		1,582,899
39,613	General Fund Reserve	61,536	
35,150	Revenue Reserve Funds	36,964	
5,135	Capital Reserve Funds	12,362	
<u>12,243</u>	Capital Grants Unapplied Account	<u>1,172</u>	
92,141	Usable Reserves		112,034
993,606	Unusable Reserves		1,419,296
(106,839)	Group Reserves		51,569
978,908	Total Reserves		1,582,899

The unaudited accounts were issued on 15 June 2016 and the audited accounts were authorised for publication on 22 September 2016.

Lynn Brown, OBE MA (Hons) CPFA
Executive Director of Financial
Services
29 September 2016

Group Cash Flow Statement for the Year ended 31 March 2016

2014/15 £000 (Restated)		2015/16 £000
64,798	Group (Surplus) or Deficit on the Provision of Services	62,590
73,105	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	65,268
(247,615)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	(282,214)
(109,712)	Net cash flows from operating activities	(154,356)
87,190	Investing activities	86,401
40,374	Financing activities	83,167
17,852	Net (increase) or decrease in Cash and cash equivalents	15,212
(141,480)	Cash and cash equivalents at the beginning of the reporting period	(123,628)
(123,628)	Cash and cash equivalents at the end of the reporting period	(108,416)

❖ 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 18 to 29. 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 Exhibition Centre 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 (Glasgow) 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 2015/16 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 £88.616 million (£254.216 million in 2014/15).

All associates 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 (Glasgow) LLP, Culture and Sport Glasgow, City Parking (Glasgow) LLP, Cordia (Services) LLP and Jobs & Business Glasgow 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 Exhibition Centre 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 prior year figures have been restated as a result of the audit adjustments of consolidating entities. The following prior year adjustments have been made in 2015/16:

- Restatement of the 2014/15 position to reflect the first time adoption of FRS102 across the group and the reversal of European Funding from Jobs and Business Glasgow. The impact on the statements is a decrease of £8.597 million to the opening group usable reserves balance at 1 April 2014 and an increase of £0.222 million to the group usable reserves balance at 31 March 2015. The Total Reserves on the group balance sheet for 2014/15 have therefore decreased by £8.375 million.

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 2016 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 £501.5 million. Similarly, a 0.5% increase in the rate of salary increase and pension increase rates would increase the liability by £170.8 million and £321.3 million respectively. In terms of life expectancy, an increase of 1 year would equate to an increased liability of £147.8 million.

3. Combining entities

3.1. Scottish Exhibition Centre Limited

Scottish Exhibition Centre Limited is a company incorporated under the terms of the Companies Acts to promote international exhibitions, conferences and events. 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 £10.511 million at 31 March 2016, compared to £9.698 million at 31 March 2015. The profit on ordinary activities before taxation for the year to 31 March 2016 was £0.998 million, compared to £6.651 million for the period to 31 March 2015. 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 audited accounts is for the year to 31 March 2016. Copies of the audited accounts may be obtained from the Chief Executive, Scottish Exhibition Centre Limited, Glasgow G3 8YW.

3.2. City Building (Glasgow) Limited Liability Partnership

City Building (Glasgow) Limited Liability Partnership was incorporated on 14 July 2006 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. The council is the principal member of the partnership, holding 99.99% of the ordinary 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.

After accounting for IAS19 Employee Benefits, the net liabilities of the partnership were £16.065 million at 31 March 2016, compared to £153.169 million at 31 March 2015. The loss on ordinary activities before and after taxation for the year to 31 March 2016 was £11.223 million, compared to a restated loss of £9.063 million for the period to 31 March 2015.

The latest set of audited accounts is for the year to 31 March 2016. Copies of the audited accounts may be obtained from the Managing Director, City Building (Glasgow) Limited Liability Partnership, 350 Darnick Street, Glasgow G21 4BA.

3.3. 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.

Net assets were £0.550 million at 31 March 2016, compared to £0.500 million at 31 March 2015. The profit on ordinary activities before and after taxation for the year to 31 March 2016 was £0.050 million, compared to £0.050 million for the period to 31 March 2015.

The latest set of audited accounts is for the year to 31 March 2016. Copies of the audited accounts may be obtained from the Managing Director, City Building (Contracts) Limited Liability Partnership, 350 Darnick Street, Glasgow G21 4BA.

3.4. Culture and Sport Glasgow, trading as Glasgow Life

Culture and Sport Glasgow was incorporated on 22 December 2006 as a company limited by guarantee. 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 £44.370 million at 31 March 2016, compared to restated net liabilities of £71.415 million at 31 March 2015. The loss on ordinary activities before and after taxation for the year to 31 March 2016 was £8.177 million, compared to a restated loss of £8.594 million for the period to 31 March 2015.

The latest set of audited accounts is for the year to 31 March 2016. Copies of the audited accounts may be obtained from the Chief Executive, Culture and Sport Glasgow, 220 High Street, Glasgow G4 0QW.

3.5. 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 £28.181 million at 31 March 2016, compared to £29.632 million at 31 March 2015. The loss on ordinary activities before and after taxation for the year to 31 March 2016 was £0.626 million, compared to a restated loss of £0.643 million for the period to 31 March 2015.

The latest set of audited accounts is for the year to 31 March 2016. 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.

3.6. Cordia (Care) Limited Liability Partnership

Cordia (Care) Limited Liability Partnership was incorporated on 25 November 2008 to deliver welfare 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 £0.050 million at 31 March 2016, compared to £0.064 million at 31 March 2015. The loss on ordinary activities before and after taxation for the year to 31 March 2016 was £0.014 million, compared to a profit of £0.005 million for the period to 31 March 2015.

The latest set of audited accounts is for the year to 31 March 2016. Copies of the audited accounts may be obtained from the Managing Director, Cordia (Care) Limited Liability Partnership, Port Dundas Business Park, Blair Court, 100 Borron Street, Glasgow G4 9XE.

3.7. 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 £15.257 million at 31 March 2016, compared to £0.273 million at 31 March 2015. The loss on ordinary activities before and after taxation for the year to 31 March 2016 was £7.015 million, compared to a restated loss of £2.540 million for the period to 31 March 2015.

The latest set of audited accounts is for the year to 31 March 2016. Copies of the audited accounts may be obtained from the Managing Director, Cordia (Services) Limited Liability Partnership, Port Dundas Business Park, Blair Court, 100 Borron Street, Glasgow G4 9XE.

3.8. 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 £70.160 million at 31 March 2016, compared to £56.158 million at 31 March 2015. The profit on ordinary activities before and after taxation for the year to 31 March 2016 was £6.470 million, compared to £5.914 million for the period to 31 March 2015.

The latest set of audited accounts is for the year to 31 March 2016. 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.

3.9. **Jobs & Business Glasgow (formerly Glasgow's Regeneration Agency)**

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 £17.320 million at 31 March 2016, compared to restated net assets of £20.392 million at 31 March 2015. The loss on ordinary activities before and after taxation for the year to 31 March 2016 was £3.467 million, compared to a restated loss of £0.866 million for the period to 31 March 2015.

The latest set of audited accounts is for the year to 31 March 2016. Copies of the audited accounts may be obtained from the Managing Director, Jobs & Business Glasgow, Ground Floor, Exchange House, 231 George Street, Glasgow G1 1RX.

3.10. **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 audited accounts is for the year to 31 March 2016. 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 2015/16, Glasgow City Council contributed £10.049 million or 26.88% of the Board's estimated running costs (2014/15 £10.049 million) and its share of the year-end net assets of £48.141 million (2014/15 net assets of £41.904 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 2015/16:

2014/15 £000	Strathclyde Partnership for Transport	2015/16 £000
(24,766)	Gross (income)	(25,593)
(1,091)	(Surplus) or Deficit on the Provision of Services	(2,825)
1,597	Other Comprehensive (Income) and Expenditure	(3,412)
35,758	Long-term assets	41,251
34,699	Current assets	28,394
(12,190)	Current liabilities	(11,096)
(5,882)	Long-term liabilities excluding pension liability	(2,619)
(10,481)	Pension liability	(7,789)

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:

2014/15 £000	Strathclyde Partnership for Transport	2015/16 £000
	Amounts owed to GCC	
3,034	Short-term debtors	2,911
	Amounts owing by GCC	
(275)	Short-term creditors	(485)

3.11. 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 audited accounts is for the year to 31 March 2016. 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 2015/16, Glasgow City Council contributed £1.052 million or 24.70% of the Board's estimated running costs (2014/15 £1.052 million) and its share of the year-end net assets of £0.412 million (2014/15 £0.406 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 2015/16:

2014/15 £000	Strathclyde Concessionary Travel Scheme	2015/16 £000
(1,059)	Gross (income)	(1,057)
(6)	(Surplus) or Deficit on the Provision of Services	(6)
546	Current assets	530
(140)	Current liabilities	(118)

There were no amounts owing or owed between Glasgow City Council and Strathclyde Concessionary Travel Scheme as at 31 March 2016.

3.12. 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. Although the council has a 50% representation on the Board of Directors, there is no share capital and the limit of the council's liability if the company were to be wound up is £1.

The latest set of audited accounts is for the year to 31 December 2015. Copies of the audited accounts may be obtained from the Chief Executive, Service Glasgow Limited Liability Partnership, 220 High Street, Glasgow G4 0QW.

Under accounting standards, the council has a significant interest in this company. The company is included within the Group Financial Statements as an associate. In 2015/16, the council contributed £40.712 million to the company's running costs (2014/15 £40.025 million) and its share of the year-end net liability was £0.895 million (2014/15 £0.425 million).

The following table represents the group's share of key financial information extracted from the accounts of Service Glasgow Limited Liability Partnership for 2015/16:

2014/15 £000	Service Glasgow Limited Liability Partnership	2015/16 £000
(31,031)	Turnover	(30,655)
271	(Surplus) or Deficit on the Provision of Services	470
494	Long-term assets	364
8,044	Current assets	7,094
(8,963)	Current liabilities	(8,353)

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

2014/15 £000	Service Glasgow Limited Liability Partnership	2015/16 £000
	Amounts Owed to GCC	
1,817	Short-term debtors	2,371
	Amounts Owing by GCC	
(5,320)	Short-term creditors	(7,786)

4. Nature of combination

The council inherited its interest in Scottish Exhibition Centre 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.

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

5. 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 £0.508 million (£0.551 million in 2014/15) and net expenditure on Sundry Trusts of £0.150 million (net expenditure of £0.770 million in 2014/15) have been included as separate lines within Cost of Services in the Comprehensive Income and Expenditure Statement.

6. Financial impact of consolidation

The effect of the inclusion of the subsidiaries and associates in 2015/16 was to increase council reserves and net assets by £51.569 million (2014/15 net assets reduced by £106.839 million) representing the council's net asset in the consolidating entities.

7. 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 2016.
- **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 £2.293 million at 31 March 2016 compared to £4.288 million at 31 March 2015. The loss on ordinary activities before and after taxation for the year to 31 March 2016 was £0.390 million compared to a profit of £0.153 million for the period to 31 March 2015.

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

2014/15 Net Expenditure/ (Income) £000	Debtor / (Creditor) at 31 March 2015 £000	City Property (Glasgow) Limited Liability Partnership	2015/16		Debtor / (Creditor) at 31 March 2016 £000
			Expenditure £000	Income £000	
(1,594)	(10)	Glasgow City Council	478	(2,214)	(57)
17	(9)	City Building (Glasgow) LLP	106	(67)	23
(130)	(39)	City Property Glasgow (Investments) LLP	72	(64)	8
0	0	Cordia (Services) LLP	4	(3)	0
0	0	Culture and Sport Glasgow	0	(15)	(1)
0	0	Jobs & Business Glasgow	0	(12)	(10)
0	0	Common Good Fund	0	(15)	(18)

- Glasgow City Marketing Bureau Limited** is a subsidiary company that was incorporated on 11 November 2004. It was formed to promote and improve the well-being of Glasgow and the well-being of persons within Glasgow. These objectives are achieved through a range of strategies directed towards increasing the economic activity within Glasgow as a place to live, work and pursue leisure activities, and also as a city to conduct business and attract inward investment. Net assets were £0.071 million at 31 March 2016 compared to £0.070 million as at 31 March 2015. The profit on ordinary activities before taxation for the year to 31 March 2016 was £0.001 million compared to £0.018 million for the period to 31 March 2015. During the year transactions between Glasgow City Marketing Bureau Limited and the council's group were as follows:

2014/15 Net Expenditure/ (Income) £000	Debtor / (Creditor) at 31 March 2015 £000	Glasgow City Marketing Bureau Limited	2015/16		Debtor / (Creditor) at 31 March 2016 £000
			Expenditure £000	Income £000	
(8,881)	(42)	Glasgow City Council	339	(6,250)	(346)
0	0	Cordia (Services) LLP	3	0	0
535	(120)	Culture and Sport Glasgow	853	(20)	24
93	(8)	Scottish Exhibition Centre Ltd	112	(13)	6

- 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 £10.904 million (2014/15 £10.880 million) representing 44% of the organisation's estimated running costs for the year to 31 March 2016.
- 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 £0.305 million (2014/15 £0.312 million) representing 9.6% of the organisation's estimated running costs for the year to 31 March 2016.

- **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 (2014/15 £0.072 million) representing 12.5% of the Joint Committee's estimated running costs for the year to 31 March 2016.
- **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 (2014/15 £0.006 million) towards the Joint Committee's running costs for the year to 31 March 2016.
- **Continuing Education Gateway** is a consortium of 11 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 (2014/15 £0.123 million) representing 30% of the consortium's estimated running costs for the year to 31 March 2016.
- **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 the 12 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 (2014/15 £0.009 million) representing 6.7% of the Joint Committee's estimated running costs for the year to 31 March 2016.
- **Dams to Darnley Country Park Joint Committee** was established by Glasgow City Council and East Renfrewshire Council in 2006. The Joint Committee aims to conserve and enhance the area's landscape, deliver environmental education activities and to raise awareness of the area's natural heritage. During the year, the council made a contribution of £0.070 million (2014/15 £0.070 million) towards the Joint Committee's running costs for the year to 31 March 2016.
- **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 £0.294 million (2014/15 £0.282 million) representing 9.54% of the organisation's estimated running costs for the year to 31 March 2016.
- **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 Glasgow made a contribution of £0.237 million (2014/15 £0.023 million) representing 33.2% of the organisations running costs for the year to March 2016.

- **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 (2014/15 £0.057 million) representing 7% of the organisation's estimated running costs for the year to 31 March 2016.
- **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 £0.009 million (2014/15 £0.005 million) towards the Joint Committee's running costs for the year to 31 March 2016.
- **Glasgow City Health and Social Care Partnership** 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. During the year, the council made a contribution of £0.027 million towards the running costs for the year to 31 March 2016.

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

2014/15 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	332,233	0	0	332,233	0	332,233	(332,233)	0	0
Grants and contributions	0	0	0	0	0	0	0	0	0
Total adjustments between Group Financial Statements and Authority Financial Statements	332,233	0	0	332,233	0	332,233	(332,233)	0	0

2015/16 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	386,767	0	0	386,767	0	386,767	(386,767)	0	0
Grants and contributions	0	0	0	0	0	0	0	0	0
Total adjustments between Group Financial Statements and Authority Financial Statements	386,767	0	0	386,767	0	386,767	(386,767)	0	0

9. Group subjective analysis

2014/15 £000 (Restated)	Subjective analysis	2015/16 £000	%
Where the money came from			
(1,468,144)	Government grants and local taxation	(1,465,939)	57.1
(580,624)	Other grants, reimbursements and contributions	(564,242)	22.0
(78,584)	Customer and client receipts	(84,250)	3.3
(26,083)	Interest and investment income	(24,254)	0.9
(121,047)	Income from other departments	(117,918)	4.6
(284,499)	Other miscellaneous income	(265,162)	10.3
121,047	Inter-departmental recharges	117,918	(4.6)
(1,262)	Gain on disposal of property, plant and equipment	(4,321)	0.2
(56,856)	Share of surplus from associates	(57,305)	2.2
(85,124)	Capital grants and contributions	(101,559)	4.0
(2,581,176)	Total income	(2,567,032)	100.0
How the money was spent			
955,845	Employee costs	964,742	36.7
(1,175)	Premises costs	(3,765)	(0.1)
153,040	Supplies and services	147,210	5.6
85,455	Transport and plant	81,696	3.1
664,130	Third party payments	613,648	23.3
519,095	Transfer payments	508,262	19.3
161,747	Depreciation, amortisation and impairment losses	219,003	8.3
118,891	Financing costs	114,459	4.4
(8,605)	Allocations	(9,368)	(0.4)
62,628	Net interest on the net defined benefit liability	56,966	2.2
(121,047)	Inter-departmental recharges	(117,918)	(4.5)
(60)	Former authority residual costs	(257)	0.0
56,030	Share of deficit from associates	54,944	2.1
2,645,974	Total expenditure	2,629,622	100.0
64,798	Group (surplus) or deficit for the year	62,590	

10. Amounts reported for resource allocation decisions

The standard service groupings on the face of the Group Comprehensive Income and Expenditure Statement are specified by the CIPFA 'Service Reporting Code of Practice' (SerCOP) Service Expenditure Analysis to make inter-authority comparisons more meaningful. These generic groups do not reflect the local management of service delivery and budgetary responsibilities as determined by the council services or the Arms Length External Organisations (ALEOs).

Council services provide 4-weekly financial monitoring reports to council members via the Executive Committee and the Finance and Audit Scrutiny Committee. These reports are also presented to senior management at the Council Management Team. All ALEOs provide quarterly financial monitoring reports to the Operational Delivery Scrutiny Committee. Reports by ALEOs to the Operational Delivery Scrutiny Committee differ to those presented to the Executive Committee and the Finance and Audit Scrutiny Committee in that the reports include both cash and non-cash transactions. Quarterly monitoring statements will also include, for example, charges in relation to depreciation and impairment losses. A number of the ALEOs are not consolidated within the group financial statements on materiality grounds.

Income and expenditure of the council's group is detailed in the following tables. The Code requires that significant segments are reported, therefore, only those that meet the 10% threshold are included. The figures for ALEOs include the Common Good Fund which currently reports to the Executive Committee and Finance and Audit Scrutiny Committee.

2015/16 Service Income and Expenditure

Service Income and Expenditure	Development and Regeneration Services £000	Education Services £000	Financial Services £000	Social Work Services £000	Joint Boards and Related Companies £000	ALEOs £000	Group Total £000
Income	(101,644)	(25,960)	(352,096)	(191,737)	(24,758)	(634,678)	(1,330,873)
Specific grant	0	(505)	0	0	0	0	(505)
Total Income	(101,644)	(26,465)	(352,096)	(191,737)	(24,758)	(634,678)	(1,331,378)
Employee costs	19,886	316,433	9,973	145,017	106	291,400	782,815
Premises costs	5,509	42,694	1,538	22,918	22	36,086	108,767
Transport costs	132	11,879	1,557	5,809	0	18,819	38,196
Supplies and services	10,728	102,890	3,709	18,629	81	299,216	435,253
Third party costs	3,192	11,351	3,271	365,324	169,921	5,795	558,854
Transfer payments	94,389	12,607	346,428	26,859	1,400	595	482,278
Depreciation and impairment	0	0	0	0	0	3,751	3,751
Financing costs	0	0	0	0	0	844	844
Allocations	(6,088)	0	0	0	0	0	(6,088)
Total Expenditure	127,748	497,854	366,476	584,556	171,530	656,506	2,404,670
Net Expenditure	26,104	471,389	14,380	392,819	146,772	21,828	1,073,292

The following table shows how the figures in the analysis of Service Income and Expenditure above reconcile to the Surplus or Deficit on the Provision of Services, and the Group Surplus or Deficit as reported in the Group Comprehensive Income and Expenditure Statement:

2015/16 Reconciliation to subjective analysis

Reconciliation	Service Analysis £000	Services & Support Services not in Analysis £000	Amounts not Reported to Management for decision making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Sub-total Cost of Services £000	Corporate Amounts £000	Group Total £000
Fees, charges and other service income	(799,565)	(94,108)	(16,659)	523,254	13,284	(373,794)	(26,527)	(400,321)
Gain on the disposal of property, plant and equipment	0	0	0	0	0	0	(4,321)	(4,321)
Interest and Investment income	(18)	(5)	0	0	0	(23)	(3,521)	(3,544)
Income from Council Tax	0	0	0	0	0	0	(186,803)	(186,803)
Government grants and contributions	(531,795)	1,945	(12,944)	0	0	(542,794)	(1,371,944)	(1,914,738)
Total Income	(1,331,378)	(92,168)	(29,603)	523,254	13,284	(916,611)	(1,593,116)	(2,509,727)
Employee costs	782,815	113,494	58,372	(45,420)	0	909,261	55,481	964,742
Other service costs	1,617,260	198,079	(3,607)	(525,455)	(13,284)	1,272,993	(53,669)	1,219,324
Support service recharges	0	(2,345)	0	0	0	(2,345)	2,345	0
Depreciation, amortisation and impairment	3,751	3,199	174,484	37,485	0	218,919	84	219,003
Interest payments	844	0	0	0	0	844	113,615	114,459
Net interest on the net defined benefit liability	0	0	0	0	0	0	56,966	56,966
Total Expenditure	2,404,670	312,427	229,249	(533,390)	(13,284)	2,399,672	174,822	2,574,494
(Surplus) or Deficit on the Provision of Services	1,073,292	220,259	199,646	(10,136)	0	1,483,061	(1,418,294)	64,767
Net share of (surplus) or deficit on provision of services by associates								(2,361)
Tax expenses of subsidiaries								184
Group (surplus) or deficit								62,590

2014/15 Service Income and Expenditure

Service Income and Expenditure	Development and Regeneration Services £000	Education Services £000	Financial Services £000	Social Work Services £000	Joint Boards and Related Companies £000	ALEOs (Restated) £000	Group Total (Restated) £000
Income	(100,591)	(25,263)	(355,880)	(183,510)	(24,920)	(660,874)	(1,351,038)
Specific grant	0	(505)	0	0	0	0	(505)
Total Income	(100,591)	(25,768)	(355,880)	(183,510)	(24,920)	(660,874)	(1,351,543)
Employee costs	18,616	312,151	9,520	144,911	104	287,072	772,374
Premises costs	5,230	40,892	1,656	21,540	0	37,203	106,521
Transport costs	131	12,045	1,559	6,082	95	19,581	39,493
Supplies and services	10,701	99,442	3,478	19,053	83	321,495	454,252
Third party costs	5,943	12,936	5,766	371,017	195,645	4,987	596,294
Transfer payments	94,672	12,609	354,422	25,914	1,400	599	489,616
Depreciation and impairment	0	0	0	0	0	2,805	2,805
Financing costs	0	0	0	0	0	822	822
Allocations	(5,036)	0	(219)	0	0	0	(5,255)
Total Expenditure	130,257	490,075	376,182	588,517	197,327	674,564	2,456,922
Net Expenditure	29,666	464,307	20,302	405,007	172,407	13,690	1,105,379

2014/15 Reconciliation to subjective analysis

Reconciliation	Service Analysis (Restated) £000	Services & Support Services not in Analysis £000	Amounts not Reported to Management for decision making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Sub-total Cost of Services (Restated) £000	Corporate Amounts (Restated) £000	Group Total (Restated) £000
Fees, charges and other service income	(818,918)	(101,493)	(14,435)	528,586	14,574	(391,686)	(28,447)	(420,133)
Gain on the disposal of property, plant and equipment	0	0	0	0	0	0	(1,262)	(1,262)
Interest and Investment income	(22)	(4)	(12)	0	0	(38)	(5,345)	(5,383)
Income from Council Tax	0	0	0	0	0	0	(181,428)	(181,428)
Government grants and contributions	(532,603)	(5,461)	(18,906)	0	0	(556,970)	(1,358,124)	(1,915,094)
Total Income	(1,351,543)	(106,958)	(33,353)	528,586	14,574	(948,694)	(1,574,606)	(2,523,300)
Employee costs	772,374	118,711	55,880	(45,284)	0	901,681	54,164	955,845
Other service costs	1,680,921	204,269	3,521	(530,820)	(14,574)	1,343,317	(52,484)	1,290,833
Support service recharges	0	(2,248)	0	0	0	(2,248)	2,248	0
Depreciation, amortisation and impairment	2,805	3,057	153,778	2,023	0	161,663	84	161,747
Interest payments	822	0	0	0	0	822	118,069	118,891
Net interest on the net defined benefit liability	0	0	0	0	0	0	62,628	62,628
Total Expenditure	2,456,922	323,789	213,179	(574,081)	(14,574)	2,405,235	184,709	2,589,944
(Surplus) or Deficit on the Provision of Services	1,105,379	216,831	179,826	(45,495)	0	1,456,541	(1,389,897)	66,644
Net share of (surplus) or deficit on provision of services by associates								(826)
Tax expenses of subsidiaries								(1,020)
Group (surplus) or deficit								64,798

11. Pension Costs

11.1. Local Government Pension Scheme

Glasgow City Council, City Building (Glasgow) LLP, Culture and Sport Glasgow, City Parking (Glasgow) LLP, Cordia (Services) LLP and Jobs & Business Glasgow 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 2015/16:

2014/15 £000	Local Government Pension Scheme	2015/16 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
107,725	Current service cost	122,243
3,539	Past service cost	1,602
	Financing and Investment Income and Expenditure:	
62,628	Net interest cost	56,966
173,892	Total post-employment benefits charged / (credited) to the Surplus or Deficit on the Provision of Services	180,811
	Other Comprehensive Income and Expenditure	
	Remeasurement of the net defined benefit liability:	
(182,538)	Return on assets	20,202
538,085	Actuarial (gains) / losses arising on changes in financial assumptions	(568,493)
119,595	Actuarial (gains) / losses arising from changes in demographic assumptions	0
(233,563)	Other Experience	(73,158)
415,471	Total post-employment benefits charged / (credited) to the Comprehensive Income and Expenditure Statement	(440,638)
173,892	Net charge / (credit) to the Surplus or Deficit on the Provision of Services brought forward	180,811
	Movement in Reserves Statement	
(79,264)	Reversal of net (charge) / credit made to the Surplus or Deficit on the Provision of Services in accordance with IAS19	(85,435)
	Actual amount charged against the General Fund balance for pensions in the year:	
94,628	Employers contribution paid	95,376

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 2014.

The following table sets out the principal assumptions used by the actuary to arrive at a net liability to the group of £1,235.832 million:

2014/15	Actuarial Assumptions	2015/16
	Long-term expected rate of return on assets in the scheme:	
3.2%	Equity Investments	3.5%
3.2%	Bonds	3.5%
3.2%	Property	3.5%
3.2%	Cash and net debtors/ creditors	3.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
23.6	Women	23.6
	Longevity at 65 for future pensioners:	
24.8	Men	24.8
26.2	Women	26.2
	General assumptions:	
2.4%	Rate of price increases	2.2%
4.3%	Rate of increase in salaries (see note)	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
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	
76%	Equities Investments	73%
13%	Bonds	13%
9%	Property	11%
2%	Cash and Net Debtors/Creditors	3%
100%	Total	100%

Note: 2014/15 salary increases assumptions for Glasgow City Council were 1% per annum until 31 March 2015 reverting to 4.3% per annum thereafter. 2015/16 salary increases assumptions for City Building (Glasgow) LLP are 2.4% 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:

2014/15 £000	Pension Assets and Liabilities recognised in the Balance Sheet	2015/16 £000
5,386,760	Present value of the defined benefit obligation	4,912,589
(3,614,914)	Fair value of plan assets	(3,676,757)
1,771,846	Net liability arising from defined benefit obligation	1,235,832

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

2014/15 £000	Reconciliation of present value of scheme liabilities:	2015/16 £000
4,764,779	Opening balance at 1 April	5,386,760
107,725	Current service costs	122,243
204,831	Interest costs	172,325
24,828	Contributions by scheme participants	23,826
	Remeasurement (gains) and losses:	
538,085	Actuarial (gains) / losses arising from changes in financial assumptions	(568,493)
119,595	Actuarial (gains) / losses arising from changes in demographic assumptions	0
(233,563)	Other	(73,158)
3,539	Past service cost (including curtailments)	1,602
(143,059)	Benefits paid	(152,516)
5,386,760	Closing balance at 31 March	4,912,589

2014/15 £000	Reconciliation of present value of scheme assets:	2015/16 £000
3,313,776	Opening balance at 1 April	3,614,914
142,203	Interest income	115,359
	Remeasurement gain / (loss):	
182,538	Return on assets, excluding the amount included in the net interest cost	(20,202)
94,628	Contributions by employer	95,376
24,828	Contributions by scheme participants	23,826
(143,059)	Benefits paid	(152,516)
3,614,914	Closing balance at 31 March	3,676,757

11.3. Analysis of Pension Fund's Assets

2014/15		2015/16		Local Government Pension Scheme assets	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000
Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000				
0	88,777	88,777		Cash and cash equivalents	123,141	3,899	127,040
Equity Instruments:							
342,049	18	342,067		Consumer	343,021	19	343,040
270,237	2,501	272,738		Manufacturing	272,591	2,548	275,139
106,898	0	106,898		Energy and utilities	108,832	0	108,832
250,959	4	250,963		Financial institutions	254,145	4	254,149
146,701	18	146,719		Health and care	147,979	20	147,999
208,236	67	208,303		Information technology	210,043	73	210,116
1,325,080	2,608	1,327,688		Sub-total equity instruments	1,336,611	2,664	1,339,275
Debt Securities							
0	4	4		Corporate Bonds	0	1	1
Private Equity:							
0	351,324	351,324		All	0	357,977	357,977
Property:							
0	330,539	330,539		UK	0	394,536	394,536
Other investment funds:							
38,465	999,472	1,037,937		Equities	32,332	922,417	954,749
0	457,911	457,911		Bonds	0	448,859	448,859
1,305	0	1,305		Commodities	1,287	0	1,287
0	11,720	11,720		Infrastructure	0	0	0
0	6,463	6,463		Other	0	51,829	51,829
39,770	1,475,566	1,515,336		Sub-total other investment funds	33,619	1,423,105	1,456,724
Derivatives:							
1,246	0	1,246		Other	1,204	0	1,204
1,366,096	2,248,818	3,614,914		Total Assets	1,494,575	2,182,182	3,676,757

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 liability of £1,235.832 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 2017 is £75.023 million.

11.5. Defined Contribution Schemes

SEC Ltd, 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:

<i>2014/15</i> <i>£000</i>	Defined Contribution Schemes	2015/16 £000
561	Scottish Exhibition Centre Limited	600
115	Jobs & Business Glasgow	118
1,341	Service Glasgow	1,371
2,017	Total	2,089

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 SEC Ltd.

On the Group Balance Sheet within group reserves, with accounting policies aligned, the share of the assets of SEC Ltd attributable to minority shareholdings was £2.615 million for 2015/16 (2014/15 £2.758 million).

13. Taxation

For the Scottish Exhibition Centre 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:

<i>2014/15</i> <i>£000</i>	UK Corporation Tax	2015/16 £000
(1,020)	Deferred tax	184
(1,020)	Total	184

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 2016 was £3,068.706 million.

Movement in PPE 2015/16	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 2015	2,375,753	251,816	740,830	25,528	83,988	78,315	3,556,230
Additions in year	70,818	29,151	29,287	12	58,017	2,586	189,871
Donations in year	0	318	0	0	0	0	318
Disposals	(5,365)	(37,987)	(1,556)	(15)	0	(5,055)	(49,978)
Revaluation adjustments to Revaluation Reserve	983	0	0	0	0	32,407	33,390
Revaluation adjustments to Comprehensive Income and Expenditure Statement	(31,188)	0	0	0	0	(25,130)	(56,318)
Reclassifications from / (to) Held for Sale	0	0	0	0	0	(25,772)	(25,772)
Other reclassifications	32,914	499	1,139	(17)	(42,512)	7,977	0
At 31 March 2016	2,443,915	243,797	769,700	25,508	99,493	65,328	3,647,741
Depreciation and impairment:							
At 1 April 2015	(186,629)	(97,621)	(179,145)	0	0	(4,048)	(467,443)
Depreciation charge for year	(66,873)	(29,542)	(19,936)	0	0	(1,057)	(117,408)
Depreciation written out to Revaluation Reserve	2,212	0	0	0	0	3,977	6,189
Depreciation written out to Comprehensive Income and Expenditure Statement	4,773	0	0	0	0	1,664	6,437
Impairment losses to Revaluation Reserve	(1,153)	0	0	0	0	(1,036)	(2,189)
Impairment losses to Comprehensive Income and Expenditure Statement	(44,745)	(1,986)	0	(1,060)	0	(1,097)	(48,888)
Disposals	3,799	36,306	1,556	0	0	2,606	44,267
Reclassifications from / (to) Held for Sale	0	0	0	0	0	0	0
Other reclassifications	3,150	0	0	0	0	(3,150)	0
At 31 March 2016	(285,466)	(92,843)	(197,525)	(1,060)	0	(2,141)	(579,035)
Balance Sheet amount at 31 March 2016	2,158,449	150,954	572,175	24,448	99,493	63,187	3,068,706
Balance Sheet amount at 31 March 2015 (Restated)	2,189,124	154,195	561,685	25,528	83,988	74,267	3,088,787
Nature of asset holding:							
Owned	1,841,096	141,084	572,175	24,448	99,493	63,187	2,741,483
Finance leased	(14,169)	9,870	0	0	0	0	(4,299)
PPP	331,522	0	0	0	0	0	331,522
Total	2,158,449	150,954	572,175	24,448	99,493	63,187	3,068,706

Movement in PPE 2014/15 (Restated)	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 2014 (Restated)	2,433,988	194,701	691,146	25,179	106,641	111,059	3,562,714
Additions in year	74,879	42,495	11,994	271	64,968	941	195,548
Donations in year	0	0	0	0	0	0	0
Disposals	(107,853)	(9,403)	0	0	0	(6,595)	(123,851)
Revaluation adjustments to Revaluation Reserve	(3,996)	0	0	0	0	(5,639)	(9,635)
Revaluation adjustments to Comprehensive Income and Expenditure Statement	(42,210)	0	0	0	0	(13,454)	(55,664)
Reclassifications from / (to) Held for Sale	(3,967)	0	0	0	0	(8,389)	(12,356)
Other reclassifications	24,912	24,023	37,690	78	(87,621)	392	(526)
At 31 March 2015	2,375,753	251,816	740,830	25,528	83,988	78,315	3,556,230
Depreciation and impairment:							
At 1 April 2014 (Restated)	(234,921)	(81,481)	(160,423)	0	0	(9,182)	(486,007)
Depreciation charge for year	(60,682)	(22,248)	(18,722)	0	0	(1,651)	(103,303)
Depreciation written out to Revaluation Reserve	(346)	0	0	0	0	2,549	2,203
Depreciation written out to Comprehensive Income and Expenditure Statement	9,837	(776)	0	0	0	694	9,755
Impairment losses to Revaluation Reserve	(2,432)	0	0	0	0	(30)	(2,462)
Impairment losses to Comprehensive Income and Expenditure Statement	(4,745)	(809)	0	0	0	(137)	(5,691)
Disposals	105,801	8,266	0	0	0	3,492	117,559
Reclassifications from / (to) Held for Sale	277	0	0	0	0	226	503
Other reclassifications	582	(573)	0	0	0	(9)	0
At 31 March 2015	(186,629)	(97,621)	(179,145)	0	0	(4,048)	(467,443)
Balance Sheet amount at 31 March 2015	2,189,124	154,195	561,685	25,528	83,988	74,267	3,088,787
Balance Sheet amount at 31 March 2014 (Restated)	2,199,067	113,220	530,723	25,179	106,641	101,877	3,076,707
Nature of asset holding:							
Owned	1,827,055	138,978	561,685	25,528	83,988	74,267	2,711,501
Finance leased	21,546	12,733	0	0	0	0	34,279
PPP	340,523	2,484	0	0	0	0	343,007
Total	2,189,124	154,195	561,685	25,528	83,988	74,267	3,088,787

14.2. Summary of capital expenditure and sources of finance

2014/15 £000 (Restated)	Capital expenditure and sources of finance	2015/16 £000
Capital investment		
195,548	Property, plant and equipment	189,871
798	Intangible assets	710
18	Assets held for sale	10
451	Investment property	3,980
196,815	Total gross expenditure	194,571
Sources of finance		
85,649	Borrowing	37,779
11,423	Asset Sales	21,803
998	Assets acquired under finance leases	1,613
88,041	Government grants and other capital contributions	122,852
10,704	Revenue contributions	10,524
196,815	Total	194,571

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:

2014/15 £000 (Restated)	Investment property	2015/16 £000
(22,339)	Rental income from investment property	(21,364)
10,099	Direct operating expenses arising from investment property	8,651
(12,240)	Net (gain) / loss	(12,713)

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:

2014/15 £000 (Restated)	Movement in fair value	2015/16 £000
160,974	Balance at start of year:	161,860
451	Additions	3,980
(1,241)	Disposals	(3,015)
1,776	Net gain / (loss) from fair value adjustments	8,443
(100)	Other changes	0
161,860	Balance at end of year	171,268

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 2015/16, 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 £288.776 million comprises £30.349 million with level 1 inputs, £230.134 million with level 2 inputs and £28.293 million with level 3 inputs.

Fair Value Measurement of assets	Level 1 £000	Level 2 £000	Level 3 £000	Total
Surplus Properties	0	42,382	20,805	63,187
Assets held for sale	0	25,749	23	25,772
Commercial Units	1,800	162,003	7,465	171,268
Unquoted equity investment at cost	25	0	0	25
Other investments	28,524	0	0	28,524
Total	30,349	230,134	28,293	288,776

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	1,753,669	2,147,596

17. Investments / liabilities in associates

The effect of accounting for associate Service 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 and Strathclyde Concessionary Travel Scheme 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 is shown below:

2014/15 £000	Investments in Associates	2015/16 £000
41,904	Strathclyde Partnership for Transport	48,141
406	Strathclyde Concessionary Travel Scheme	412
42,310	Sub-total	48,553
	Liabilities in Associates	
(425)	Service Glasgow LLP	(895)
(425)	Sub-total	(895)
41,885	Total	47,658

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

2014/15 £000	Associates	2015/16 £000
(56,856)	Gross income	(57,305)
36,252	Long-term assets	41,615
43,289	Current assets	36,018
(21,293)	Current liabilities	(19,567)
(16,363)	Long-term liabilities	(10,408)
41,885	Net asset	47,658

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:

2014/15				Inventories	2015/16			
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
5,177	0	479	5,656	Opening balance	4,912	0	446	5,358
14,631	0	10	14,641	Purchases	17,138	0	118	17,256
(14,821)	0	0	(14,821)	Reclassifications / transfers	(16,978)	0	0	(16,978)
(74)	0	(43)	(117)	Disposals	(40)	0	0	(40)
(1)	0	0	(1)	Write offs	0	0	0	0
4,912	0	446	5,358	Closing balance	5,032	0	564	5,596

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:

2014/15 £000	Cash and cash equivalents	2015/16 £000
17,543	Short-term deposits	43,150
105,441	Bank current accounts	65,310
1,188	Cash imprests	409
124,172		108,869
(544)	Temporary overdraft facilities	(453)
123,628	Total	108,416

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 2016 the balance mainly related to timing differences on capital expenditure.

The movement in deferred taxation during the current period is as follows:

2014/15 £000	Deferred Taxation	2015/16 £000
1,693	As at 1 April	673
(1,020)	(Receipt)/Payment for the period	184
673	As at 31 March	857

All deferred tax has been provided for and has been calculated using the rate of 20% (23% in 2014/15) as follows:

2014/15 £000	Deferred Taxation	2015/16 £000
1,154	Accelerated capital allowances	1,580
(481)	Other timing differences	(723)
673	As at 31 March	857

21. Deferred grants

Following the elimination of inter-company transactions, the balance remaining on deferred grants of £24.004 million (2014/15 £24.584 million) represents external funding in support of capital projects.

22. Deferred income

Deferred income of £3.186 million (2014/15 £5.394 million) largely represents payments received by SEC Ltd 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 2015 £000 (Restated)	Net movement 2015/16 £000	Balance at 31 March 2016 £000
Culture and Sport Glasgow	6,202	(1,139)	5,063
Jobs & Business Glasgow	21,442	(3,417)	18,025
Sundry Trusts - charitable element	7,779	(568)	7,211
Total	35,423	(5,124)	30,299

❖ Annual Governance Statement

Scope of responsibility

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, and used economically, efficiently and effectively. The council has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the council's Corporate Management Team is responsible for putting in place proper arrangements (known as the governance framework) for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The council has established various subsidiaries and associates to deliver services more effectively and has established an Extended Corporate Management Team which considers matters of common interest.

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

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

The Code evidences the council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. The Code is regularly reviewed and updated.

The council also has put in place a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled. Through the framework it is accountable to, engages with and leads the community. It enables the council to monitor the achievement of the strategic objectives set out in the Council Strategic Plan and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The governance framework continually will be updated to reflect best practice, new legislative requirements and the expectations of stakeholders.

The council has responsibility for ensuring the continuing effectiveness of its governance framework and system of internal control. The review of effectiveness is informed by the work of the members of the Corporate Management Team, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Inspection's annual report; and by observations made by the external auditors and other review agencies and inspectorates.

The governance framework

The main features of the governance arrangements are described in the Local Code of Corporate Governance and are summarised below.

The Council's 2012-2017 Strategic Plan was refreshed during 2015. The priority areas for 2015-2017 are:

- Economic growth;
- A vibrant city,
- A sustainable city,
- A city that looks after its vulnerable people, and
- A learning city.

The Strategic Plan also sets out the Council's commitment to making best use of its resources. This priority reflects the challenges ahead and the need for the Council to remain focussed on:

- the budget strategy;
- transformation of services and their delivery; and
- making best use of the workforce and assets in order to deliver the Council's plans.

The Council's refreshed Strategic Plan is available on the Council's website at:

<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=30229&p=0>

The Council's Transformation Programme was launched during 2015/16 and will support the Council's vision - a world class city, focused on economic growth and tackling poverty and inequality. The programme sets out how the Council will change ways of working across the Council family to deliver efficiencies, make best use of resources with a preventative approach, and to transform how services are delivered. The programme will be delivered under three themes:

- Transforming the Council Family – identifying more efficient ways of working, reducing duplication and spending, and generating income;
- Transforming the City - developing new ways of delivering services and outcomes for benefit of the city. This will involve working with citizens, communities and partners by looking at innovative ways of using council and city assets to deliver better outcomes;
- Council Family Review - delivering a business operating model which is fit for purpose, focused, agile and responsive, in the context of the financial challenges faced, legislative changes and the Council's priorities

The monitoring of the plan and its programme is overseen by the Executive and Policy and Scrutiny Committees. The Transforming Glasgow Executive Board and the Extended Corporate Management Team have overall responsibility for the programme, providing sponsorship and strategic direction. The enablers and governance for the programme also include strategic boards and work stream leads and sponsors.

The Council Strategic Plan informs and reflects the Single Outcome Agreement (SOA) which details how the council will discharge its obligation to work with other 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.

The Corporate Performance Management Framework sets out how the council reports progress and performance to elected members and the public on the delivery of the SOA and Council Strategic Plan, service performance and benchmarking and citizens' views on services. A copy of the framework can be found on the council's website at:

<http://www.glasgow.gov.uk/councillorsandcommittees/viewDoc.asp?c=P62AFQNTDXDNDXDX>

In 2015/16, the Council facilitated policy and decision making through a committee structure which was agreed in June 2010 (updated in May 2012) and included an Executive Committee, two Scrutiny Committees and five Policy Development Committees.

The Executive Committee has responsibility for discharging all of the council's functions, except those reserved to the council and those matters specifically delegated to statutory committees. The scrutiny committees are responsible for holding Services and subsidiaries and relevant associates to account. The Policy Development Committees have a policy-making role.

The council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures, and the updating of those already in existence. The Scheme of Delegated Functions sets out delegations made to committees, 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.

The document, Financial Management and Control: A Code of Practice is an integral part of the stewardship of council funds. Adhering to this Code helps ensure that all financial transactions of the council are conducted in a manner which demonstrates openness, integrity and transparency. The Code was updated, revised and approved by the first meeting of the new council on 17 May 2012.

Since 2004, financial management and reporting has been undertaken through the SAP software package which provides ledger, accounts payable, accounts receivable and banking services.

A risk management strategy was introduced some years ago and is regularly updated. The approach to risk management is well embedded, with a Corporate Risk Register, supported by Service Risk Registers and a risk register specifically dealing with the risks associated with the ongoing risks of providing services through subsidiaries and relevant associates. Regular reports are provided to the Finance and Audit Scrutiny Committee, which detail the six monthly reviews of the Corporate Risk Register. The council's Service Business Continuity Strategy continues to develop.

A publicised whistleblowing policy is in place. The policy was revised in 2013/14 and 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>

A Complaints Handling Procedure which monitors formal contact with members of the public was updated in 2012/13. It is available on the council's website at:

<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=33402&p=0>

The council operates a Code of Conduct for employees, and elected members adhere to the nationally prescribed councillors' Code of Conduct. During 2015/16 there were no complaints raised that the Commissioner deemed to breach the Code of Conduct.

The integrated Budget and Service Planning process continues to play a pivotal role in identifying and delivering improvement and efficiency throughout the council.

Standing Orders relating to contracts are in place and are regularly reviewed.

The council conducts a household survey once a year of over 1,000 citizens to establish views on matters ranging from service delivery through to the development of strategy. We provide a dedicated web page to co-ordinate consultation with residents and businesses which can be found on the council's website at:

<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=30652&p=0>

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.

CIPFA has issued statements on the role of chief financial officers in local government and the role of the head of internal audit in public sector organisations. Both officers fulfil the principles set out in these statements.

Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions. In particular Internal Audit is required to comply 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).

Review of effectiveness

The remits of both the Operational Delivery Scrutiny Committee and the Finance and Audit Scrutiny Committee are available on the council's website. Included in the Finance and Audit Scrutiny Committee remit is responsibility for monitoring internal financial control, corporate risk management and corporate governance, and receiving and considering summaries of internal and external audit reports, which relate to any issue falling within the remit of the committee. The remit of the Operational Delivery Scrutiny Committee includes scrutinising the performance of subsidiaries and relevant associates, including financial management, statutory and other performance targets, and outcomes set through the SOA, which are relevant to partnership working.

The review of the governance framework is conducted on an annual basis by means of a self assessment questionnaire issued to Service Executive Directors and Managing Directors or Chief Executives of subsidiaries and relevant associates by Internal Audit. The self assessment questionnaire includes the principles contained in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government, and requires Executive Directors (of Services) and Managing Directors (of subsidiaries and relevant associates) to determine the extent to which their Service/organisation complies with each principle. The responses to the questionnaires are confirmed on a sample basis by Internal Audit, as part of a rolling programme. All Executive Directors (of Services) and Managing Directors (of subsidiaries and relevant associates) have signed a statement of internal control 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 2015/16, as it is my opinion that the procedures which have been designed to ensure proper governance and financial control are operating adequately”.

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.

The Finance and Audit Scrutiny Committee considered the effectiveness of the system of internal control and Internal Audit at their meeting on 10 May 2016.

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal assent in April 2014. It established the framework for the integration of health and social care in Scotland. During 2015/16 the Council has worked with partners in NHS Greater Glasgow and Clyde Health Board (NHSGGC) to create a shadow Integrated Joint Board and develop an Integration Scheme, which has now been approved by the Council, Health Board and Cabinet Secretary. The Integrated Joint Board was formally established on 6 February 2016 and the delegation of functions formally took effect from 1 April 2016. Internal Audit reported on financial assurance and governance to the Council's Finance and Audit Scrutiny Committee on 13 January 2016.

Update on significant governance issues previously reported

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. A detailed follow up review of the planned management action was undertaken by Internal Audit during 2014/15 and again during 2015/16. Whilst the original recommendations have now been implemented, Internal Audit has noted that the Council has to complete the programme of management surveys and any necessary capital works.

The 2014/15 Annual Governance Statement reported that procurement procedures had not been adhered to in relation to plant hire procurement in Land and Environmental Services, and that there was insufficient audit evidence that the arrangement represented Best Value. Progress has been made in implementing Internal Audit's recommendations. There is one ongoing action, which is now being addressed through the Transformation programme, to review the Council's internal procurement processes when contracting with Council ALEOs.

The 2014/15 Annual Governance Statement also reported concerns relating to a review of European funded grant claims. Since then, Internal Audit has completed a detailed investigation into areas of non-compliance with European funding grant terms and conditions, and associated systems and controls. The investigation focussed on six grant claims by Jobs and Business Glasgow, which were found to include significant amounts of ineligible expenditure. This resulted in the Council decommitting £4.8 million of European grants. The levels of non-compliance have resulted in a significant adverse financial and reputational impact on the Council Group. Details of the Internal Audit investigation have been passed to Police Scotland. A number of recommendations were made by Internal Audit to prevent inaccurate grant claims being submitted in future. Detailed follow up work will be undertaken by Internal Audit during 2016/17. The Scottish Government has requested additional information on other claims relating to historic projects inherited by Jobs and Business Glasgow following the merger of its predecessor local regeneration agencies. Any further areas of non-compliance identified would result in potential additional liabilities for Jobs and Business Glasgow.

Significant governance issues

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.

On 15 December 2015 an incident involving the air handling unit and fire suppression system occurred in the Council's primary data centre. The incident caused significant disruption to the Council's ICT systems. Whilst key business operations were able to continue, such as payments processing and access to social care information, the incident caused significant disruption across the Council group. The Council continues to investigate the incident and conduct lessons-learned reviews. An Internal Audit into Disaster Recovery and Business Continuity controls concluded that the control environment was unsatisfactory and has identified a number of improvement actions for the Council and its ICT partner Access.

An Internal Audit of the arrangements for managing school funds in primary and Additional Support for Learning schools concluded that the control environment was unsatisfactory. The funds do not belong to the Council but relate to funds received towards school trips, events and fundraising. However, the Council has a duty to hold and manage these funds securely. It was found that there are significant levels of non-compliance with the expected systems of internal control. The Council plans to address the matters identified through a number of short and medium term actions across all Education establishments.

Internal Audit's findings in relation to Disaster Recovery and Business Continuity controls, and the investigation into European Funding, were subject to robust scrutiny and questioning by the Council's Finance and Audit Scrutiny Committee on 10 May 2016:

<http://www.glasgow.gov.uk/councillorsandcommittees/Agenda.asp?meetingid=14562>

The Internal Audit report on management of school funds was similarly scrutinised by the Finance and Audit Scrutiny committee on 6 April 2016:

<http://www.glasgow.gov.uk/councillorsandcommittees/Agenda.asp?meetingid=14560>

All recommendations made have been accepted by the Council and progress will be monitored closely by Internal Audit with follow up audits reported to Committee.

Information Management

In June 2012 Glasgow City Council was the subject of a consensual audit by officers from the Information Commissioner's Office (ICO). A number of areas in the Council were reviewed which related to the processing of personal data, and as a result of the audit, a number of recommendations were made for improving these processes. Subsequently, the Council has made significant improvements in its handling of personal and sensitive data.

Of the 30 recommendations made by the ICO, 16 have been completed and the remaining 14 are partially complete. Areas that are ongoing mainly relate to the further development of the Electronic Document and Records Management System and the Records Retention and Disposal Schedule.

Data security and records management has a high profile within the Council and attracts significant attention from senior management to ensure that the recommendations contained within the ICO report are being addressed. 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 by services and ALEOs.

There have been two reports made by the Council to the ICO in relation to information security breaches in 2015/16. The ICO has not taken any further action in relation to these reported matters.

Other significant work undertaken in the year

The Council's Internal Audit section carried out an investigation into an alleged misappropriation of Non-Domestic Rates income by a member of staff. Details of the investigation have been passed to Police Scotland and a number of improvements to the control environment were identified for management to action.

Internal Audit Opinion

Based on the audit work undertaken, the assurances provided by Executive Directors (of Services) and Managing Directors (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 control environment which operated during 2015/16 in the council and its subsidiaries and relevant associates.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance that operate in Glasgow City Council and its subsidiaries and relevant associates and that these arrangements were in place for the whole of 2015/16. The self assessments, the statements of internal control signed by Executive Directors (of Services) 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.

Councillor Frank McAveety

Annemarie O'Donnell

Leader of the Administration

Chief Executive

29 September 2016

29 September 2016

Remuneration report for the year ended 31 March 2016

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 2015/16, the maximum salary for the Leader of the Council is £50,180. 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 2015/16, the maximum salary for the Civic Head is £37,635.

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 Health Partnership area representatives. In 2015/16 the council had no more than 24 senior councillors at any one time and the total additional senior councillor salary paid to these councillors did not exceed £652,332. The table at 4.1 shows the total remuneration paid to any councillors that held a senior council post at any point in 2015/16. Since the total remuneration paid includes basic councillor salaries for any periods during 2015/16 where councillors were not senior councillors, the total shown in table 4.1 exceeds £652,332.

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's Executive Committee approved a Corporate Member Scheme of Delegations report on 1 May 2009. This report grants 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 any subsidiary councillors.

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.

Councillor Frank McAveety

Annemarie O'Donnell

Leader of the Administration

Chief Executive

29 September 2016

29 September 2016

4. Remuneration

4.1. Remuneration of senior councillors

2014/15 Total remuneration £	Remuneration of senior councillors (includes the basic councillor salary of £16,726)	Date from	Date to	Year ended 31 March 2016 Total remuneration £
23,790	Frank McAveety Convenor Sustainability and the Environment Policy Development Committee Leader of the Council	April 2015	Sept 2015	37,675
49,536	Gordon Matheson Leader of the Council	April 2015	Sept 2015	32,156
37,151	Sadie Docherty Lord Provost	April 2015	March 2016	37,522
37,151	Archibald Graham Depute Leader of Council and Executive Member for Commonwealth Games	April 2015	March 2016	37,522
27,862	Gerald Leonard Depute Lord Provost	April 2015	March 2016	28,139
23,552	Susan Aitken Leader of Opposition	April 2015	March 2016	24,027
23,790	Bill Butler Convenor of Licensing Board	April 2015	March 2016	24,027
23,790	Soryia Siddique Convenor Children and Families Policy Development Committee Executive Member for Citizens and Communities	April 2015	Oct 2015	27,153
23,790	Paul Carey Convenor Regeneration and the Economy Policy Development Committee Convenor of Sustainability and the Environment Policy Development Committee	April 2015	Oct 2015	24,027
31,722	Paul Rooney City Treasurer	April 2015	Jan 2016	29,589
-	Philip Braat Convenor of Regeneration and the Economic Policy Development Committee City Treasurer	Oct 2015	Jan 2016	20,821
31,722	Elizabeth Cameron Executive Member for Economic Development Executive Member for Children, Young People and Lifelong Learning	April 2015	Oct 2015	32,037
31,722	Stephen Curran Executive Member for Education and Young People Area Lead- Communities (South)	April 2015	Oct 2015	28,912
-	George Redmond Executive Member for Jobs, Business and Investment	Oct 2015	March 2016	22,670
20,691	Martin Rhodes Executive Member for Communities Executive Member for Personnel	April 2015	Oct 2015	32,037

2014/15 Total remuneration £	Remuneration of senior councillors (includes the basic councillor salary of £16,726)	Date from	Date to	Year ended 31 March 2016 Total remuneration £
31,722	Matthew Kerr Executive Member for Personnel Executive Member for Families, Health and Social Care	April 2015 Oct 2015	Oct 2015 March 2016	28,912
23,791	Frank Docherty Convenor Public Petitions and General Purposes Policy Development Committee Convenor of Licensing and Regulatory Committee	April 2015 Oct 2015	Oct 2015 March 2016	24,027
23,791	Marie Garrity Area Lead - Communities (North East)	April 2015	March 2016	24,027
32,722	James Adams Business Manager	April 2015	Oct 2015	26,043
23,791	Emma Gillan Area Lead - Communities (South) Convenor of Health and Social Care Policy Development Committee	April 2015 Oct 2015	Oct 2015 March 2016	24,027
23,791	Mohammed Razaq Convenor of Health and Social Care Policy Development Committee Area Lead – Communities (North West)	April 2015 Oct 2015	Oct 2015 March 2016	24,027
23,791	Jonathan Findlay Area Lead - Communities (North West)	April 2015	Oct 2015	21,159
23,791	David McDonald Convenor Operational Delivery Scrutiny Committee	April 2015	March 2016	24,027
23,791	Kenneth McLean Convenor Finance and Audit Scrutiny Committee	April 2015	March 2016	24,027
31,721	Alistair Watson Executive Member for Sustainability and Transport Business Manager	April 2015 Oct 2015	Oct 2015 March 2016	32,037
-	Elaine McDougall Executive Member for Transport, Environment and Sustainability	Oct 2015	March 2016	22,670
23,791	Malcolm Cunning Executive Member for Social Care Convenor of Children and Families Policy Development Committee	April 2015 Oct 2015	Oct 2015 March 2016	24,027
23,791	Christopher Kelly Convenor Licensing and Regulatory Committee	April 2015	Oct 2015	21,159
23,791	James Scanlon Chair of Planning Applications Committee	April 2015	March 2016	24,027
-	Hanif Raja Convenor of Public Petitions and General Purposes Policy Development Committee	Oct 2015	March 2016	19,544
-	Maureen Burke Convenor of Regeneration and the Economy Policy Development Committee	Jan 2016	March 2016	17,847
720,344	Total			819,901

Notes:

1. Payments only include salaries. There were no payments for bonuses, compensation for loss of office or taxable allowances / expenses. 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 2015/16, there were changes to the membership of the council's 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 Executive Committee.

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:

2014/15 £000	Remuneration	2015/16 £000
1,604	Salaries	1,610
11	Allowances	12
110	Expenses	100
1,725	Total	1,722

Note:

The annual return of councillors' salaries and expenses for 2015/16 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

2014/15 Total Remuneration £	Remuneration of senior employees	Salary, fees and allowances £	Year ended 31 March 2016			Total remuneration £
			Compensation for loss of office £	Election duties £		
166,335	Annemarie O'Donnell Chief Executive	162,961	0	17,933		180,894
78,704	Carole Forrest Acting Executive Director of Corporate Services	124,155	0	3,693		127,848
136,491	Lynn Brown Executive Director of Financial Services	135,318	0	2,400		137,718
129,653	Richard Brown Executive Director of Development and Regeneration Services	135,318	0	0		135,318
133,341	Maureen McKenna Executive Director of Education Services	135,318	0	0		135,318
133,341	Brian Devlin Executive Director of Land and Environmental Services	135,318	0	0		135,318
131,277	David Williams Executive Director of Social Care Services (from 1 April to 6 February 2016)	115,353	0	0		115,353
88,742	Colin Edgar (note 1) Head of Communication and Organisational Development (from 1 April to 17 February 2016)	78,358	0	1,360		79,718
70,225	Anne Connolly (note 1) Strategic Adviser to the Chief Executive	77,293	0	0		77,293
-	Susanne Millar Chief Social Work Officer (from 7 February 2016)	14,645 (FYE 99,261)	0	0		14,645
-	Chris Starrs (note 1) Public Relations Manager (from 18 February 2016)	6,695 (FYE 56,292)	0	0		6,695
1,068,109	Total	1,120,732	0	25,386		1,146,118

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

2014/15 Total Remuneration £	Remuneration of senior employees of subsidiaries	Year ended 31 March 2016						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 £	
209,590	Peter Duthie Chief Executive, SEC Ltd	168,300	24,269	18,154	0	0	0	210,723
163,279	Malcolm Close Operations Director, SEC Ltd	132,009	19,036	13,250	0	0	0	164,295
151,532	Billy McFadyen Corporate Services Director, SEC Ltd	124,031	17,548	13,205	0	0	0	154,784
162,825	John Langford Sales Director, SEC Ltd	131,611	18,978	13,105	0	0	0	163,694
148,519	Dr Graham Paterson Executive Director, City Building (Glasgow) LLP	137,053	0	5,005	0	0	4,300	146,358
133,864	Dr Bridget McConnell Chief Executive, Culture and Sport Glasgow T/A 'Glasgow Life'	135,173	0	0	0	0	0	135,173
131,955	David Melvin Managing Director, Cordia (Glasgow) LLP (from 1 April to 26 March 2016)	133,469	0	0	0	0	0	133,469
-	Andy Clark Director, Cordia (Glasgow) LLP (from 27 March 2016)	1,361 (FYE 98,241)	0	0	0	0	0	1,361
65,532	William Taggart Managing Director, City Parking (Glasgow) LLP	68,635	0	0	0	0	0	68,635
89,849	Pauline Barclay Managing Director, City Property (Glasgow) LLP	96,458	0	0	0	0	0	96,458
110,336	Scott Taylor Chief Executive, Glasgow City Marketing Bureau Ltd (from 1 April to 22 February 2016)	103,567	0	0	0	0	0	103,567
98,615	Calum Graham (note 1) Chief Executive, Jobs & Business Glasgow	97,935	0	4,094	0	0	0	102,029
1,465,896	Total	1,329,602	79,831	66,813	0	0	4,300	1,480,546

Notes:

1. With effect from 28 January 2016 the Chief Executive of Jobs & Business Glasgow has been subject to a precautionary suspension. A senior officer from within the council family has been appointed as interim Chief Executive at no additional remuneration.

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 2015/16					
<i>Total 2014/15</i>	£5,000 band	Teachers	Those receiving compensation for loss of office	Staff (excl teachers)	Total
241	50,000 - 54,999	183	0	87	270
196	55,000 - 59,999	72	0	122	194
28	60,000 - 64,999	7	1	14	22
18	65,000 - 69,999	4	0	12	16
25	70,000 - 74,999	10	0	23	33
6	75,000 - 79,999	4	0	5	9
8	80,000 - 84,999	1	0	4	5
17	85,000 - 89,999	3	0	19	22
1	90,000 - 94,999	0	0	1	1
5	95,000 - 99,999	0	0	6	6
0	100,000 - 104,999	0	0	1	1
1	105,000 - 109,999	0	0	0	0
1	110,000 - 114,999	0	0	0	0
0	115,000 - 119,999	0	0	1	1
0	120,000 - 124,999	0	0	0	0
1	125,000 - 129,999	0	0	1	1
3	130,000 - 134,999	0	0	0	0
1	135,000 - 139,999	0	0	4	4
0	140,000 - 144,999	0	0	0	0
0	145,000 - 149,999	0	0	0	0
0	150,000 - 154,999	0	0	0	0
0	155,000 - 159,999	0	0	0	0
0	160,000 - 164,999	0	0	0	0
1	165,000 - 169,999	0	0	0	0
0	170,000 - 174,999	0	0	0	0
1	175,000 - 179,999	0	0	0	0
0	180,000 - 184,999	0	0	1	1
554	Total	284	1	301	586

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.

2014/15		Exit packages bands			2015/16			
Number	Cash value £000	Notional CAY value £000	Total £000		Number	Cash value £000	Notional CAY value £000	Total £000
35	171	202	373	£1 - £20,000	7	46	0	46
9	66	160	226	£20,001-£40,000	2	69	0	69
2	100	0	100	£40,001-£60,000	2	64	36	100
0	0	0	0	£60,001-£80,000	0	0	0	0
0	0	0	0	£80,001-£100,000	4	230	137	367
0	0	0	0	£100,001-£150,000	3	268	111	379
1	124	47	171	£150,001-£200,000	0	0	0	0
47	461	409	870	Total	18	677	284	961

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 revalued actual 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 2014/15 and 2015/16 are as follows:

Whole time pay 2014/15 bandings	Employee contribution rate	Whole time pay 2015/16 bandings
On earnings up to and including £20,335	5.50%	On earnings up to and including £20,500
On earnings above £20,335 and up to £24,853	7.25%	On earnings above £20,500 and up to £25,000
On earnings above £24,853 and up to £34,096	8.50%	On earnings above £25,000 and up to £34,400
On earnings above £34,096 and up to £45,393	9.50%	On earnings above £34,400 and up to £45,800
On earnings above £45,393	12.00%	On earnings above £45,800

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 134 to 135, summarise the in-year employer contributions and the accrued benefits for all senior councillors and senior employees that held post at some point during 2015/16 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. As noted at 4.1, on pages 125 to 126, there were a number of changes to council committees and memberships during 2015/16, and 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 2015 £	For year to 31 March 2016 £		Difference from 31 March 2015 £000	As at 31 March 2016 £000
Frank McAveety	4,591	7,271	Pension	1	2
			Lump sum	0	0
Gordon Matheson	9,560	6,277	Pension	1	14
			Lump sum	1	26
Sadie Docherty	7,170	7,242	Pension	1	4
			Lump sum	0	2
Archibald Graham	7,170	7,242	Pension	1	4
			Lump sum	0	0
Gerald Leonard	5,377	5,431	Pension	0	3
			Lump sum	0	1
Paul Carey	4,591	4,637	Pension	1	3
			Lump sum	0	1
Paul Rooney	6,122	5,715	Pension	1	5
			Lump sum	0	3
Frank Docherty	4,591	4,637	Pension	0	3
			Lump sum	0	0
Marie Garrity	4,591	4,637	Pension	1	2
			Lump sum	0	0
James Adams	6,122	5,031	Pension	1	2
			Lump sum	0	0
David McDonald	4,591	4,637	Pension	1	3
			Lump sum	0	1
Mohammed Razaq	4,591	4,637	Pension	0	3
			Lump sum	-1	1
Malcolm Cunning	4,591	4,637	Pension	1	2
			Lump sum	0	0
Christopher Kelly	4,591	3,218	Pension	1	2
			Lump sum	0	0
James Scanlon	4,591	4,637	Pension	1	3
			Lump sum	0	0
Susan Aitken	4,545	4,637	Pension	0	1
			Lump sum	0	0
Martin Rhodes	3,993	6,183	Pension	1	2
			Lump sum	0	0
Philip Braat	3,186	4,015	Pension	0	2
			Lump Sum	0	0
Hanif Raja	3,186	3,770	Pension	0	1
			Lump Sum	0	0
Maureen Burke	3,186	3,442	Pension	0	1
			Lump Sum	0	0
Total	100,936	101,933	Pension	13	62
			Lump sum	0	35

5.2. Pension benefits of senior employees

Pension benefits of senior employees	In year pension contributions		Accrued pension benefits		
	For year to 31 March 2015 £	For year to 31 March 2016 £		Difference from 31 March 2015 £000	As at 31 March 2016 £000
Annemarie O'Donnell	27,554	31,451	Pension	3	57
			Lump sum	-2	111
Lynn Brown	25,735	26,116	Pension	4	54
			Lump sum	1	112
Carole Forrest	20,511	23,962	Pension	8	40
			Lump Sum	11	74
Richard Brown	25,023	26,116	Pension	5	52
			Lump sum	5	107
Maureen McKenna	25,735	26,116	Pension	4	70
			Lump sum	3	162
Brian Devlin	25,735	26,116	Pension	4	57
			Lump sum	2	140
David Williams	25,337	26,116	Pension	3	16
			Lump sum	0	0
Colin Edgar	16,886	17,136	Pension	2	15
			Lump sum	0	12
Anne Connolly	13,553	14,917	Pension	4	32
			Lump sum	6	68
Susanne Millar	18,007	19,157	Pension	4	28
			Lump Sum	3	48
Chris Starrs	10,836	10,997	Pension	1	10
			Lump Sum	0	10
Total	234,912	248,200	Pension	42	431
			Lump sum	29	844

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 2015 £	For year to 31 March 2016 £		Difference from 31 March 2015 £000	As at 31 March 2016 £000
Peter Duthie (note 1) Chief Executive, SEC Ltd	24,750	25,245	Pension	n/a	n/a
			Lump sum	n/a	n/a
Malcolm Close (note 1) Operations Director, SEC Ltd	19,413	19,801	Pension	n/a	n/a
			Lumps sum	n/a	n/a
John Langford (note 1) Sales Director, SEC Ltd	14,193	14,447	Pension	n/a	n/a
			Lump sum	n/a	n/a
Billy McFadyen (note 1) Corporate Services Director, SEC Ltd	14,337	14,603	Pension	n/a	n/a
			Lump sum	n/a	n/a
Dr Graham Paterson Executive Director, City Building (Glasgow) LLP	27,624	26,522	Pension	0	62
			Lump sum	-6	137
Dr Bridget McConnell Chief Executive, Culture and Sport Glasgow T/A 'Glasgow Life'	23,025	23,250	Pension	3	58
			Lump sum	1	125
David Melvin Managing Director, Cordia (Glasgow) LLP	25,467	26,116	Pension	-2	50
			Lump sum	79	196
Andy Clark Director, Cordia (Glasgow) LLP	18,942	19,223	Pension	2	29
			Lump Sum	1	51
William Taggart Managing Director, City Parking (Glasgow) LLP	13,088	13,384	Pension	5	32
			Lump sum	8	70
Pauline Barclay Managing Director, City Property (Glasgow) LLP	17,341	18,616	Pension	4	22
			Lump sum	2	30
Scott Taylor Chief Executive, Glasgow City Marketing Bureau Ltd	21,295	20,326	Pension	11	39
			Lump sum	2	54
Calum Graham Chief Executive, Jobs & Business Glasgow	18,045	18,721	Pension	2	7
			Lump Sum	0	0
Total	237,520	240,254	Pension	25	299
			Lump Sum	87	663

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 SEC Ltd employees who are all members of a group stakeholder scheme with SEC Ltd. This is a defined contribution scheme and so accrued pension benefits information is not applicable.

❖ Independent Auditor’s Report

Independent auditor’s report to the members of Glasgow City Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Glasgow City Council and its group for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the authority-only Council Tax Income Account, and the Non-Domestic Rates Income Account, Common Good Fund and Sundry Trusts and Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Executive Director of Financial Services and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director of Financial Services is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Financial Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and

- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Gillian Woolman MA FCA CPFA

Assistant Director

Audit Scotland

102 West Port

EDINBURGH

EH3 9DN

30 September 2016

❖ **The Scottish Public Services Ombudsman**

If you have gone through the council's complaints process and are still unhappy, you have the right to take your complaint to the Scottish Ombudsman, 4, Melville Street, Edinburgh EH3 7NS. Tel: 0800 377 7330.

Generally, if you want to do this, you must contact the Ombudsman within one year.