
GLASGOW CITY COUNCIL

ANNUAL ACCOUNTS

For the year ended 31 March 2017

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❖ Management Commentary

Introduction

Glasgow City Council is the main provider of services to the city's 606,340 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.

The city's famous Kelvin Hall reopened after a multi-million pound refurbishment; reinvented as one of the UK's biggest museums and research centres and a new home for many pieces from Glasgow's collection. Glasgow also continued to host major cultural and sporting events – including the 6 Music Festival and the inspirational Homeless World Cup, with more than 80,000 spectators taking in the action in the heart of the city centre, at George Square. Culture and sport were also put at the heart of the city's new Tourism and Visitor Plan – which showcases Glasgow as the 'Gateway to Scotland'. Meanwhile, planning for the first multi-sport European Championships moved on apace, with around 250,000 spectators expected to see 3,000 athletes compete in six sports over 11 days in summer 2018.

This publication represents the Annual Accounts of both Glasgow City Council (the council) and its group for the year ended 31 March 2017, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code). The Code is based on International Financial Reporting Standards (IFRS), with interpretation appropriate to the public sector.

Strategic objectives

The final Annual Performance Report for the council's Strategic Plan 2012 to 2017 will be published by September 2017. This identifies 6 key objectives, the priorities for each of these themes and the process through which progress is measured. The council's strategic priorities as set out in the council Strategic Plan 2012 to 2017 are economic growth, a vibrant city, a sustainable city, a city that looks after its vulnerable people, a learning city and a city that makes best use of resources.

Following the local government elections in May 2017, a new Council Plan will be produced. It is anticipated that this will be available by autumn 2017.

Performance management

The Council Family's Corporate Performance Management Arrangements were reviewed early 2017 and the review reported to the Extended Corporate Management Team (ECMT) in April 2017. Following this, the Council's existing Corporate Performance Management Framework will be reviewed and updated to support reporting requirements for the new Council Plan.

The council's approach to reporting on performance at both a corporate and 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 City Administration Committee, the Operational Performance and Delivery Scrutiny Committee (OPDSC), the FASC and the ECMT. Information is also provided to other committees and to the public, as part of our Public Performance Reporting arrangements.

A number of reports form the core of the framework including the council's Strategic Plan and the Annual Performance Report, Annual Service Plan and Improvement Reports (ASPIRs), the Single Outcome Agreement (SOA) and SOA Annual Report, Equality Outcomes, Equality Monitoring reports and Local Government Benchmarking Framework Indicators and activity.

Our performance information is hosted on a performance page on our website. Performance reporting to council committees also incorporates thematic scrutiny reporting, as well as operational performance reporting. The Corporate Performance Management Framework also includes financial reports, human resources reports, Service Reform Programme reports, risk registers and Annual Household Survey reports.

The annual performance against the council's Strategic Plan 2012 to 2017 is incorporated with the council's Annual Performance Report. The latest report was approved by the Executive Committee on 31 August 2017 and was 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	0
Vibrant City	17 (100%)	0	0	0
Sustainable City	24 (96%)	1	0	0
Vulnerable People	40 (91%)	1	0	0
Learning City	17 (100%)	0	0	0
Total	122 (96%)	2	0	0

The table above details the position on 124 of the 127 actions under the five strategic themes. The three commitments not included, whilst being progressed would require additional powers to achieve so have not been included.

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

Key Achievements this year include:

- Attaining the target to facilitate the building of 3,500 new homes across the city by March 2017
- Delivering the initial phase of the £1.13 billion City Deal for Glasgow.
- Phase 1 of the Kelvin hall opened in August 2016 and has been visited by more than 250,000 visitors.
- The scheduled closure of the Burrell museum was successfully completed in October 2016 in preparation for the planned refurbishment programme.
- The Glasgow Tourism and Visitor plan 2023 was launched in November 2016.

- The Poverty leadership panel (PLP) and financial inclusion Partnership implemented a number of initiatives including the “Wee Glasgow Loan”, increasing school clothing grants and using council data to automate the award of school clothing grants to all eligible citizens.
- Educational attainment continued to increase and is at an all time high.
- More pupils are staying on at school at S4 and S5 and school leavers are achieving positive destinations are at an all time high.

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 30 September 2016 was considered by FASC on 16 November 2016.

The top risks identified within that report were:

Theme	Risk	Mitigation
Economic growth	Brexit may reduce European Union trade, funding and investment in Glasgow	Production of Brexit and Glasgow Economy report outlining the impacts, actions and asks of the UK and Scottish Governments
Vulnerable people	Welfare reform (B) – Increase in deprivation for the most vulnerable citizens	Improved communication and training across all sectors and the ongoing review and assessment of implementation timetable.
	Poverty and inequality	Development of Glasgow Economic Commission and Joint Economic to address inequality.
Making best use of resources	Catastrophic service / ICT outage	Business Continuity Plans are in place across the organisation to ensure resilience of critical functions
	Budget provision	Established budgetary management and control framework and ongoing review of financial position.

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 2016-17 the Council managed its net expenditure within its overall budget. During the year overspends were reported within Education Services relating to teacher and support staff costs associated with increasing school rolls, Development and Regeneration Services due to lower than anticipated building control income from applications, Financial Services due to increasing demands on the Scottish Welfare Fund and in Land and Environmental Services due to a shortfall in commercial refuse collection income. The total of these overspends was more than offset by lower than anticipated Council Tax Reduction Scheme payments. During the year the financial position of each service was closely monitored and corrective action was identified by Executive Directors to contain net expenditure within approved budgets as far as possible. This

process was supported by the completion of probable outturns at various stages during the year. In light of this process, services are reporting a net underspend of £2.813 million (0.21%) against budget.

A key element of the Council's budget strategy was its transformation programme which incorporated initiatives amounting to £57.503 million within the 2016-17 budget. The programme was regularly monitored during the year and achieved savings of £54.642 million (95%) of this target.

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

The financial outturn for the IJB reflects a gross surplus of £19.309 million. This sum will be applied within the IJB accounts to support expenditure commitments in 2017-18 and contribute to the general reserves of the IJB. In line with proper accounting practice this underspend is reflected within the Council's accounts as a prepayment of income from the IJB and has no net impact on the council's overall financial position.

The principal sources of finance utilised by the council in 2016/17 were General Revenue Grant £851.404 million provided by the Scottish Government, Non-Domestic Rate Income £374.865 million provided by the Scottish Government and Council Tax £189.732 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.

The BRIS (Business Rates Incentivisation Scheme) provides for local authorities to retain an element of non-domestic rates over a prescribed threshold where rateable values have increased over a prescribed limit. The Scottish Government has now confirmed that, in respect of 2015-16, the Council will retain an additional £1.514 million non-domestic rates associated with BRIS. Entitlement to additional non-domestic rates through BRIS is reviewed annually by the Scottish Government with the position in respect of 2016-17 unlikely to be confirmed until later in 2017-18. It is therefore not considered prudent to account for any further potential impact until the Scottish Government has confirmed its position.

In year collection levels for Council Tax have increased to 94.92% (2015/16 94.75%). The actual value of Council Tax income received was £189.732 million, £0.829 million more than budgeted (2015/16 £0.192 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 £2.116 million and the Transport Trading Operation reported a surplus of £0.371 million. This represents £0.752 million more and £0.683 million less 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 11 on page 42 summarises the performance of the Trading Operations.

Surpluses received from related companies amounted to £10.142 million, some £2.128 million less than budgeted. This is mainly as a result of delayed transformation savings within Cordia.

Financing costs (see note 1.11 on page 21) associated with the council's debt portfolio were underspent by £17.781 million. This reflects the application of capital receipts from asset sales (£12.401 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 4.39%. Further details can be found in note 28 on pages 62 to 66. The application of asset sales in the year allowed for resources to be contributed to the Culture and Recreational Fund (£9.701 million) and Capital Fund (£2.700 million) to meet current and future commitments.

The Comprehensive Income and Expenditure Statement records an accounting deficit of £330.499 million, represented by a movement in Unusable Reserves of £328.105 million and Usable Reserves of £2.394 million (as shown in the Movement in Reserves Statement and detailed in note 5, page 32 to 36). The Financial Statements show a decrease in the General Fund Reserve balance of £2.304 million for the year. This results in a total General Fund Reserve balance of £59.232 million. Having accounted for earmarked reserves of £26.688 million, General Fund unearmarked reserves total £32.544 million, which represents 2.2% of the net budgeted expenditure. As part of the 2017-18 budget the council approved a use of general fund balances of £7.300 million, this would reduce the level of unearmarked reserves to £25.244 million (1.7% of net expenditure) at 31 March 2018. The council's policy remains to maintain balances at 2% of the net budgeted expenditure over the medium term. This year for the first time the annual accounts include an Expenditure and Funding Analysis. This statement reconciles how annual expenditure and income is used and managed by the council in contrast to how expenditure and income is consumed in line with proper accounting practice. The statement identifies adjustments of £58.371 million and supports the total general fund balances of £59.232 million.

- **Assets and liabilities**

The council's Balance Sheet shows Net Assets of £1,200.831 million as at 31 March 2017 (£1,531.330 million at 31 March 2016).

Long-term assets amount to £4,622.891 million (2015/16, £4,512.042 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. The Outlook section on page 9 notes that the council has received two Court of Session decisions with regard to equal pay since 31 March 2017, these decisions have been included in note 31 on page 67. Council Tax debtors of £14.997 million (2015/16 £15.652 million) have been written off in accordance with the council's policy of writing off such debt more than five years old from the Balance Sheet. In addition, sundry debtors over two years old totalling £3.579 million (2015/16 £4.771 million) have been written off in the year in accordance with the council's accounting policy. In both cases these debts were fully provided for in previous years and the council continues to pursue collection.

The council's total debt outstanding amounts to £1,683.997 million (2015/16 £1,612.436 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 2016/17 actuarial report shows a £448 million increase in the net pension liability, which is £1,632 million as at 31 March 2017.

- **Capital investment expenditure and income**

The council's Capital Expenditure and Income Statement is detailed in note 18.7 on page 54. Gross Capital Expenditure for the year totalled £217.798 million. The major elements of expenditure are 4R's for Glasgow, which represents further investment in the primary school estate £58.129 million, City Deal - Sighthill Regeneration £17.418 million, Roads Infrastructure Investment £13.239 million and Scottish Futures Trust School Building Programme £12.181 million.

Of the total expenditure, £135.699 million was met from finance leasing, revenue contributions, government grants and other receipts. This resulted in a balance of £82.099 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 2017 was £7.997 million (see note 7 on page 39). Capital receipts from asset sales achieved during the year totalled £12.401 million.

- **Prudential indicators**

The Capital Financing Requirement (CFR) defines the underlying need to borrow for capital purposes. As at 31 March 2017, the CFR was £1,827 million, while net external borrowing stood £164 million lower at £1,663 million. This is a measure of prudence, demonstrating that borrowing has only been undertaken for capital investment purposes and to meet short-term cash flow requirements. It is also reflective of the council's Treasury Management Strategy, where it has been deemed prudent to make use of internal funds held for longer-term purposes, to minimise exposure to investment risk.

The Ratio of Financing Costs to Net Revenue Stream provides an indication of affordability of capital investment. As at 31 March 2017, the ratio of financing costs to net revenue stream was 12.48%. 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 £1,210.905 million as at 31 March 2017 (£1,578.357 million at 31 March 2016 restated).

The 2016/17 Annual Accounts show an overall group pension liability of £1,798.083 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. On 15 June 2017 the council's Executive Committee noted a report on the Financial Framework for 2018-2023. This report anticipated that spending gaps at least to the level of those experienced in the last five years (£220 million) are to be expected over the period of 2018-2023. The council will review this position again as part of the development of its new strategic plan and a three year financial forecast will be produced later in the summer of 2017.

On 30 May 2017 the council received the judgement of the Court of Session in relation to the council's pay protection arrangements. The council recognises its obligations following this judgement and is committed to approaching negotiations with the staff affected constructively. The financial implications of these negotiations cannot at this time be quantified but will require the level of reserves to be reassessed in light of any future agreements.

On 18 August 2017 the council received the judgement of the Court of Session in relation to the ongoing employment tribunal case about equal pay. The court was considering whether the council's pay and grading scheme is valid, in terms of the law relating to equal pay. While the court did not find that the scheme is discriminatory, it did find that the council had not provided enough evidence to positively establish that it was valid, overturning previous rulings from the Employment Tribunal and the Employment Appeals Tribunal and referred a number of current equal pay claims back to the Employment Tribunal for consideration. The Council is currently considering its position in relation to this judgement and has applied for leave to appeal to the Supreme Court.

Councillor Susan Aitken
Leader of the Administration
28 September 2017

Annemarie O'Donnell
Chief Executive
28 September 2017

Morag Johnston CPFA
Acting Executive Director of
Financial Services
28 September 2017

Further information on the Annual Accounts, or on any aspect of the council's finances, can be obtained from the Acting 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 City Administration Committee at its meeting on 28 September 2017.

Councillor Susan Aitken
Leader of the Administration
28 September 2017

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 2017 and the transactions for the year then ended.

Morag Johnston CPFA
Acting Executive Director of Financial Services
28 September 2017

❖ The Financial Statements

A summary of the main financial statements is provided below.

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

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

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

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

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

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

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

Statement	Information provided
Council Tax Income Account	Council Tax collectable by the council and the basis on which it is levied. 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, associates and joint boards. The Group Financial Statements comprise the same primary statements as the council: Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

Expenditure and Funding Analysis for the Year ended 31 March 2017

2015/16 Expenditure Chargeable to the General Fund £000	2015/16 Adjustments between the Funding and Accounting basis £000	2015/16 Net Expenditure in the CIES £000	Service	2016/17 Expenditure Chargeable to the General Fund £000	2016/17 Adjustments between the Funding and Accounting basis £000	2016/17 Net Expenditure in the CIES £000
118,606	11,527	130,133	Chief Executive's Office	50,865	13,406	64,271
19,452	51,035	70,487	Development and Regeneration Services	22,467	46,061	68,528
471,572	12,762	484,334	Education Services	475,642	71,942	547,584
86,075	(61,244)	24,831	Financial Services	129,887	(56,998)	72,889
110,156	46,420	156,576	Land and Environmental Services	109,924	28,942	138,866
393,836	22,202	416,038	Social Work Services	395,326	7,125	402,451
142,814	3,521	146,335	Related Companies and Joint Boards	146,239	3,205	149,444
1,342,511	86,223	1,428,734	Cost of Services	1,330,350	113,683	1,444,033
(1,373,475)	(51,579)	(1,425,054)	Other (Income) and Expenditure	(1,328,258)	(55,312)	(1,383,570)
(30,964)	34,644	3,680	(Surplus) or Deficit on the Provision of Services	2,092	58,371	60,463
		39,613	Opening General Fund Balance			61,536
		30,964	Surplus/(Deficit) on General Fund in Year			(2,092)
		(9,041)	Transfers (to)/from Other Statutory Reserves			(212)
		61,536	Closing General Fund Balance			59,232

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

2015/16 Adjustments for Capital Purposes £000	2015/16 Net Change for the Pensions Adjustments £000	2015/16 Other Differences £000	2015/16 Total Adjustments £000	Service	2016/17 Adjustments for Capital Purposes £000	2016/17 Net Change for the Pensions Adjustments £000	2016/17 Other Differences £000	2016/17 Total Adjustments £000
9,012	3,961	(1,446)	11,527	Chief Executive's Office	12,897	(466)	975	13,406
52,233	(2,100)	902	51,035	Development and Regeneration Services	49,343	(2,710)	(572)	46,061
17,134	(2,228)	(2,144)	12,762	Education Services	76,148	(4,335)	129	71,942
170	451	(61,865)	(61,244)	Financial Services	411	2,273	(59,682)	(56,998)
44,067	3,746	(1,393)	46,420	Land and Environmental Services	28,149	1,850	(1,057)	28,942
14,722	7,621	(141)	22,202	Social Work Services	2,830	3,873	422	7,125
(387)	449	3,459	3,521	Related Companies and Joint Boards	(35)	193	3,047	3,205
136,951	11,900	(62,628)	86,223	Cost of Services	169,743	678	(56,738)	113,683
(160,850)	49,100	60,171	(51,579)	Other (Income) and Expenditure	(154,392)	41,322	57,758	(55,312)
(23,899)	61,000	(2,457)	34,644	(Surplus) or Deficit on the Provision of Services	15,351	42,000	1,020	58,371

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2017

2015/16 Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000	Service	Note	2016/17 Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000
139,022	(8,889)	130,133	Chief Executive's Office		76,817	(12,546)	64,271
184,045	(113,558)	70,487	Development and Regeneration Services		183,642	(115,114)	68,528
510,744	(26,410)	484,334	Education Services		578,413	(30,829)	547,584
380,616	(355,785)	24,831	Financial Services		422,783	(349,894)	72,889
203,490	(46,914)	156,576	Land and Environmental Services		187,895	(49,029)	138,866
607,318	(191,280)	416,038	Social Work Services		1,006,783	(604,332)	402,451
179,198	(32,863)	146,335	Related Companies and Joint Boards		178,722	(29,278)	149,444
2,204,433	(775,699)	1,428,734	Cost of Services		2,635,055	(1,191,022)	1,444,033
0	(4,282)	(4,282)	(Gain) or loss on the disposal of Property, Plant and Equipment		0	(2,980)	(2,980)
0	(4,282)	(4,282)	Other Operating (Income) and Expenditure		0	(2,980)	(2,980)
3,253	(5,163)	(1,910)	(Surplus) or deficit on Trading Operations (where not included elsewhere)		2,647	(5,120)	(2,473)
97,151	0	97,151	Interest payable		91,761	0	91,761
0	(6,266)	(6,266)	Interest and investment income		0	(6,383)	(6,383)
49,000	0	49,000	Net interest on the net defined benefit liability	12	42,000	0	42,000
149,404	(11,429)	137,975	Financing and Investment (Income) and Expenditure		136,408	(11,503)	124,905
0	(887,888)	(887,888)	Non-ring fenced government grants	13	0	(851,404)	(851,404)
0	(382,497)	(382,497)	Non-Domestic Rates	13	0	(374,865)	(374,865)
0	(186,803)	(186,803)	Council Tax		0	(189,732)	(189,732)
0	(101,559)	(101,559)	Capital grants and contributions	13	0	(89,494)	(89,494)
0	(1,558,747)	(1,558,747)	Taxation and Non-specific Grant Income		0	(1,505,495)	(1,505,495)
2,353,837	(2,350,157)	3,680	(Surplus) or Deficit on the Provision of Services		2,771,463	(2,711,000)	60,463
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(37,378)	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(135,616)
		(413,000)	Actuarial (gains) or losses on Pension Assets and Liabilities	12			406,000
		90	Other unrealised (gains) or losses				62
		(450,288)					270,446
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		1,025	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets				(410)
		(449,263)	Other Comprehensive (Income) and Expenditure				270,036
		(445,583)	Total Comprehensive (Income) and Expenditure				330,499

Movement in Reserves Statement for the Year ended 31 March 2017

	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 2015	39,613	35,150	5,135	12,243	92,141	993,606	1,085,747
Movement in reserves during 2015/16:							
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	0	0	(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) or from other statutory reserves (note 7)	(9,041)	1,814	7,227	0	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
Movement in reserves during 2016/17:							
Total Comprehensive Income and (Expenditure)	(60,463)	0	0	0	(60,463)	(270,036)	(330,499)
Adjustments between accounting basis and funding basis under regulations (note 6)	58,371	0	0	(302)	58,069	(58,069)	0
Net Increase or (Decrease) before transfers to other statutory reserves	(2,092)	0	0	(302)	(2,394)	(328,105)	(330,499)
Transfers (to) or from other statutory reserves (note 7)	(212)	4,577	(4,365)	0	0	0	0
Increase or (Decrease) in the year	(2,304)	4,577	(4,365)	(302)	(2,394)	(328,105)	(330,499)
Balance at 31 March 2017	59,232	41,541	7,997	870	109,640	1,091,191	1,200,831

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

Balance Sheet as at 31 March 2017

31 March 16 £000		Note	£000	31 March 17 £000
2,049,546	Other land and buildings		2,200,004	
135,765	Vehicles, plant, furniture and equipment		118,904	
572,175	Infrastructure assets		583,686	
24,448	Community assets		24,699	
99,493	Assets under construction		87,338	
<u>63,187</u>	Corporate surplus assets		<u>47,183</u>	
2,944,614	Property, Plant and Equipment	19		3,061,814
1,417,093	Heritage assets	20		1,417,158
6,883	Intangible assets	21		6,629
29,345	Long-term investments	28		27,695
114,107	Long-term debtors	28		109,595
4,512,042	Long-term Assets			4,622,891
70,301	Short-term investments	28		50,865
1,320	Inventories	23		1,365
193,383	Net short-term debtors	24		191,989
53,422	Cash and cash equivalents	25		155,205
146	Intangible assets			1,637
28,789	Assets held for sale	22		32,950
347,361	Current Assets			434,011
(298,123)	Short-term borrowing	28		(363,501)
(269,528)	Short-term creditors	26		(282,634)
(15,300)	Short-term provisions	27		(5,926)
(582,951)	Current Liabilities			(652,061)
(20,618)	Long-term provisions	27		(21,614)
(1,314,313)	Long-term borrowing	28		(1,320,496)
(1,184,000)	Net pensions liability	12		(1,632,000)
(202,495)	Deferred liabilities	29		(229,900)
(23,696)	Capital grants receipts in advance	13		0
(2,745,122)	Long-term Liabilities			(3,204,010)
1,531,330	Net Assets			1,200,831
61,536	General Fund Reserve	5,6		59,232
36,964	Revenue Reserve Funds	5,7		41,541
12,362	Capital Reserve Fund	5,7		7,997
1,172	Capital Grants Unapplied Account	5,6		870
112,034	Usable Reserves			109,640
1,419,296	Unusable Reserves	5,6		1,091,191
1,531,330	Total Reserves			1,200,831

The unaudited accounts were issued on 26 June 2017 and the audited accounts were authorised for publication on 28 September 2017.

Morag Johnston CPFA
Acting Executive Director of Financial Services
28 September 2017

Cash Flow Statement for the Year ended 31 March 2017

2015/16 £000 (Restated)		Note	2016/17 £000
3,680	(Surplus) or Deficit on the Provision of Services		60,463
(135,628)	Adjustments to (Surplus) or Deficit on the Provision of Services for non-cash movements		(185,866)
(12,976)	Adjustments for items included in the (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		4,318
(144,924)	Net cash flows from Operating Activities	32	(121,085)
81,555	Investing Activities	33	78,947
78,794	Financing Activities	34	(59,645)
15,425	Net (increase) or decrease in Cash and cash equivalents		(101,783)
(68,847)	Cash and cash equivalents at the beginning of the reporting period		(53,422)
(53,422)	Cash and cash equivalents at the end of the reporting period		(155,205)

❖ 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 2017 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 2016/17 (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 2017 are included, together with the specific accrual of invoices received after that date for material amounts, provided the goods or services were received in 2016/17. Where applicable, expenditure and income are reduced by the value of recharges to other council services under the heading inter-departmental recharges. This ensures that the cost is only reflected in the receiving service.

1.3. Long-term contracts

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

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

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

1.4. Overheads and support services

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

1.5. Employee benefits

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

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

1.6. Retirement benefits

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

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

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

The nature of the teachers' scheme prevents the council's individual share of the pension liability from being separately identified. The scheme is therefore accounted for as if it were a defined contribution scheme. Further details of pension costs can be found in note 12 on pages 43 to 48.

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 11 on page 42.

1.9. Service expenditure analysis

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

1.10. Charges to revenue for long-term assets

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

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

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

1.11. Financing costs

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

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

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

1.12. Leases and lease type arrangements

1.12.1. Finance leases

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

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

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

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

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

1.12.2. Operating leases

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

1.13. Public Private Partnership

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

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

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

1.14. Revenue expenditure funded from capital under statute

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

1.15. Property, plant and equipment

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

1.15.1. Recognition

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

1.15.2. Measurement

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

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

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

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

1.15.3. Componentisation

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

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

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

1.15.4. Revaluation

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

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

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

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

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

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

1.15.5. Depreciation and impairment

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

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

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

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

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

1.15.6. Disposals and Long-term Assets held for sale

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

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

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

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

1.16. Intangible assets

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

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

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

1.17. Heritage assets

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

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

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

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

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

1.18. Interest in companies and other entities

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

1.19. Valuation of other assets and investments

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

1.20. Cash and cash equivalents

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

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

1.21. Foreign currency translation

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

1.22. Provisions

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

Further details of provisions can be found in note 27 on page 61 to 62.

1.23. Contingent liabilities

Contingent liabilities are included in note 30 on page 66 to 67 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 29 on page 66.

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 28 on pages 62 to 66.

1.26. Fair value measurement

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

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

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

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

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

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

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

1.27. Capital grants and contributions

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

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

1.28. Usable and unusable reserves

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

Unusable reserves represent funds that are not available to the council. These balances are recognised as part of the accounting arrangements for capital, financial instruments, pensions and employee benefits. The Capital Adjustment Account contains entries relating to the financing of capital expenditure and the Revaluation Reserve reflects movements in the value of assets. The Available-for-Sale Financial Instruments Reserve and the Financial Instruments Adjustment Account are required to permit the re-measurement of financial instruments. The Pension Reserve has been set up in accordance with statutory accounting requirements to absorb the timing differences arising from accounting and funding for post-employment benefits. The Employee Statutory Adjustment Account has been created to negate the impact of the employee benefits accrual on the General Fund. Details of the movement in these reserves can be found in note 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. In relation to the 2017/18 code there are no disclosures required.

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 2017 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 £518 million. Similarly, a 0.5% increase in the rate of salary increase and pension increase rates would increase the liability by £168 million and £336 million respectively. In terms of life expectancy, an increase of 1 year is estimated to equate to an increased liability of between £152 million and £253 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 2017 stands at £59.232 million, a decrease of £2.304 million from the previous year. A cumulative total of £26.688 million has been earmarked to meet expenditure in future years, leaving an uncommitted balance of £32.544 million (31 March 2016 £31.078 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 2015 to 31 March 2017.

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:

2015/16 £000	Unusable Reserves	2016/17 £000
782,751	Capital Adjustment Account	786,315
1,904,193	Revaluation Reserve	2,017,375
(73,858)	Financial Instruments Adjustment Account	(70,099)
1,051	Available-for-Sale Financial Instruments Reserve	1,461
(1,184,000)	Pensions Reserve	(1,632,000)
(10,841)	Employee Statutory Adjustment Account	(11,861)
1,419,296	Total	1,091,191

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:

<i>2015/16</i> <i>£000</i>	Capital Adjustment Account	<i>2016/17</i> <i>£000</i>
727,957	Balance at 1 April	782,751
	Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(122,735)	Charges for depreciation and impairment	(114,439)
(49,885)	Revaluation losses	(90,059)
(1,948)	Amortisation of Intangible assets	(2,041)
(14,371)	Disposals	(9,421)
23,934	Adjusting amounts written out of the Revaluation Reserve	22,434
	Capital financing applied in the year:	
101,519	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	89,371
11,111	Application of grants to capital financing from Capital Grant Unapplied	425
101,631	Loans Fund principal repayment	103,293
(90)	Home loans principal repayment	(62)
5,628	Capital expenditure charged against the General Fund Reserve	4,063
782,751	Balance at 31 March	786,315

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:

2015/16 £000	Revaluation Reserve	2016/17 £000
1,890,749	Balance at 1 April	1,904,193
58,739	Upward revaluation of assets	227,222
(21,361)	Downward revaluation of assets and impairment losses not charged to (Surplus) or Deficit on the Provision of Services	(91,606)
37,378	Surplus or deficit on revaluation of Property, Plant and Equipment not posted to (Surplus) or Deficit on the Provision of Services	135,616
(16,977)	Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(11,950)
(6,957)	Accumulated gains on assets sold or scrapped	(10,484)
(23,934)	Amounts written off to the Capital Adjustment Account	(22,434)
1,904,193	Balance at 31 March	2,017,375

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:

2015/16 £000	Financial Instruments Adjustment Account	2016/17 £000
(77,878)	Balance at 1 April	(73,858)
4,020	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3,759
(73,858)	Balance at 31 March	(70,099)

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:

2015/16 £000	Available-for-Sale Financial Instruments Reserve	2016/17 £000
2,076	Balance at 1 April	1,051
(1,025)	Surplus/(Deficit) arising on revaluation of Available-for-Sale financial assets	410
1,051	Balance at 31 March	1,461

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:

2015/16 £000	Pension Reserve	2016/17 £000
(1,536,000)	Balance at 1 April	(1,184,000)
413,000	Actuarial gains or (losses) on Pension Assets/Liabilities	(406,000)
(130,000)	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	(112,000)
69,000	Employers' pension contributions paid to Strathclyde Pension Fund	70,000
(1,184,000)	Balance at 31 March	(1,632,000)

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>2015/16</i> <i>£000</i>	Employee Statutory Adjustment Account	<i>2016/17</i> <i>£000</i>
(13,298)	Balance at 1 April	(10,841)
13,298	Settlement or cancellation of accrual made at the end of the preceding year	10,841
(10,841)	Amounts accrued at the end of the current year	(11,861)
(10,841)	Balance at 31 March	(11,861)

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 2016/17 are provided in an additional table to allow comparison:

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

Comparative Information 2015/16

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)

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 2015 to 31 March 2017. 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 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Purpose of the reserve
Property Repairs and Renewals	8,454	(4,200)	1,553	5,807	(2,205)	1,711	5,313	For the repair and renewal of council property
Winter Gardens Appeal	38	0	1	39	0	0	39	For the upkeep of the Winter Gardens
Energy Efficiency	1,036	(1,037)	597	596	(794)	786	588	For energy efficiency initiatives in council properties
New Technology	4,250	(679)	673	4,244	(653)	2,771	6,362	To fund new technology projects
Douglas Flagpole Appeal	17	0	0	17	0	0	17	For maintenance of the flagpole in the Botanic Gardens
Botanic Book Fund Appeal	18	0	0	18	0	0	18	For the purchase of books for the Botanic Gardens
Winter Maintenance Reserve Fund	1,548	0	10	1,558	0	10	1,568	To equalise the effect of severe, mild and average winters
Total Repairs and Renewals Funds	15,361	(5,916)	2,834	12,279	(3,652)	5,278	13,905	
Culture and Recreational Fund	6,016	(6,016)	13,046	13,046	(5,038)	9,985	17,993	For the provision of social, cultural, and recreational activities
Insurance Fund	13,773	(9,187)	7,053	11,639	(8,815)	6,819	9,643	For property, motor and liability insurance
Total Revenue Reserves	35,150	(21,119)	22,933	36,964	(17,505)	22,082	41,541	
Capital Reserve Fund	5,135	(107)	7,334	12,362	(11,166)	6,801	7,997	To fund capital investment projects
Total Revenue and Capital Reserve Funds	40,285	(21,226)	30,267	49,326	(28,671)	28,883	49,538	

8. Subjective analysis

2015/16 £000 (Restated)	Subjective analysis	2016/17 £000	%
Where the money came from			
(1,465,939)	Government grants and local taxation	(1,424,895)	52.6
(534,216)	Other grants, reimbursements and contributions	(579,288)	21.4
(237,872)	Customer and client receipts	(607,943)	22.4
(5,635)	Interest	(5,585)	0.2
(120,263)	Income from other departments	(122,136)	4.5
(654)	Other miscellaneous income	(815)	0.0
(4,282)	Gain on disposal of property, plant and equipment	(2,980)	0.1
120,263	Inter-departmental recharges	122,136	(4.5)
(101,559)	Capital grants and contributions	(89,494)	3.3
(2,350,157)	Total income	(2,711,000)	100.0
How the money was spent			
667,421	Employee costs	672,494	24.3
91,356	Premises costs	87,127	3.1
226,387	Supplies and services	237,592	8.6
62,877	Transport and plant	61,385	2.2
607,829	Third party payments	1,002,799	36.2
507,136	Transfer payments	498,919	18.0
174,568	Depreciation, amortisation and impairment	206,539	7.5
97,151	Financing costs	91,761	3.3
(9,368)	Allocations	(7,017)	(0.3)
49,000	Net interest on the net defined benefit liability	42,000	1.5
(120,263)	Inter-departmental recharges	(122,136)	(4.4)
(257)	Former authority residual costs	0	0.0
2,353,837	Total expenditure	2,771,463	100.0
3,680	(Surplus) or Deficit on the Provision of Services	60,463	

Note: 2015/16 balances include restatement of £2,345k in respect of charges to the Trading Operations from Central Services. There is no change to the Total income, Total Expenditure or (Surplus) or Deficit on the Provision of Services position as a result of this however the following lines have been adjusted to reflect the revised treatment: Income from other departments (-£2,345k); Inter-departmental recharges - Income (+£2,345k); Inter-departmental recharges - expenditure (-£2,345k) and Supplies and services (+£2,345k).

9. Material items

The Code requires disclosure of the nature and amount of material items. During 2016/17 the following items are regarded as material:

Nature	2016/17 £m
An increase in the net pension liability mainly arising from an increase in the present value of funded liabilities partly offset by an increase in the fair value of employer assets.	(448.000)

10. 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 £381.488 million (2015/16 £331.522 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	23.091	8.372	20.437	51.900
2 to 5 years	103.767	34.816	78.743	217.326
6 to 10 years	163.296	44.971	87.221	295.488
11 to 15 years	122.053	35.129	50.681	207.863
Total	412.207	123.288	237.082	772.577

11. 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:

2014/15 (Surplus)/ Deficit £000	2015/16 (Surplus)/ Deficit £000	Trading Operations Financial Summary	Expenditure £000	2016/17 Income £000	(Surplus)/ Deficit £000	3-year (Surplus)/ Deficit £000
(1,317)	(1,490)	Area Operations	75,608	(77,724)	(2,116)	(4,923)
(1,069)	(433)	Transport	30,805	(31,176)	(371)	(1,873)
(2,386)	(1,923)	(Surplus) / Deficit for year	106,413	(108,900)	(2,487)	(6,796)

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 £0.014 million (2015/16 £0.013 million) must be presented in the Comprehensive Income and Expenditure Statement against Interest and investment income.

In 2016/17 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.

12. Pension costs

12.1. Local Government Pension Scheme

Disclosure of information relating to pensions follows the reporting requirements of IAS19 'Employee Benefits'. The table on page 45 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:

2015/16 £000	Local Government Pension Scheme	2016/17 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
81,000	Current service cost	70,000
0	Past service cost	0
Financing and Investment Income and Expenditure:		
49,000	Net interest cost	42,000
130,000	Total Post-employment Benefits charged / (credited) to the (Surplus) or Deficit on the Provision of Services	112,000
Other Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability:		
15,000	Return on assets	(553,000)
(360,000)	Actuarial (gains) / losses arising on changes in financial assumptions	950,000
0	Actuarial (gains) / losses arising on changes in demographic assumptions	0
(68,000)	Other Experience	9,000
(283,000)	Total Post-employment Benefits charged / (credited) to the Comprehensive Income and Expenditure Statement	518,000
130,000	Net charge / (credit) to the Surplus or Deficit on the Provision of Services brought forward	112,000
Movement in Reserves Statement		
(61,000)	Reversal of net (charge) / credit made to the Surplus or Deficit on the Provision of Services in accordance with IAS19	(42,000)
Actual amount charged against the General Fund balance for pensions in the year:		
69,000	Employers contribution paid	70,000

12.1.1. Pension assets and liabilities

As explained in the Accounting Policies (see note 1.6, Retirement Benefits on pages 20 to 21) 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 12.1 is £42.000 million. The council's net liability in respect of pensions increased by £448.000 million in 2016/17 to £1,632.000 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 decreased from 1.3% at March 2016 to 0.2% at March 2017.

The decrease in the real discount factor has contributed to the increase in the reported pension liability. A lower real discount rate leads to a higher value being placed on the liabilities therefore the change in the real discount rate has a negative 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 £1,632.000 million at 31 March 2017:

2015/16	Actuarial assumptions	2016/17
	Long-term expected rate of return on assets in the scheme:	
3.5%	Equity investments	2.6%
3.5%	Bonds	2.6%
3.5%	Property	2.6%
3.5%	Cash and net debtors / creditors	2.6%
	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:	
2.2%	Rate of price increases	2.4%
4.2%	Rate of increase in salaries	4.4%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2009 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2009 service)	75.0%

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

2015/16 £000	Pension Assets and Liabilities recognised in the Balance Sheet	2016/17 £000
4,018,000	Present value of the defined benefit obligation	5,069,000
(2,834,000)	Fair value of plan assets	(3,437,000)
1,184,000	Net liability arising from defined benefit obligation	1,632,000

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

2015/16 £000	Reconciliation of present value of scheme liabilities	2016/17 £000
4,346,000	Opening balance at 1 April	4,018,000
81,000	Current service costs	70,000
138,000	Interest costs	140,000
16,000	Contributions by scheme participants	17,000
	Remeasurement (gains) and losses:	
(360,000)	Actuarial (gains) / losses arising from changes in financial assumptions	950,000
0	Actuarial (gains) / losses arising from changes in demographic assumptions	0
(68,000)	Other	9,000
0	Past service cost (including curtailments)	0
(135,000)	Benefits paid	(135,000)
4,018,000	Closing balance at 31 March	5,069,000

2015/16 £000	Reconciliation of the movements in the fair value of scheme assets	2016/17 £000
2,810,000	Opening fair value of scheme assets	2,834,000
89,000	Interest income	98,000
	Remeasurement gain / (loss):	
(15,000)	Return on assets, excluding the amount included in the net interest cost	553,000
69,000	Contributions by employer	70,000
16,000	Contributions by scheme participants	17,000
(135,000)	Benefits paid	(135,000)
2,834,000	Closing fair value of scheme assets	3,437,000

12.1.2. Analysis of Pension Fund's Assets

Quoted Prices in Active Markets £m	2015/16		Local Government Pension Scheme assets	Quoted Prices in Active Markets £m	2016/17	
	Prices not quoted in Active Markets £m	Total £m			Prices not quoted in Active Markets £m	Total £m
95	3	98	Cash and cash equivalents	124	6	130
			Equity Instruments:			
266	0	266	Consumer	325	0	325
210	2	212	Manufacturing	257	1	258
83	0	83	Energy and utilities	102	0	102
195	0	195	Financial institutions	239	0	239
114	0	114	Health and care	140	0	140
162	0	162	Information technology	198	0	198
1,030	2	1,032	Sub-total equity instruments	1,261	1	1,262
			Private Equity:			
0	276	276	All	0	283	283
			Property:			
0	304	304	UK	0	415	415
			Other investment funds:			
25	711	736	Equities	33	1,072	1,105
0	346	346	Bonds	0	193	193
1	0	1	Commodities	2	0	2
0	40	40	Other	5	42	47
26	1,097	1,123	Sub-total other investment funds	40	1,307	1,347
			Derivatives:			
1	0	1	Other	0	0	0
1,152	1,682	2,834	Total Assets	1,425	2,012	3,437

12.1.3. 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.

12.1.4. 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 2018 is £50.693 million.

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years (2015/16 17.8 years).

12.2. 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 2017, the council's level of participation in the scheme is approximately 8.1%.

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

2015/16 £000	Scottish Teachers Superannuation Scheme	2016/17 £000
28,709	Employer's Contributions	31,071
16,265	Employee's Contributions	17,047
44,974	Total	48,118

The employer's contributions due to be paid in the next financial year are estimated to be £31.382 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 2016/17 these amounted to £6.135 million (2015/16 £6.344 million).

12.3. 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 2016/17 the capitalised costs attributable to the early retirals from Glasgow City Council and from predecessor authorities were as follows:

2015/16 £000	Capital cost of discretionary increases	2016/17 £000
435	Current year	0
357,565	In earlier years	398,000
358,000	Total	398,000

13. Grant income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16 £000 (Restated)	Grant income in the Comprehensive Income and Expenditure Statement	2016/17 £000
	Credited to Taxation and Non-specific Grant Income	
(887,888)	General Revenue Grant	(851,404)
(382,497)	Redistribution from Non-Domestic Rates pool	(374,865)
(101,559)	Capital Grant and Contributions	(89,494)
	Credited to Services	
(341,142)	Housing benefit subsidy	(334,652)
(87,751)	Housing investment	(87,997)
(76,813)	Health Board	(112,045)
(18,109)	Criminal Justice	(18,324)
(4,920)	Benefits administration subsidy and initiatives	(4,620)
(1,390)	Attainment funding	(7,646)
(1,699)	Vacant and derelict land	(6,989)
(7,042)	Various education services grants	(6,217)
(1,656)	Various other grants	(6,809)
(2,272)	Various other contributions	(2,801)
(1,914,738)	Total	(1,903,863)

Note: Attainment funding previously included within Various education services grants and Vacant and derelict land previously included within Various other grants.

The council may receive 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:

2015/16 £000	Capital grants receipts in advance	2016/17 £000
(23,450)	Scottish Government / UK Government	0
(246)	Other	0
(23,696)	Total	0

14. 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 2016/17, the council billed £392.330 million (2015/16 £371.310 million) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the council contributed £374.267 million to the National Non-Domestic Rates Pool (2015/16 £360.714 million) and received back from the pool £374.865 million in income (2015/16 £382.497 million).

The council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2016/17 the council received £2.565 million for providing this service (2015/16 £2.565 million).

The council is the appointed agent on behalf of Transport Scotland to manage the M74 Completion Project. The M74 was opened to the public on 28 June 2011. During 2016/17 expenditure on the project amounted to £1.467 million. The council contributed £0.009 million to the project in 2016/17 (2015/16 £0.082 million).

Scotland Excel provides a purchasing service to the council, obtaining and passing on discounts for bulk purchasing on behalf of 28 local authorities and similar bodies across Scotland. Payments of £0.334 million were made to Scotland Excel during 2016/17 in this respect (2015/16 £0.306 million).

15. Auditor remuneration

The council incurred fees of £0.622 million (2015/16 £0.703 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.

16. 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 13 on page 49.

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 2017 are as follows:

2015/16 Net Expenditure / (Income) (restated) £000	Debtor / (Creditor) at 31 March 2016 (restated) £000	Related party transactions and balances	2016/17		Debtor / (Creditor) at 31 March 2016 £000
			Expenditure £000	Income £000	
532	44,023	Scottish Event Campus Ltd	665	(1,085)	44,331
134,718	(4,319)	City Building (Glasgow) LLP	138,358	(3,397)	(7,483)
2,269	35,873	City Parking (Glasgow) LLP	5,444	(3,482)	36,293
77,934	86	Culture and Sport Glasgow	84,699	(10,723)	(560)
53,497	(643)	Cordia (Services) LLP	59,205	(5,692)	506
60,029	(289)	Cordia (Care) LLP	62,176	0	(394)
3,983	(479)	City Property Glasgow (Investments) LLP	3,877	(1,802)	(150)
1,736	(57)	City Property (Glasgow) LLP	2,403	(470)	(126)
13,842	(110)	Community Safety Glasgow Ltd	14,507	(2,129)	211
48,200	(5,415)	Service Glasgow LLP	58,420	(8,110)	(3,122)
10,026	1,256	Jobs & Business Glasgow	10,348	(1,919)	79
11,101	2,426	Strathclyde Partnership for Transport	11,101	0	3,571
66,013	(767)	Strathclyde Pension Fund	69,314	(3,188)	(800)
28,709	(2,562)	Teachers' Pension Fund	31,071	0	(2,637)
(248)	191	Clyde Gateway	1,543	(3,009)	61
0	0	Glasgow City Integration Joint Board	397,446	(378,151)	(19,295)
(62)	1	Scotcash	57	(103)	29

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

There were no transactions during the year or balances held in respect of City Building (Contracts) LLP as at 31 March 2017.

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 £12.925 million (2015/16 £14.074 million), broken down as follows:

<i>31 March 16</i> £000	Organisation	31 March 17 £000
1,968	Fair Deal	2,025
8,345	NHS Greater Glasgow & Clyde	8,378
2,619	Talbot Association Ltd	2,522
1,142	C-Change Scotland	0
14,074	Total	12,925

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

17. Operating leases

The council utilises vehicles, plant, furniture and equipment under the terms of an operating lease. Lease rentals charged to the Comprehensive Income and Expenditure Statement in the year for such assets total £4.796 million (2015/16 £4.243 million). The future minimum lease payments due under non-cancellable leases in future years and in cash terms are as follows:

<i>31 March 16</i> £000	Operating lease commitments	31 March 17 £000
2,701	No later than one year	1,832
3,630	Later than one year and not later than five years	1,619
6,331	Total	3,451

18. Long-term assets

18.1. 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 2017	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.

18.2. 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.

18.3. 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.

18.4. 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.

18.5. Summary of capital expenditure and sources of finance

2015/16 £000	Capital expenditure and sources of finance	2016/17 £000
	Capital investment	
185,227	Property, Plant and Equipment	215,920
710	Intangible assets	1,767
10	Assets held for sale	111
185,947	Total Gross Expenditure per Capital Expenditure and Income Statement (page 54)	217,798
	Sources of finance	
37,596	Net borrowing	82,099
18,653	Asset Sales	12,401
1,613	Assets acquired under finance leases	53,437
122,457	Government grants and other capital contributions	65,798
5,628	Revenue contributions	4,063
185,947	Total	217,798

18.6. Summary of assets held

18.6.1. Intangible assets

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

18.6.2. 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.

18.6.3. 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.

18.6.4. 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.

18.6.5. Community assets

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

18.6.6. Heritage assets

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

18.6.7. Assets held under finance leases

The council utilises property as well as a number of vehicles, plant and equipment under the terms of a finance lease. Lease rentals payable under these arrangements in the year total £6.768 million (2015/16 £8.728 million), comprising £3.540 million (2015/16 £5.251 million) charged to the Comprehensive Income and Expenditure Statement in respect of interest and £3.228 million (2015/16 £3.477 million) in respect of principal repayments.

18.7. Capital Expenditure and Income Statement

2015/16 Gross Capital Expenditure £000		Gross Capital Expenditure £000	2016/17 Sources of Finance			Net Borrowing £000
			Finance Leases £000	Revenue £000	Receipts £000	
1,124	Chief Executives Office	53,304	52,440	0	0	864
22,097	Cultural and Related Services	13,175	0	987	2,543	9,645
20,061	Development and Regeneration Services	24,594	0	205	4,138	20,251
64,137	Education Services	73,214	0	694	1,104	71,416
183	Financial Services	24	0	24	0	0
11,485	Service Reform	7,065	0	0	0	7,065
46,608	Land and Environmental Services	32,967	997	1,651	9,488	20,831
20,252	Social Work Services	13,455	0	502	0	12,953
0	General Capital Grant	0	0	0	48,525	(48,525)
0	Asset Sales	0	0	0	12,401	(12,401)
185,947	Total	217,798	53,437	4,063	78,199	82,099

The above table reflects the receipt of asset sales totalling £12.401 million during the year. However, these asset sales have been fully applied in the year, reducing the principal repayment reflected within the Movement in Reserves Statement by an equivalent amount. There has therefore been no change to debt outstanding in respect of asset sales achieved in the year.

18.8. 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 2017, the council has outstanding commitments on significant contracts for capital investment totalling £222.756 million (31 March 2016 £249.884 million). These outstanding commitments comprise the following:

Project description	Outstanding commitment at 31 March 2017 £000	Contract completion
4R's for Glasgow	64,010	End 2019
Sighthill TRA – City Deal	40,375	Mid 2019
Reconfiguration of residential care for older people	36,411	End 2019
Education Estate Investment 2017-2021	29,000	Early 2022
Scottish Futures Trust School Building Programme	8,188	Early 2018
Children's Residential Strategy	6,300	End 2019
Tollcross International Swimming Centre	5,306	Early 2017
Various other projects (64 contracts)	33,166	Various
Total	222,756	

As at 31 March 2017, outstanding obligations to make payments under finance leases are as follows:

31 March 2016 £000	Finance lease obligations	31 March 2017 £000
2,467	Not later than one year	3,649
11,940	Later than one year and not later than five years	43,725
43,188	Later than five years	44,354
57,595	Total	91,728

The total outstanding obligations are accounted for within short-term creditors (leases expiring within one year) £3.649 million (2015/16 £2.467 million) and deferred liabilities (leases expiring after one year) £88.079 million (2015/16 £55.128 million).

18.9. Fair value measurement of non-financial assets

Surplus assets and assets held for sale are valued at fair value. Valuation reports prepared for these assets incorporate the methodology employed by the valuer in arriving at their opinion of value. The methodology includes comparable data which is recognised in accordance with the fair value measurement hierarchy. The valuers seek to minimise the volume of unobservable inputs and maximise the volume of observable inputs in forming their opinion of value. For these asset classes, the valuation inputs generally comprise either level 2 or level 3 inputs with adjustments not limited to location, rental growth, lease terms, covenants, costs, discount rates and vacancy levels. For valuations conducted in 2016/17, both the income and market valuation techniques were widely adopted in forming opinions of fair value. The resulting valuation for surplus assets of £6.646 million and assets held for sale of £32.950 million were entirely based on level 2 inputs.

18.10 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 2017, to be funded from borrowing, in respect of TIF assets totalled £0.125 million (2015/16 £6.154 million). This is reflected within the 'Summary of capital expenditure and sources of finance', outlined within note 18.5 on page 53. Total TIF debt, to be repaid over the project period, in respect of investment to 31 March 2017, has been calculated in accordance with Local Government Finance Circular No. 4/2014 at £22.037 million (£21.882 million at 31 March 2016).

19. Property, Plant and Equipment

This note details the movement in Property, Plant and Equipment (PPE) during 2016/17. The valuation bases, useful lives and depreciation methods used are disclosed within notes 18.1 and 18.2 (page 52). 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 18.7 and 18.8 (pages 54 to 55).

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

Movement in PPE 2015/16	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 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

20. Heritage assets

This note details the movement in Heritage Assets during 2016/17. The valuation bases, useful lives and depreciation methods used are disclosed within notes 18.1 and 18.4 (page 52).

Movement in Heritage assets	Fine art £000	Civic regalia £000	Statues and fountains £000	Total Heritage assets £000
Cost or Valuation:				
At 1 April 2015	1,400,000	468	16,620	1,417,088
Revaluations	0	5	0	5
At 31 March 2016	1,400,000	473	16,620	1,417,093
Movement in 2016/17:				
Revaluations	0	65	0	65
At 31 March 2017	1,400,000	538	16,620	1,417,158

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

Assets excluded from Heritage Assets	Estimated number of assets 31 March 2017
Fountains	5
Statues	54
War memorials	35

21. 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 2016/17 was £2.041 million (2015/16 £1.948 million). There has been no impairment charge in 2016/17 (2015/16 £nil). The movement on Intangible asset balances during the year is as follows:

2015/16 £000	Movement in Intangible assets	2016/17 £000
	Balance at start of year:	
13,072	Gross carrying amounts	13,299
(4,951)	Accumulated amortisation	(6,416)
8,121	Net carrying amount at start of year	6,883
710	Additions	1,767
0	Transfers	20
(1,948)	Amortisation for the period	(2,041)
6,883	Net carrying amount at end of the year	6,629
	Comprising:	
13,299	Gross carrying amounts	15,086
(6,416)	Accumulated amortisation	(8,457)
6,883	Net carrying amount at end of the year	6,629

22. 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 2017, the valuation of assets held for sale was £32.950 million (£28.789 million as at 31 March 2016).

2015/16 £000	Assets Held for Sale	2016/17 £000
13,388	Balance at 1 April	28,789
	Assets newly classified as held for sale:	
25,772	Property, plant and equipment	18,602
(21)	Revaluation losses	(176)
	Assets declassified as held for sale:	
0	Property, plant and equipment	(5,415)
(10,360)	Assets disposed	(8,961)
10	Expenditure in year	111
28,789	Balance at 31 March	32,950

23. 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:

2015/16 Raw materials and consumables £000	Inventories	2016/17 Raw materials and consumables £000
1,240	Opening balance	1,320
119	Purchases	46
(39)	Disposals	(1)
1,320	Closing balance	1,365

24. 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 2016/17, there was an accounting adjustment made to debtors and the associated bad debt provision within the Financial Statements of £18.576 million. This mainly related to Council Tax (£14.997 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:

2015/16 £000	Analysis of Net short-term debtors	2016/17 £000
100,901	Bodies external to general government	93,085
83,680	Central government bodies	94,007
6,561	Other local authorities	3,743
2,223	NHS bodies	1,148
18	Public corporations and trading funds	6
193,383	Total	191,989

25. 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:

2015/16 £000	Cash and cash equivalents	2016/17 £000
37,426	Short-term deposits	124,456
15,834	Bank current accounts	30,626
162	Cash imprest held by the council	123
53,422	Total	155,205

26. 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:

2015/16 £000	Analysis of creditors	2016/17 £000
233,313	Bodies external to general government	230,655
26,679	Central government bodies	17,918
6,889	Other local authorities	31,413
1,931	NHS bodies	2,558
716	Public corporations and trading funds	90
269,528	Total	282,634

27. 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 2016/17:

Provisions	Asset decommissioning £000	Other outstanding legal cases £000	Employee related legal cases £000	Other provisions £000	Total £000
Balance as at 1 April 2016	34,400	30	203	1,285	35,918
Additional provisions made during the year	1,317	0	690	1,472	3,479
Costs incurred and charged against provision	(10,817)	(3)	(51)	(967)	(11,838)
Unused amounts reversed during the year	0	0	0	(19)	(19)
Balance at 31 March 2017	24,900	27	842	1,771	27,540

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 level of holiday pay potentially due, £0.690 million and the provision for estimated outstanding compensation payments in respect of equal pay claims, including associated tax and national insurance liabilities, £0.069 million at 31 March 2017. During 2016/17, equal pay compensation payments of £0.046 million have been met from the provision. All other provisions are individually immaterial.

Provisions for other outstanding legal cases relates to estimated payments, £0.027 million at 31 March 2017, 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 £0.003 million were made in respect of claims by former employees of Strathclyde Regional Council (SRC) and Glasgow District Council (GDC) during 2016/17.

Other provisions include estimated future costs associated with the council's schools PPP scheme (£0.747 million), estimated future costs in relation to the bulk reprocessing contract (£0.482 million), provision for future warranty claims (£0.235 million) and two financial guarantees in relation to loan repayments of group subsidiaries (£0.299 million). During the year, the financial guarantees were amortised, allowing the release of £0.019 million from the provision.

28. Financial instruments

28.1. Types of financial instruments

The statement of accounting policies in note 1.25 on page 28, 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:

2015/16		Category of financial instrument	2016/17	
Long-term £000	Short-term £000		Long-term £000	Short-term £000
1,314,313	298,123	Financial liabilities amortised at cost - borrowing	1,320,496	363,501
202,813	250,291	Financial liabilities amortised at cost - other	230,198	260,543
1,517,126	548,414	Total financial liabilities	1,550,694	624,044
114,107	287,468	Loans and receivables	109,595	372,857
29,345	250	Available-for-sale financial assets	27,695	544
143,452	287,718	Total investments	137,290	373,401

28.2. 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:

2015/16		2016/17			
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
97,252	Interest expense	91,761	0	80	91,841
8,898	Impairment loss	0	9,239	0	9,239
106,150	Interest payable	91,761	9,239	80	101,080
(6,266)	Interest and investment income	0	(5,474)	(909)	(6,383)
1,025	(Gain) / loss on revaluation	0	0	(410)	(410)
100,909	Net (gain) / loss for the year	91,761	3,765	(1,239)	94,287

28.3. 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 2017.

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 2017, 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.

2015/16		Valuation of financial liabilities	2016/17	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
1,612,436	1,946,794	Borrowing	1,683,997	2,145,867

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.

28.4. 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.

28.5. 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.

2015/16			Credit risk	2016/17		
Historical experience of non-payment adjusted for market conditions £000	%	Estimated maximum exposure to default and un-collectibility £000		Historical experience of non-payment adjusted for market conditions £000	%	Estimated maximum exposure to default and un-collectibility £000
123,311	0	0	Deposits with banks and other financial institutions	205,403	0	0
307,172	9.464	29,070	Customers	312,802	11.469	35,875
430,483		29,070	Total	518,205		35,875

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

2015/16 £000	Aged debt profile	2016/17 £000
184,827	Less than 3 months	194,097
1,632	3 to 6 months	1,826
1,482	6 months to 1 year	2,251
119,231	More than 1 year	114,628
307,172	Total	312,802

28.6. Liquidity risk

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

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

2015/16 £000	Loans outstanding	2016/17 £000
853,401	Public Works Loans Board	895,070
449,000	Lender Option Buyer Option (LOBO)	449,000
279,676	Temporary borrowing	309,973
1,582,077	Total	1,654,043
282,118	Less than 1 year	347,778
87,994	Between 1 and 2 years	80,731
178,325	2 to 5 years	114,836
145,447	5 to 10 years	165,983
271,193	10 to 30 years	234,315
478,000	30 to 50 years	656,400
139,000	50 to 70 years	54,000
1,582,077	Total	1,654,043

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 £15.724 million (£16.005 million in 2015/16) and an effective interest rate adjustment of £14.230 million (£14.354 million in 2015/16) in respect of LOBOs with stepped interest rates.

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

28.7. Market risk

28.7.1. 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 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2015/16 £000	Estimated financial effect	2016/17 £000
4,297	Increase in the interest payable on variable rate borrowings	4,775
(1,390)	Increase in interest receivable on variable rate investments	(1,175)
2,907	Net impact on the Surplus or Deficit on the Provision of Services	3,600

2015/16 £000	Other presentational changes (no impact on the Comprehensive Income and Expenditure Statement)	2016/17 £000
211,154	Decrease in the fair value of fixed rate borrowings	263,225

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

28.7.2. 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.

28.7.3. 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 £3.692 million as at the 31 March 2017 exchange rate. The potential financial impact of exchange rate movements in this respect is not considered to be material.

29. 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 2017 is provided in the following table:

2015/16 £000	Analysis of deferred liabilities	2016/17 £000
123,492	Long-term liability relating to the PPP secondary schools contract	115,133
55,128	Long-term lease liability relating to council properties, vehicles and equipment	88,079
16,828	Developers' contributions received for the provision of recreational greenspace in line with council policy	18,711
7,047	Other	7,977
202,495	Total	229,900

30. Contingent liabilities

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

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

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

The council recognises a potential liability in respect of guaranteeing any unfunded pension costs, which may arise in certain circumstances, in relation to former Glasgow City Council employees transferred to City Building (Glasgow) Limited Liability Partnership, 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 £45 million) and City Property Glasgow (Investments) Limited Liability Partnership (original total loan £120 million). The likelihood of these guarantees being called is assessed annually. As at 31 March 2017, the risk has been assessed as minimal and the guarantees have been accounted for on that basis. However, the council also recognises the potential for future liabilities in the event that the related companies do not meet the requirements of their business plans.

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

The council recognises and has provided for the liability in respect of its obligation to undertake restoration and aftercare work in respect of former landfill sites. As at 31 March 2017, a sum of £24.900 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.

31. Events after the balance sheet date

There were no material events between 31 March 2017 and the date of submission that require to be reflected in the Financial Statements.

On 30 May 2017, the council received a decision of the Court of Session regarding its pay protection arrangements. The council recognises its obligations following this judgement. The financial implications of this ruling cannot be quantified at this time but will result in a reassessment of the level of funds and balances held by the council.

On 18 August 2017, the council received a decision of the Court of Session regarding its Job Evaluation Scheme. The council is currently considering the implications of this judgement and has applied for leave to appeal to the Supreme Court.

32. Cash flow statement - Operating activities

2015/16 £000 (Restated)		2016/17 £000
657,269	Cash paid to and on behalf of employees	669,733
(887,888)	General Revenue Grant	(851,404)
(364,638)	Non-Domestic Rates receipts from national pool	(360,398)
97,151	Interest paid	91,761
(5,635)	Interest received	(5,585)
(121)	Dividends received	(287)
358,938	Other net operating cash payments	335,095
(144,924)	Net cash flows from Operating Activities	(121,085)

33. Cash flow statement - Investing activities

2015/16 £000		2016/17 £000
186,608	Purchase of Property, Plant and Equipment and Intangible assets	184,673
(18,653)	Proceeds from sale of Property, Plant and Equipment and Intangible assets	(12,401)
35,550	Purchase of Short-term and Long-term investments	0
0	Proceeds from Short-term and Long-term investments	(21,496)
(121,950)	Other receipts from Investing Activities	(71,829)
81,555	Net cash flows from Investing Activities	78,947

34. Cash flow statement - Financing activities

2015/16 £000		2016/17 £000
(1,045,555)	Cash receipts of Short-term and Long-term borrowing	(1,049,071)
(12,859)	Other receipts from Financing Activities	(1,241)
13,294	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts	8,650
1,123,914	Repayment of Short-term and Long-term borrowing	977,105
0	Other payments for Financing Activities	4,912
78,794	Net cash flows from Financing Activities	(59,645)

❖ Council Tax Income Account

2015/16 £000	Council Tax	2016/17 £000
333,221	Gross Council Tax levied and contributions in lieu	335,403
	Less :	
(66,728)	Other discounts and reductions	(66,207)
(2,009)	Prior years' Council Tax	(2,442)
(11,436)	Provision for bad and doubtful debts	(13,002)
(66,245)	Council Tax Reduction	(64,020)
186,803	Transfers to Comprehensive Income and Expenditure Statement	189,732

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 2015)

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	65,918	10,284	172	22	40,123	612	45,467	6/9	30,303	£809
B	£27,001 - £35,000	79,016	5,472	82	75	42,218	680	62,724	7/9	48,785	£943
C	£35,001 - £45,000	67,683	4,253	-34	88	28,774	544	55,922	8/9	49,708	£1,078
D	£45,001 - £58,000	41,900	3,376	-32	73	14,213	350	34,756	1	34,756	£1,213
E	£58,001 - £80,000	29,435	2,710	-107	107	8,177	264	24,431	11/9	29,860	£1,483
F	£80,001 - £106,000	13,167	1,332	-35	78	3,010	146	10,967	13/9	15,841	£1,752
G	£106,001 - £212,000	6,228	361	-43	31	1,138	61	5,506	15/9	9,177	£2,022
H	Over £212,000	666	44	-3	0	60	27	591	18/9	1,182	£2,426
										219,612	
										Add: Class 17 and 24 dwellings	29
										Less: Provision for non-payment	10,982
										Band D Equivalent	208,659

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

❖ **Non-Domestic Rates Income Account**

2015/16 £000	Non-Domestic Rates	2016/17 £000
501,935	Gross rates levied and contributions in lieu	500,770
	Less :	
(130,625)	Relief and other deductions	(108,440)
(9,511)	Provision for bad and doubtful debts	(12,319)
361,799	Net Non-Domestic Rate Income	380,011
(1,085)	Prior years - adjustments	(5,744)
360,714	Contribution to National Non-Domestic Rates Pool	374,267
382,435	Sum due from central rates pool	373,351
62	Adjustments for years prior to the pool	1,514
382,497	Income credited to Comprehensive Income and Expenditure Statement	374,865

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 2016/17 was set by the Scottish Government at 48.4p (48.0p in 2015/16). The Small Business Rates Relief scheme was superseded by the Small Business Bonus Scheme, introduced on 1 April 2008 and applies to properties with a rateable value up to and including £18,000. This scheme is funded by a supplement (2.6p in the pound) to the rate poundage for businesses with a rateable value of more than £35,000.

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

Rateable values and numbers of premises as at 1 April

Premises	Number of subjects		Rateable values	
	2015/16	2016/17	2015/16 £000	2016/17 £000
Industrial and freight	1,961	2,057	53,337	51,869
Commercial subjects				
Shops	8,191	8,283	304,696	306,201
Offices	7,551	7,928	266,898	270,384
Hotels, boarding houses etc.	223	255	19,687	20,495
Others	3,475	3,547	117,898	117,499
Miscellaneous and formula valued subjects	4,061	4,274	234,260	239,775
Total	25,462	26,344	996,776	1,006,223

❖ Common Good Fund

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

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

The council has an approved policy to maintain the overall value of the Fund over time. The net assets of the Fund were £18.348 million as at 31 March 2017 (£16.781 million at 31 March 2016).

Common Good Fund Movement in Reserves Statement

	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2015	15,975	2,376	18,351
Movement in reserves during 2015/16:			
Total Comprehensive Income and (Expenditure)	(195)	(1,375)	(1,570)
Increase or (Decrease) in the year	(195)	(1,375)	(1,570)
Balance at 31 March 2016	15,780	1,001	16,781
Movement in reserves during 2016/17:			
Total Comprehensive Income and (Expenditure)	1,030	537	1,567
Increase or (Decrease) in the year	1,030	537	1,567
Balance at 31 March 2017	16,810	1,538	18,348

More detail on Unusable Reserves is provided in note 6 to the Common Good Fund (page 74).

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

2015/16 £000		Note	2016/17 £000
944	Gross expenditure		517
(49)	Gross income		(50)
895	Cost of Services		467
(710)	Interest and investment income		(1,242)
10	Income, expenditure and changes in the fair value of investment properties		(255)
(700)	Financing and Investment (Income) and Expenditure		(1,497)
195	(Surplus) or Deficit on the Provision of Services	7	(1,030)
1,375	(Surplus) or deficit on revaluation of Available-for-sale Financial Assets		(537)
1,570	Total Comprehensive (Income) and Expenditure		(1,567)

Balance Sheet as at 31 March 2017

2015/16 £000		Note	2016/17 £000
2,066	Investment property	2, 3	2,186
14,036	Long-term investments	4	14,736
16,102	Long-term Assets		16,922
372	Short-term investments	4	1,030
12	Inventories		8
73	Net short-term debtors		54
285	Cash and cash equivalents	5	426
742	Current Assets		1,518
(63)	Short-term creditors		(92)
(63)	Current Liabilities		(92)
16,781	Net Assets		18,348
15,780	Usable Reserves	6	16,810
1,001	Unusable Reserves	6	1,538
16,781	Total Reserves		18,348

Notes to the Common Good Fund

1. Accounting policies

- 1.1 The financial statements for the year ended 31 March 2017 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 2016/17 (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 75).

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 2016/17, both the income and market valuation techniques were widely adopted in forming opinions of fair value. The resulting valuation of £2.186 million comprises £2.116 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 2017 was £15.766 million (£14.408 million at 31 March 2016). 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 £0.426 million represents the balance held in the council's loans fund at 31 March 2017 (£0.285 million at 31 March 2016).

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 £16.810 million at 31 March 2017, an increase of £1.030 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 £1.538 million as at 31 March 2017, an increase of £0.537 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, increased by £1.567 million.

7. Analysis of income and expenditure

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

2015/16 £000		2016/17 £000	%
Where the money came from			
(461)	Interest and gains/losses on investments	(1,362)	85
(264)	Rental income	(195)	12
(49)	Other receipts	(50)	3
(774)	Total income	(1,607)	100
How the money was spent			
415	Civic hospitality	388	67
25	Investment property costs	60	10
125	Treasury management	125	22
4	Other supplies and services	4	1
400	Contribution to Citizen Theatre	0	0
969	Total expenditure	577	100
195	(Surplus) or Deficit on the Provision of Services	(1,030)	

❖ 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 2017, with an overall balance of £15.563 million (14, with an overall balance of £14.243 million at 31 March 2016).

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

Glasgow City Council is sole trustee			
<i>Balance 2015/16 £000</i>	Name of Fund	Objectives	Balance 2016/17 £000
Charities			
928	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	1,029
781	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	866
2,716	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	3,012
4,425		Charities	4,907
Non-Charities			
24	Glasgow Education Trust	General purpose – education in schools	28
100	Glasgow Necropolis Fund	For the upkeep of the Necropolis	83
11	Southern Necropolis Lair Fund	For the upkeep of lairs and stones in Southern Necropolis	12
6,357	Art and Museum Purchase Fund	For the purchase of works of art for the council	6,957
225	Donald McPherson	For the purchase of books at the Mitchell Library	249
25	Louis E Campbell Bequests	For the purchase of books at the Mitchell Library	28
290	Mitchell Centenary Fund	For the purchase of books at the Mitchell Library	276
0	Lord Provost/Lady Provost Lunch	To raise funds for good causes	0
7,032		Non-Charities	7,633
11,457		Total	12,540

Glasgow City Council is not sole trustee			
<i>Balance 2015/16 £000</i>	Name of Fund	Objectives	Balance 2016/17 £000
Charities			
27	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	18
2,412	Blindcraft Trust Fund	Provide support of the blind or visually impaired	2,624
347	Fossil Grove Trust	Provide support for the preservation of fossils at Victoria Park	381
2,786		Charities	3,023

Of the Sundry Trusts reported, 6 have charitable status, with a Total Reserves balance of £7.930 million at 31 March 2017 (6, with an overall balance of £7.211 million at 31 March 2016). The remaining 8 trusts with non-charitable status have a Total Reserves balance of £7.633 million at 31 March 2017 (8, with an overall balance of £7.032 million at 31 March 2016).

Sundry Trusts and Funds Movement in Reserves Statement

	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	13,605	1,630	15,235
Movement in reserves during 2015/16:			
Total Comprehensive Income and (Expenditure)	(218)	(774)	(992)
Increase or (Decrease) in the year	(218)	(774)	(992)
Balance at 31 March 2016	13,387	856	14,243
Movement in reserves during 2016/17:			
Total Comprehensive Income and (Expenditure)	(123)	1,443	1,320
Increase or (Decrease) in the year	(123)	1,443	1,320
Balance at 31 March 2017	13,264	2,299	15,563

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2017

2015/16			2016/17				
Charities £000	Non – Charities £000	Total £000	Sundry Trusts and Funds	Note	Charities £000	Non – Charities £000	Total £000
371	160	531	Expenditure		241	292	533
(57)	0	(57)	Income		(70)	(12)	(82)
314	160	474	Cost of Services		171	280	451
(126)	(130)	(256)	Interest and investment income		(165)	(163)	(328)
(126)	(130)	(256)	Financing and Investment Income		(165)	(163)	(328)
188	30	218	(Surplus) or Deficit on the Provision of Services		6	117	123
380	394	774	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets		(725)	(718)	(1,443)
568	424	992	Total Comprehensive (Income) and Expenditure		(719)	(601)	(1,320)

Balance Sheet as at 31 March 2017

2015/16			2016/17				
Charities £000	Non – Charities £000	Total £000	Sundry Trusts and Funds	Note	Charities £000	Non – Charities £000	Total £000
7,116	7,000	14,116	Long-term investments	1	7,825	7,581	15,406
17	0	17	Short-term debtors		13	0	13
89	32	121	Cash and cash equivalents	2	114	102	216
106	32	138	Current Assets		127	102	229
(11)	0	(11)	Short-term creditors		(22)	(50)	(72)
(11)	0	(11)	Current Liabilities		(22)	(50)	(72)
7,211	7,032	14,243	Net Assets		7,930	7,633	15,563
6,851	6,536	13,387	Usable Reserves	3	6,845	6,419	13,264
360	496	856	Unusable Reserves	3	1,085	1,214	2,299
7,211	7,032	14,243	Total Reserves		7,930	7,633	15,563

Notes to the Accounts

1. Long-term investments

The fair value of investments managed by Ruffer LLP at 31 March 2017 was £15.356 million (£14.066 million at 31 March 2016). 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 2017 total £0.050 million (£0.050 million at 31 March 2016) 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 £0.216 million represents the balance held in the council's loans fund at 31 March 2017 (£0.121 million at 31 March 2016).

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 £13.264 million at 31 March 2017, a decrease of £0.123 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 £2.299 million as at 31 March 2017, an increase of £1.443 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, increased by £1.320 million.

❖ Group Financial Statements

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 places a requirement on authorities to consider all their interests in external organisations including limited companies and other statutory bodies. Where the interest is considered to be material, the authority is required to prepare a full set of Group Financial Statements, in addition to those prepared for the authority's single entity Financial Statements. The Group Financial Statements are designed to give a 'true and fair view' of the financial performance and position of the council's group.

Combining entities

The council has created a number of companies, commonly known as Arm's Length External Organisations (ALEOs), to further council objectives. Where the council has a 'controlling interest', these ALEOs are termed 'subsidiaries'. The council also has a 'significant interest' in a number of ALEOs, other companies and statutory bodies that are termed 'associates' and is an equal partner in the Glasgow City Integration Joint Board with NHS Greater Glasgow and Clyde that is termed as a 'joint board'. The subsidiaries, associates and joint board representing the combining entities are listed below. Additional information on these entities can be found in note 3 on pages 89 to 95.

Subsidiaries

- Scottish Event Campus Limited (formerly Scottish Exhibition Centre Limited)
- City Building (Glasgow) Limited Liability Partnership
- City Building (Contracts) Limited Liability Partnership
- Culture and Sport Glasgow, trading as Glasgow Life (note: as of 1 April 2016 Glasgow City Marketing Bureau Limited became a wholly owned subsidiary of Culture and Sport Glasgow)
- 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

Associates and Joint Boards

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

Basis of consolidation

The Group Financial Statements for the year ended 31 March 2017 have been prepared on the basis of a full consolidation, with all financial transactions and balances of the council and its subsidiaries consolidated on a line by line basis. Associates and joint boards have been incorporated using the equity method, where an opening investment is recognised in the Group Balance Sheet and adjusted each year by the council's share of the associate's operating results and other gains and losses. The accounting periods for all entities are for the year to 31 March 2017, with the exception of Service Glasgow LLP, which has a year end of 31 December 2016.

Group Expenditure and Funding Analysis for the Year ended 31 March 2017

2015/16 Expenditure Chargeable to the General Fund £000	2015/16 Adjustments between the Funding and Accounting basis £000	2015/16 Net Expenditure in the CIES £000	Service	2016/17 Expenditure Chargeable to the General Fund £000	2016/17 Adjustments between the Funding and Accounting basis £000	2016/17 Net Expenditure in the CIES £000
118,606	11,527	130,133	Chief Executive's Office	52,729	13,406	66,135
(31,650)	51,035	19,385	Development & Regeneration Services	5,404	46,061	51,465
358,161	12,762	370,923	Education Services	357,690	71,942	429,632
91,645	(61,244)	30,401	Financial Services	125,634	(56,998)	68,636
97,690	46,420	144,110	Land & Environmental Services	102,322	28,942	131,264
298,618	22,202	320,820	Social Work Services	299,963	7,125	307,088
97,740	3,521	101,261	Related Companies	47,811	3,205	51,016
508	0	508	Common Good Fund	89	0	89
1,780	(1,630)	150	Sundry Trusts	80	0	80
(63,656)	0	(63,656)	City Building (Contracts) LLP	(74,909)	0	(74,909)
204,773	6,100	210,873	City Building (Glasgow) LLP	217,082	3,993	221,075
2,512	(2,162)	350	City Parking LLP	2,061	(2,270)	(209)
7,811	(6,733)	1,078	City Property (Glasgow) Investments LLP	8,839	(8,168)	671
6	0	6	Cordia Care LLP	(124)	0	(124)
118,518	5,404	123,922	Cordia Services LLP	119,563	3,678	123,241
68,463	5,879	74,342	Culture and Sport Glasgow	57,853	2,686	60,539
14,511	(64)	14,447	Jobs & Business Glasgow	8,916	(143)	8,773
(27,673)	28,619	946	SEC Ltd	(28,996)	(11,226)	(40,222)
1,358,363	121,636	1,479,999	Cost of Services	1,302,007	102,233	1,404,240
(1,386,836)	(30,992)	(1,417,828)	Other (Income) and Expenditure	(1,356,920)	(42,931)	(1,399,851)
(28,473)	90,644	62,171	Group (Surplus) or Deficit	(54,913)	59,302	4,389
		80,981	Opening General Fund Balance			100,413
		28,473	Surplus/(Deficit) on General Fund in Year			54,913
		(9,041)	Transfers (to)/from Other Statutory Reserves			(212)
		100,413	Closing General Fund Balance			155,114

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

2015/16 Adjustments for Capital Purposes £000	2015/16 Net Change for the Pensions Adjustments £000	2015/16 Other Differences £000	2015/16 Total Adjustments £000	Service	2016/17 Adjustments for Capital Purposes £000	2016/17 Net Change for the Pensions Adjustments £000	2016/17 Other Differences £000	2016/17 Total Adjustments £000
9,012	3,961	(1,446)	11,527	Chief Executive's Office	12,896	(466)	976	13,406
52,233	(2,100)	902	51,035	Development and Regeneration Services	49,343	(2,710)	(572)	46,061
17,134	(2,228)	(2,144)	12,762	Education Services	76,149	(4,336)	129	71,942
170	451	(61,865)	(61,244)	Financial Services	411	2,273	(59,682)	(56,998)
44,067	3,746	(1,393)	46,420	Land and Environmental Services	28,149	1,851	(1,058)	28,942
14,722	7,621	(141)	22,202	Social Work Services	2,831	3,873	421	7,125
(387)	449	3,459	3,521	Related Parties	(35)	193	3,047	3,205
0	0	0	0	Common Good Fund	0	0	0	0
0	0	(1,630)	(1,630)	Sundry Trusts	0	0	0	0
0	0	0	0	City Building (Contracts) LLP	0	0	0	0
478	14,732	(9,110)	6,100	City Building (Glasgow) LLP	617	13,572	(10,196)	3,993
945	992	(4,099)	(2,162)	City Parking LLP	1,295	834	(4,399)	(2,270)
63	0	(6,796)	(6,733)	City Property (Glasgow) Investments LLP	64	0	(8,232)	(8,168)
0	0	0	0	Cordia Care LLP	0	0	0	0
81	13,662	(8,339)	5,404	Cordia Services LLP	134	12,075	(8,531)	3,678
1,204	13,624	(8,949)	5,879	Culture and Sport Glasgow	1,189	11,274	(9,777)	2,686
384	321	(769)	(64)	Jobs & Business Glasgow	710	372	(1,225)	(143)
40,684	600	(12,665)	28,619	SEC Ltd	(34,722)	656	22,840	(11,226)
180,790	55,831	(114,985)	121,636	Cost of Services	139,031	39,461	(76,259)	102,233
(148,229)	57,067	60,170	(30,992)	Other (Income) and Expenditure	(144,189)	43,364	57,894	(42,931)
32,561	112,898	(54,815)	90,644	(Surplus) or Deficit on the Provision of Services	(5,158)	82,825	(18,365)	59,302

Group Comprehensive Income and Expenditure Statement for the Year ended 31 March 2017

2015/16 Exp. £000 (restated)	2015/16 Income £000 (restated)	2015/16 Net Exp. £000 (restated)		2016/17 Exp. £000	2016/17 Income £000	2016/17 Net Exp. £000	
			Service				
						Note	
139,022	(8,889)	130,133	Chief Executive's Office	71,362	(5,227)	66,135	
132,383	(112,998)	19,385	Development & Regeneration Services	166,172	(114,707)	51,465	
395,597	(24,674)	370,923	Education Services	458,527	(28,895)	429,632	
372,849	(342,448)	30,401	Financial Services	415,426	(346,790)	68,636	
188,541	(44,431)	144,110	Land & Environmental Services	172,984	(41,720)	131,264	
512,087	(191,267)	320,820	Social Work Services	911,335	(604,247)	307,088	
129,296	(28,035)	101,261	Related Companies	74,477	(23,461)	51,016	
598	(90)	508	Common Good Fund	5	139	(50)	89
207	(57)	150	Sundry Trusts	5	162	(82)	80
566	(64,222)	(63,656)	City Building (Contracts) LLP	15	(74,924)	(74,909)	
213,716	(2,843)	210,873	City Building (Glasgow) LLP	227,125	(6,050)	221,075	
8,895	(8,545)	350	City Parking LLP	9,544	(9,753)	(209)	
1,226	(148)	1,078	City Property (Glasgow) Investments LLP	1,394	(723)	671	
6	0	6	Cordia Care LLP	19	(143)	(124)	
148,012	(24,090)	123,922	Cordia Services LLP	146,096	(22,855)	123,241	
112,622	(38,280)	74,342	Culture and Sport Glasgow	102,055	(41,516)	60,539	
21,290	(6,843)	14,447	Jobs & Business Glasgow	11,542	(2,769)	8,773	
29,640	(28,694)	946	SEC Ltd	(11,304)	(28,918)	(40,222)	
2,406,553	(926,554)	1,479,999	Cost of Services	2,757,070	(1,352,830)	1,404,240	
0	(4,321)	(4,321)	(Gain) or loss on the disposal of Property, Plant and Equip.	0	(4,972)	(4,972)	
0	(4,321)	(4,321)	Other Operating Expenditure	0	(4,972)	(4,972)	
3,253	(5,163)	(1,910)	(Surplus) or deficit on Trading Operations where not included above	2,647	(5,120)	(2,473)	
105,808	0	105,808	Interest payable	99,891	0	99,891	
0	(3,531)	(3,531)	Interest and investment income	0	(4,150)	(4,150)	
56,966	0	56,966	Net interest on the net defined benefit liability	10	44,042	0	44,042
6,348	(16,513)	(10,165)	Income, expenditure and changes in the fair value of investment properties	14	7,696	(19,409)	(11,713)
144	0	144	Minority interest	0	(434)	(434)	
172,519	(25,207)	147,312	Financing and Investment Income and Expenditure	154,276	(29,113)	125,163	
0	(887,888)	(887,888)	Non-ringfenced Government grants	0	(851,404)	(851,404)	
0	(382,497)	(382,497)	Non-Domestic Rates	0	(374,865)	(374,865)	
0	(186,803)	(186,803)	Council Tax / Community Charge	0	(189,732)	(189,732)	
0	(101,559)	(101,559)	Capital grants and contributions	0	(89,494)	(89,494)	
0	(1,558,747)	(1,558,747)	Taxation and Non-specific Grant Income	0	(1,505,495)	(1,505,495)	
2,579,072	(2,514,829)	64,243	(Surplus) or Deficit on the Provision of Services	2,911,346	(2,892,410)	18,936	
		(2,361)	Share of (surplus) or deficit on provision of services by associates			(14,741)	
		289	Tax expenses or (receipts) of subsidiaries	12		194	
		62,171	Group (Surplus) or Deficit			4,389	
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(46,320)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(149,127)	
		(622,817)	Actuarial (gains) or losses on Pension Assets and Liabilities	10		506,878	
		1,570	Other unrealised (gains) or losses			3,923	
		(3,412)	Share of other comprehensive (income) and expenditure of associates			3,345	
		(144)	Minority interest			434	
		(671,123)				365,453	
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		3,174	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets			(2,390)	
		(667,949)	Other Comprehensive (Income) and Expenditure			363,063	
		(605,778)	Total Comprehensive (Income) and Expenditure			367,452	

Group Movement in Reserves Statement for the year ended 31 March 2017

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 2015 (Restated)	39,613	35,150	5,135	12,243	92,141	993,606	1,085,747	41,368	(157,294)	2,758	972,579
Movement in reserves during 2015/16:											
Total Comprehensive Income and (Expenditure)	(396,968)	0	0	0	(396,968)	449,263	52,295	334,941	218,685	(143)	605,778
Adjustments between group accounts and authority accounts (note 8)	393,288	0	0	0	393,288	0	393,288	(393,288)	0	0	0
Net Increase or (Decrease) before transfers	(3,680)	0	0	0	(3,680)	449,263	445,583	(58,347)	218,685	(143)	605,778
Adjustments between accounting basis and funding basis under regulations	34,644	0	0	(11,071)	23,573	(23,573)	0	55,856	(55,856)	0	0
Net Increase or (Decrease) before transfers to other statutory reserves	30,964	0	0	(11,071)	19,893	425,690	445,583	(2,491)	162,829	(143)	605,778
Transfers (to) and from other statutory reserves	(9,041)	1,814	7,227	0	0	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	(2,491)	162,829	(143)	605,778
Balance at 31 March 2016 (Restated)	61,536	36,964	12,362	1,172	112,034	1,419,296	1,531,330	38,877	5,535	2,615	1,578,357
Movement in reserves during 2016/17:											
Total Comprehensive Income and (Expenditure)	(453,583)	0	0	0	(453,583)	(270,036)	(723,619)	448,760	(96,213)	3,620	(367,452)
Adjustments between group accounts and authority accounts (note 8)	393,120	0	0	0	393,120	0	393,120	(393,120)	0	0	0
Net Increase or (Decrease) before transfers	(60,463)	0	0	0	(60,463)	(270,036)	(330,499)	55,640	(96,213)	3,620	(367,452)
Adjustments between accounting basis and funding basis under regulations	58,371	0	0	(302)	58,069	(58,069)	0	1,365	(1,365)	0	0
Net Increase or (Decrease) before transfers to other statutory reserves	(2,092)	0	0	(302)	(2,394)	(328,105)	(330,499)	57,005	(97,578)	3,620	(367,452)
Transfers (to) and from other statutory reserves	(212)	4,577	(4,365)	0	0	0	0	0	0	0	0
Increase or (Decrease) in the year	(2,304)	4,577	(4,365)	(302)	(2,394)	(328,105)	(330,499)	57,005	(97,578)	3,620	(367,452)
Balance at 31 March 2017	59,232	41,541	7,997	870	109,640	1,091,191	1,200,831	95,882	(92,043)	6,235	1,210,905

Note 8 on page 98 provides further details on the Movement in Reserves Statement

Group Balance Sheet as at 31 March 2017

31 March 16 £000 (restated)		£000	31 March 17 £000
	Note		
2,155,439	Other land and buildings	2,341,143	
150,980	Vehicles, plant, furniture and equipment	132,758	
572,175	Infrastructure assets	583,686	
24,448	Community assets	24,699	
99,493	Assets under construction	87,338	
<u>63,187</u>	Corporate surplus assets	<u>47,183</u>	
3,065,722	Property, Plant and Equipment		3,216,807
1,417,093	Heritage assets		1,417,158
171,268	Investment property	14	182,194
6,883	Intangible assets		6,629
37,616	Long-term investments		38,016
48,553	Investments in associates and joint boards	16	60,531
<u>36,318</u>	Long-term debtors		<u>35,440</u>
4,783,453	Long-term Assets		4,956,775
70,673	Short-term investments		51,895
5,596	Inventories	17	4,729
229,360	Net short-term debtors		208,851
109,807	Cash and cash equivalents	18	226,043
146	Intangible Assets		1,637
<u>28,789</u>	Assets held for sale		<u>32,950</u>
444,371	Current Assets		526,105
0	Cash and cash equivalents	18	(2,730)
(303,248)	Short-term borrowing		(368,838)
(364,612)	Short-term creditors		(361,552)
<u>(17,449)</u>	Short-term provisions		<u>(6,661)</u>
(685,309)	Current Liabilities		(739,781)
(20,301)	Long-term provisions		(21,316)
(1,450,874)	Long-term borrowing		(1,451,851)
(1,236,627)	Net pensions liability	10	(1,798,083)
(202,751)	Deferred liabilities		(230,282)
(23,696)	Capital grants receipts in advance		0
(671)	Deferred tax liability	19	(865)
(24,004)	Deferred grants	20	(22,939)
(4,339)	Deferred income	21	(5,381)
<u>(895)</u>	Liabilities in associates and joint boards	16	<u>(1,477)</u>
(2,964,158)	Long-term Liabilities		(3,532,194)
1,578,357	Net Assets / (Liabilities)		1,210,905
61,536	General Fund Reserve	59,232	
36,964	Revenue Reserve Funds	41,541	
12,362	Capital Reserve Funds	7,997	
<u>1,172</u>	Capital Grants Unapplied Account	<u>870</u>	
112,034	Usable Reserves		109,640
1,419,296	Unusable Reserves		1,091,191
47,027	Group Reserves		10,074
1,578,357	Total Reserves		1,210,905

The unaudited accounts were issued on 26 June 2017 and the audited accounts were authorised for publication on 28 September 2017.

Morag Johnston CPFA
Acting Executive Director of Financial Services
28 September 2017

Group Cash Flow Statement for the Year ended 31 March 2017

2015/16 £000 (restated)		2016/17 £000
62,171	Group (Surplus) or Deficit on the Provision of Services	4,389
(207,392)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(148,830)
(10,495)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	6,513
(155,716)	Net cash flows from operating activities	(137,928)
86,382	Investing activities	75,477
83,216	Financing activities	(51,055)
13,882	Net (increase) or decrease in Cash and cash equivalents	(113,506)
(123,689)	Cash and cash equivalents at the beginning of the reporting period	(109,807)
(109,807)	Cash and cash equivalents at the end of the reporting period	(223,313)

❖ 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 19 to 30. Where materially different, the accounting policies of group members have been aligned to those of the single entity. Where group members are not required to prepare their financial statements on an IFRS basis, consolidation adjustments have been made.

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

1.1. Goodwill

The council inherited its interest in Scottish Event Campus Limited (formerly 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 four subsidiaries, the council's share of net reserves is a net liability. The net liabilities of City Building (Glasgow) LLP, Cordia (Services) 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 2016/17 Financial Statements show an increase 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 £180.445 million (£89.334 million restated in 2015/16).

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

1.3. Pensions

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

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

1.4. Common Good Fund and Sundry Trusts

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

1.5. Depreciation

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

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

1.6. Prior year restatement

The following prior year adjustments have been made in relation to the consolidating entities in 2016/17:

- To reflect audit adjustments within Jobs & Business Glasgow
- To reflect a change in the accounting treatment of income within the Scottish Event Campus Limited
- To reflect the Glasgow City Marketing Bureau Limited transfer to Culture and Sport Glasgow as a wholly owned subsidiary.
- The impact on the statements is a decrease of £4.542 million to the closing group reserves balance at 31 March 2016.

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 £678.7 million. Similarly, a 0.5% increase in the rate of salary increase and pension increase rates would increase the liability by £231.2 million and £428.6 million respectively. In terms of life expectancy, an increase of 1 year would equate to an increased liability of between £189.0 million and £315.1 million.

3. Combining entities

3.1. Scottish Event Campus Limited (formerly Scottish Exhibition Centre Limited)

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

Net assets of the company were £12.241 million at 31 March 2017, compared to restated net assets of £9.697 million at 31 March 2016. The profit on ordinary activities before taxation for the year to 31 March 2017 was £2.739 million, compared to a restated profit of £1.520 million for the period to 31 March 2016. 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 2017. Copies of the audited accounts may be obtained from the Chief Executive, Scottish Event Campus 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 £51.269 million at 31 March 2017, compared to £16.065 million at 31 March 2016. The loss on ordinary activities before and after taxation for the year to 31 March 2017 was £5.639 million, compared to £11.223 million for the period to 31 March 2016.

The latest set of audited accounts is for the year to 31 March 2017. 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 £0.600 million at 31 March 2017, compared to £0.550 million at 31 March 2016. The profit on ordinary activities before and after taxation for the year to 31 March 2017 was £0.050 million, compared to £0.050 million for the period to 31 March 2016.

The latest set of audited accounts is for the year to 31 March 2017. 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 and Glasgow City Marketing Bureau Limited was incorporated within Culture and Sport Glasgow as a wholly owned subsidiary from 1 April 2016. The company is also a registered charity, with Glasgow City Council being the sole member. The limit of the council's liability if the company was wound up is £1. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

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

After accounting for IAS19 Employee Benefits, the net liabilities of the company were £91.614 million at 31 March 2017, compared to restated net liabilities of £45.088 million at 31 March 2016. The profit on ordinary activities before and after taxation for the year to 31 March 2017 was £2.689 million, compared to a restated loss of £8.176 million for the period to 31 March 2016.

The latest set of audited accounts is for the year to 31 March 2017. 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 £30.493 million at 31 March 2017, compared to £28.181 million at 31 March 2016. The loss on ordinary activities before and

after taxation for the year to 31 March 2017 was £0.263 million, compared to £0.626 million for the period to 31 March 2016.

The latest set of audited accounts is for the year to 31 March 2017. 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 care services to Glasgow City Council. The council is the principal member of the partnership, holding 99.99% of the ordinary capital. Under accounting standards, the council has a controlling interest in this company. It is, therefore, included in the Group Financial Statements as a subsidiary.

The net assets of the partnership were £0.046 million at 31 March 2017, compared to £0.050 million at 31 March 2016. The loss on ordinary activities before and after taxation for the year to 31 March 2017 was £0.004 million, compared to £0.014 million for the period to 31 March 2016.

The latest set of audited accounts is for the year to 31 March 2017. 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 liabilities of the partnership were £7.069 million at 31 March 2017, compared to net assets of £15.257 million at 31 March 2016. The loss on ordinary activities before and after taxation for the year to 31 March 2017 was £3.057 million, compared to £7.015 million for the period to 31 March 2016.

The latest set of audited accounts is for the year to 31 March 2017. 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 £87.035 million at 31 March 2017, compared to £70.160 million at 31 March 2016. The profit on ordinary activities before and after taxation for the year to 31 March 2017 was £7.225 million, compared to £6.470 million for the period to 31 March 2016.

The latest set of audited accounts is for the year to 31 March 2017. 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

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 £13.402 million at 31 March 2017, compared to restated net assets of £14.310 million at 31 March 2016. The loss on ordinary activities before and after taxation for the year to 31 March 2017 was £0.487 million, compared to £3.467 million for the period to 31 March 2016.

The latest set of audited accounts is for the year to 31 March 2017. 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 2017. 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 2016/17, Glasgow City Council contributed £10.049 million or 26.88% of the Board's estimated running costs (2015/16 £10.049 million) and its share of the year-end net assets of £50.458 million (2015/16 net assets of £48.141 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 2016/17:

2015/16 £000	Strathclyde Partnership for Transport	2016/17 £000
(25,593)	Gross (income)	(27,867)
(2,825)	(Surplus) or Deficit on the Provision of Services	(5,662)
(3,412)	Other Comprehensive (Income) and Expenditure	3,345
41,251	Long-term assets	50,455
28,394	Current assets	25,600
(11,096)	Current liabilities	(11,744)
(2,619)	Long-term liabilities excluding pension liability	(504)
(7,789)	Pension liability	(13,349)

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:

2015/16 £000	Strathclyde Partnership for Transport	2016/17 £000
	Amounts owed to GCC	
2,911	Short-term debtors	3,685
	Amounts owing by GCC	
(485)	Short-term creditors	(114)

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 2017. 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 2016/17, Glasgow City Council contributed £1.052 million or 24.70% of the Board's estimated running costs (2015/16 £1.052 million) and its share of the year-end net assets of £0.418 million (2015/16 £0.412 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 2016/17:

2015/16 £000	Strathclyde Concessionary Travel Scheme	2016/17 £000
(1,057)	Gross (income)	(1,057)
(6)	(Surplus) or Deficit on the Provision of Services	(6)
530	Current assets	673
(118)	Current liabilities	(255)

There were no amounts owing or owed between Glasgow City Council and Strathclyde Concessionary Travel Scheme as at 31 March 2017.

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 2016. 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 2016/17, the council contributed £39.740 million to the company's running costs (2015/16 £40.712 million) and its share of the year-end net liability was £1.477 million (2015/16 £0.895 million).

The following table represents the group's share of key financial information extracted from the accounts of Service Glasgow Limited Liability Partnership for 2016/17:

2015/16 £000	Service Glasgow Limited Liability Partnership	2016/17 £000
(30,655)	Turnover	(25,647)
470	(Surplus) or Deficit on the Provision of Services	582
364	Long-term assets	0
7,094	Current assets	4,969
(8,353)	Current liabilities	(6,446)

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:

2015/16 £000	Service Glasgow Limited Liability Partnership	2016/17 £000
	Amounts Owed to GCC	
2,371	Short-term debtors	2,893
	Amounts Owing by GCC	
(7,786)	Short-term creditors	(6,014)

3.13. Glasgow City Integration Joint Board

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

The latest set of audited accounts is for the year to 31 March 2017. Copies of the audited accounts may be obtained from the Chief Executive, Glasgow City Integration Joint Board, 32 Albion Street, Glasgow G1 1LH.

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

The following table represents the group's share of key financial information extracted from the accounts of Glasgow City Health and Social Care Partnership for 2016/17:

2015/16 £000	Glasgow City Integration Joint Board	2016/17 £000
27	Turnover	(568,455)
0	(Surplus) or Deficit on the Provision of Services	(9,655)
3	Current assets	9,655
(3)	Current liabilities	0

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

2015/16 £000	Glasgow City Integration Joint Board	2016/17 £000
	Amounts Owning by GCC	
(3)	Short-term creditors	(19,295)

4. Nature of combination

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

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 £0.089 million (£0.508 million in 2015/16) and net expenditure on Sundry Trusts of £0.080 million (net expenditure of £0.150 million in 2015/16) 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 2016/17 was to increase council reserves and net assets by £10.074 million (2015/16 restated net assets increased by £47.027 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 2017.
- 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 £5.026 million at 31 March 2017 compared to £2.293 million at 31 March 2016. The loss on ordinary activities before and after taxation for the year to 31 March 2017 was £0.130 million compared to £0.390 million for the period to 31 March 2016.

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

2015/16 Net Expenditure/ (Income) £000	Debtor / (Creditor) at 31 March 2016 £000	City Property (Glasgow) Limited Liability Partnership	2016/17		Debtor / (Creditor) at 31 March 2017 £000
			Expenditure £000	Income £000	
(1,736)	57	Glasgow City Council	470	(2,403)	126
39	(23)	City Building (Glasgow) LLP	28	(30)	20
0	0	City Parking (Glasgow) LLP	0	(25)	10
8	(8)	City Property Glasgow (Investments) LLP	269	(171)	(98)
1	0	Cordia (Services) LLP	3	(4)	0
(15)	1	Culture and Sport Glasgow	0	(19)	0
(12)	10	Jobs & Business Glasgow	0	(24)	1
(15)	18	Common Good Fund	0	0	0

- Community Safety Glasgow Limited** is an associate company limited by guarantee with charitable status. The company was created to promote the protection of people and property and to improve public safety and crime prevention within the city. During the year, the council made a contribution of £9.800 million (2015/16 £10.904 million) representing 41% of the organisation's estimated running costs for the year to 31 March 2017.
- Scotland Excel** is a Joint Committee established on 1 April 2008 to replace the Authorities Buying Consortium and other similar bodies across Scotland. It is the largest non-profit purchasing agency in Scotland and serves the buying needs of 28 local authorities and similar public sector bodies in Scotland.

During the year, the council made a contribution of £0.334 million (2015/16 £0.305 million) representing 9.6% of the organisation's estimated running costs for the year to 31 March 2017.

- **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 (2015/16 £0.072 million) representing 12.5% of the Joint Committee's estimated running costs for the year to 31 March 2017.
- **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 (2015/16 £0.011 million) representing 25.8% of the Joint Committee's running costs for the year to 31 March 2017.
- **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 (2015/16 £0.123 million) representing 31% of the consortium's estimated running costs for the year to 31 March 2017.
- **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 10 local authorities and by Historic Scotland for specific projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Government planning guidance for the treatment of archaeological remains in the planning process. During the year, the council made a contribution of £0.009 million (2015/16 £0.009 million) representing 6.7% of the Joint Committee's estimated running costs for the year to 31 March 2017.
- **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 £0.319 million (2015/16 £0.294 million) representing 9.72% of the organisation's estimated running costs for the year to 31 March 2017.
- **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 £0.325 million (2015/16 £0.237 million) representing 33.2% of the organisation's running costs for the year to March 2017.

- **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 (2015/16 £0.057 million) representing 6% of the organisation's estimated running costs for the year to 31 March 2017.
- **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 £0.007 million (2015/16 £0.009 million) representing 15.6% of the Joint Committee's running costs for the year to 31 March 2017.
- **Transforming Communities Glasgow** was established as a charitable company in April 2012 and commenced trading in June 2015. The main purpose of the charity is to facilitate a single strategic focus for the regeneration of transformational regeneration areas. During the year, the council made a contribution of £0.001 million (2015/16 £0.001 million) representing 33.3% of the Joint Committee's running costs for the year to 31 March 2017.
- **Dams to Darnley Country Park Joint Committee** was established by Glasgow City Council and East Renfrewshire Council in 2006. The Joint Committee was dissolved on 1 April 2016 and replaced with a service level agreement for the running of the country park between Glasgow City Council and East Renfrewshire Council and is therefore no longer part of the Glasgow group for 2016/17.

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

2015/16 adjustments (restated)	General Fund Reserve £000	Revenue & Capital Reserve Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000	Authority's share of Usable Reserves of Subsidiaries & Associates £000	Authority's share of Unusable Reserves of Subsidiaries & Associates £000	Total Reserves £000
Purchase of goods and services from subsidiaries	393,288	0	0	393,288	0	393,288	(393,288)	0	0
Grants and contributions	0	0	0	0	0	0	0	0	0
Total adjustments between Group Financial Statements and Authority Financial Statements	393,288	0	0	393,288	0	393,288	(393,288)	0	0

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

9. Group subjective analysis

2015/16 £000 (restated)	Subjective analysis	2016/17 £000	%
Where the money came from			
(1,465,939)	Government grants and local taxation	(1,424,895)	48.9
(562,543)	Other grants, reimbursements and contributions	(618,006)	21.3
(91,489)	Customer and client receipts	(436,625)	15.0
(19,413)	Interest and investment income	(22,761)	0.8
(120,263)	Income from other departments	(122,136)	4.2
(269,565)	Other miscellaneous income	(295,657)	10.2
120,263	Inter-departmental recharges	122,136	(4.2)
(4,321)	Gain on disposal of property, plant and equipment	(4,972)	0.2
(2,361)	Share of surplus from associates and joint boards	(14,741)	0.5
(101,559)	Capital grants and contributions	(89,494)	3.1
(2,517,190)	Total income	(2,907,151)	100.0
How the money was spent			
967,334	Employee costs	965,838	33.1
134,301	Premises costs	127,476	4.4
16,117	Supplies and services	36,777	1.3
81,696	Transport and plant	77,274	2.7
613,648	Third party payments	1,006,449	34.5
508,367	Transfer payments	499,558	17.2
218,407	Depreciation, amortisation and impairment losses	175,692	6.0
112,156	Financing costs	107,587	3.7
(9,368)	Allocations	(7,017)	(0.2)
56,966	Net interest on the net defined benefit liability	44,042	1.5
(120,263)	Inter-departmental recharges	(122,136)	(4.2)
2,579,361	Total expenditure	2,911,540	100.0
62,171	Group (surplus) or deficit for the year	4,389	

10. Pension Costs

10.1. 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 2016/17:

2015/16 £000 (restated)	Local Government Pension Scheme	2016/17 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
122,744	Current service cost	107,141
1,602	Past service cost	764
	Financing and Investment Income and Expenditure:	
57,033	Net interest cost	44,042
181,379	Total post-employment benefits charged / (credited) to the Surplus or Deficit on the Provision of Services	151,947
	Other Comprehensive Income and Expenditure	
	Remeasurement of the net defined benefit liability:	
20,247	Return on assets	(721,849)
(569,855)	Actuarial (gains) / losses arising on changes in financial assumptions	1,219,435
0	Actuarial (gains) / losses arising from changes in demographic assumptions	0
(73,209)	Other Experience	9,292
(441,438)	Total post-employment benefits charged / (credited) to the Comprehensive Income and Expenditure Statement	658,825
181,379	Net charge / (credit) to the Surplus or Deficit on the Provision of Services brought forward	151,947
	Movement in Reserves Statement	
(85,626)	Reversal of net (charge) / credit made to the Surplus or Deficit on the Provision of Services in accordance with IAS19	(54,578)
	Actual amount charged against the General Fund balance for pensions in the year:	
95,753	Employers contribution paid	97,369

10.2. 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 £1,798.083 million:

2015/16	Actuarial Assumptions	2016/17
	Long-term expected rate of return on assets in the scheme:	
3.5%	Equity Investments	2.6%
3.5%	Bonds	2.6%
3.5%	Property	2.6%
3.5%	Cash and net debtors/ creditors	2.6%
	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:	
2.2%	Rate of price increases	2.4%
4.2%	Rate of increase in salaries (see note)	4.4%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%
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	
73%	Equities Investments	77%
13%	Bonds	7%
11%	Property	12%
3%	Cash and Net Debtors/Creditors	4%
100%	Total	100%

Note: 2016/17 salary increases assumptions for City Building (Glasgow) LLP are 2.1% per annum.

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

2015/16 £000 (restated)	Pension Assets and Liabilities recognised in the Balance Sheet	2016/17 £000
4,920,103	Present value of the defined benefit obligation	6,301,663
(3,683,476)	Fair value of plan assets	(4,503,580)
1,236,627	Net liability arising from defined benefit obligation	1,798,083

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

<i>2015/16</i> £000 <i>(restated)</i>	Reconciliation of present value of scheme liabilities:	2016/17 £000
5,394,827	Opening balance at 1 April	4,920,103
122,744	Current service costs	107,141
172,601	Interest costs	172,419
23,951	Contributions by scheme participants	25,447
	Remeasurement (gains) and losses:	
(569,855)	Actuarial (gains) / losses arising from changes in financial assumptions	1,219,435
0	Actuarial (gains) / losses arising from changes in demographic assumptions	0
(73,209)	Other	9,292
1,602	Past service cost (including curtailments)	764
(152,558)	Benefits paid	(152,938)
4,920,103	Closing balance at 31 March	6,301,663

<i>2015/16</i> £000 <i>(restated)</i>	Reconciliation of present value of scheme assets:	2016/17 £000
3,621,009	Opening balance at 1 April	3,683,476
115,568	Interest income	128,377
	Remeasurement gain / (loss):	
(20,247)	Return on assets, excluding the amount included in the net interest cost	721,849
95,753	Contributions by employer	97,369
23,951	Contributions by scheme participants	25,447
(152,558)	Benefits paid	(152,938)
3,683,476	Closing balance at 31 March	4,503,580

10.3. Analysis of Pension Fund's Assets

2015/16 (restated)			Local Government Pension Scheme assets	2016/17		
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	Total £000
123,365	3,906	127,271	Cash and cash equivalents	162,426	7,774	170,200
Equity Instruments:						
343,657	19	343,676	Consumer	425,887	6	425,893
273,094	2,552	275,646	Manufacturing	336,911	1,167	338,078
109,031	0	109,031	Energy and utilities	133,703	0	133,703
254,613	4	254,617	Financial institutions	313,235	2	313,237
148,252	20	148,272	Health and care	183,381	6	183,387
210,430	74	210,504	Information technology	259,338	22	259,360
1,339,077	2,669	1,341,746	Sub-total equity instruments	1,652,455	1,203	1,653,658
Debt Securities						
0	1	1	Corporate Bonds	0	9	9
Private Equity:						
0	358,636	358,636	All	0	370,951	370,951
Property:						
0	395,258	395,258	UK	0	543,665	543,665
Other investment funds:						
32,391	924,117	956,508	Equities	43,323	1,404,649	1,447,972
0	449,642	449,642	Bonds	0	252,891	252,891
1,289	0	1,289	Commodities	2,717	0	2,717
0	51,919	51,919	Other	6,345	55,119	61,464
33,680	1,425,678	1,459,358	Sub-total other investment funds	52,385	1,712,659	1,765,044
Derivatives:						
1,206	0	1,206	Other	(89)	142	53
1,497,328	2,186,148	3,683,476	Total Assets	1,867,177	2,636,403	4,503,580

10.4. Impact on Group Cash Flows

The liabilities show the underlying commitments that the group has in the long run to pay retirement benefits. The total net liability of £1,798.083 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 2018 is £77.387 million.

10.5. 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>2015/16</i> <i>£000</i>	Defined Contribution Schemes	2016/17 £000
600	Scottish Event Campus Limited	656
118	Jobs & Business Glasgow	222
1,371	Service Glasgow	1,475
2,089	Total	2,353

11. Minority interest

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

On the Group Balance Sheet within group reserves, with accounting policies aligned, the share of the assets of Scottish Event Campus Limited attributable to minority shareholdings was £6.235 million for 2016/17 (2015/16 £2.615 million).

12. Taxation

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

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

<i>2015/16</i> <i>£000</i> <i>(restated)</i>	UK Corporation Tax	2016/17 £000
289	Deferred tax	194
289	Total	194

13. Long-term assets

13.1. 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 2017 was £3,216.807 million.

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

Movement in PPE 2015/16 (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 2015	2,372,743	252,089	740,830	25,528	83,988	78,315	3,553,493
Additions in year	70,818	29,180	29,287	12	58,017	2,586	189,900
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	2,440,905	244,099	769,700	25,508	99,493	65,328	3,645,033
Depreciation and impairment:							
At 1 April 2015	(186,629)	(97,869)	(179,145)	0	0	(4,048)	(467,691)
Depreciation charge for year	(66,873)	(29,570)	(19,936)	0	0	(1,057)	(117,436)
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)	(93,119)	(197,525)	(1,060)	0	(2,141)	(579,311)
Balance Sheet amount at 31 March 2016	2,155,439	150,980	572,175	24,448	99,493	63,187	3,065,722
Balance Sheet amount at 31 March 2015 (Restated)	2,186,114	154,220	561,685	25,528	83,988	74,267	3,085,802
Nature of asset holding:							
Owned	1,838,086	141,110	572,175	24,448	99,493	63,187	2,738,499
Finance leased	(14,169)	9,870	0	0	0	0	(4,299)
PPP	331,522	0	0	0	0	0	331,522
Total	2,155,439	150,980	572,175	24,448	99,493	63,187	3,065,722

13.2. Summary of capital expenditure and sources of finance

2015/16 £000 (restated)	Capital expenditure and sources of finance	2016/17 £000
Capital investment		
189,900	Property, plant and equipment	218,389
710	Intangible assets	1,767
10	Assets held for sale	111
3,980	Investment property	0
194,600	Total gross expenditure	220,267
Sources of finance		
37,779	Borrowing	82,099
21,803	Asset Sales	12,401
1,613	Assets acquired under finance leases	53,437
122,881	Government grants and other capital contributions	65,798
10,524	Revenue contributions	6,532
194,600	Total	220,267

14. 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:

2015/16 £000 (restated)	Investment property	2016/17 £000
(16,513)	Rental income from investment property	(19,409)
6,348	Direct operating expenses arising from investment property	7,696
(10,165)	Net (gain) / loss	(11,713)

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:

2015/16 £000	Movement in fair value	2016/17 £000
161,860	Balance at start of year:	171,268
3,980	Additions	0
(3,015)	Disposals	(1,343)
8,443	Net gain / (loss) from fair value adjustments	12,196
0	Other changes	73
171,268	Balance at end of year	182,194

15. 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 2016/17, 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 £253.047 million comprises £32.397 million with level 1 inputs, £213.315 million with level 2 inputs and £7.335 million with level 3 inputs.

Fair Value Measurement of assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Surplus Properties (valued in 2016/17)	0	6,646	0	6,646
Assets held for sale	0	32,950	0	32,950
Commercial Units	1,200	173,659	7,335	182,194
Unquoted equity investment at cost	25	60	0	85
Other investments	31,172	0	0	31,172
Total	32,397	213,315	7,335	253,047

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	1,820,689	2,343,277

16. Investments / liabilities in associates and joint boards

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, Strathclyde Concessionary Travel Scheme and Glasgow City Integration Joint Board is an asset and is included on the Balance Sheet as a long-term investment.

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

2015/16 £000	Investments in Associates and Joint Boards	2016/17 £000
48,141	Strathclyde Partnership for Transport	50,458
412	Strathclyde Concessionary Travel Scheme	418
0	Glasgow City Integration Joint Board	9,655
48,553	Sub-total	60,531
	Liabilities in Associates	
(895)	Service Glasgow LLP	(1,477)
(895)	Sub-total	(1,477)
47,658	Total	59,054

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

2015/16 £000 <i>(restated)</i>		2016/17 £000	
(57,332)	Gross income		(623,026)
41,615	Long-term assets		50,455
36,021	Current assets		40,896
(19,570)	Current liabilities		(18,444)
(10,408)	Long-term liabilities		(13,853)
47,658	Net asset		59,054

17. 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:

2015/16			2016/17			
<i>Raw materials and consumables</i> £000	<i>Finished Goods</i> £000	<i>Total</i> £000	Inventories	<i>Raw materials and consumables</i> £000	<i>Finished Goods</i> £000	<i>Total</i> £000
4,912	446	5,358	Opening balance	5,032	564	5,596
17,138	118	17,256	Purchases	15,327	0	15,327
(16,978)	0	(16,978)	Reclassifications / transfers	(16,193)	0	(16,193)
(40)	0	(40)	Disposals	(1)	0	(1)
5,032	564	5,596	Closing balance	4,165	564	4,729

18. 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:

2015/16 £000 <i>(restated)</i>		2016/17 £000	
43,150	Short-term deposits		125,456
66,248	Bank current accounts		100,349
409	Cash imprests		238
109,807	Sub total		226,043
0	Temporary overdraft facilities		(2,730)
109,807	Total Cash and cash equivalents		223,313

19. 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 2017 the balance mainly related to timing differences on capital expenditure.

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

2015/16 £000 (restated)	Deferred Taxation	2016/17 £000
382	As at 1 April	671
289	(Receipt)/Payment for the period	194
671	As at 31 March	865

All deferred tax has been provided for and has been calculated using the rate of 20% (20% in 2015/16) as follows:

2015/16 £000 (restated)	Deferred Taxation	2016/17 £000
1,237	Accelerated capital allowances	1,908
(566)	Other timing differences	(1,043)
671	As at 31 March	865

20. Deferred grants

Following the elimination of inter-company transactions, the balance remaining on deferred grants of £22.939 million (2015/16 £24.004 million) represents external funding in support of capital projects.

21. Deferred income

Deferred income of £5.381 million (2015/16 £4.339 million) largely represents payments received by SEC Ltd for future events which will be recognised when the events take place.

22. 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 2016 (restated) £000	Net movement 2016/17 £000	Balance at 31 March 2017 £000
Culture and Sport Glasgow	5,140	7,186	12,326
Jobs & Business Glasgow	15,015	(536)	14,479
Sundry Trusts - charitable element	7,211	719	7,930
Total	27,366	7,369	34,735

❖ Annual Governance Statement

1. Scope of responsibility

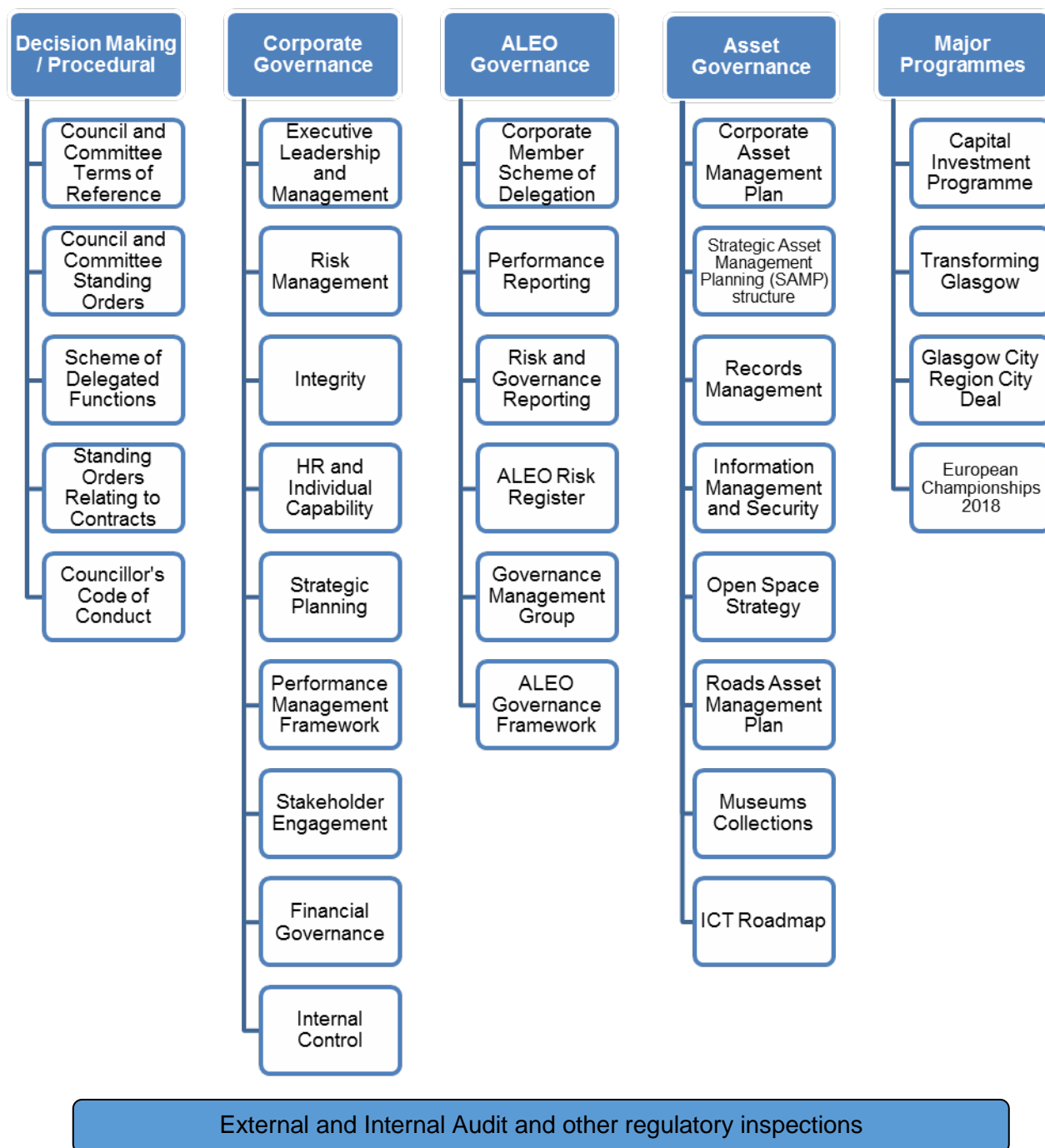
- 1.1 Glasgow City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements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

2. The purpose of the governance framework

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

3. The governance framework

- 3.1 The main features of the Council's governance framework are enshrined in the Council's Local Code of Corporate Governance (the Code), which is consistent with the principles, and reflects the requirements of, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. A copy of The Code is available on the Council's website at:
<https://www.glasgow.gov.uk/index.aspx?articleid=17539>
- 3.2 The Code evidences the Council's commitment to achieving good governance and demonstrates how it complies with recommended governance standards. The Code is regularly reviewed, most recently refreshed in March 2017.
- 3.3 A key part of the Code, the Council has embedded a system of risk management and internal control. While providing reasonable assurance, these systems cannot, however, provide absolute assurance or certainty in entirely eliminating the risk of the Council failing to achieve its aims and objectives; incurring material errors; losses; fraud or breaches of laws and regulations.
- 3.4 The Council's governance framework is set out in the diagram below:



3.5 The main features of the governance framework include:

- (a) Committee structure - In 2016/17, the Council continued to facilitate policy and decision making through a committee structure which was agreed in June 2010 (updated in May 2012). This 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.

- (b) The Scheme of Delegated Functions sets out the delegations made to committees, the Lord Provost/Deputy Lord Provost and officers under the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved. This continued to operate in 2016/17 and can be found on the Council's website at:
<https://www.glasgow.gov.uk/index.aspx?articleid=17758>
- (c) The Single Outcome Agreement (SOA) details how the Council will discharge its obligation to work with partner organisations across the city to achieve the overall vision of 'A prosperous city for all Glaswegians'. Through the Council's community planning network, major services such as health and police, work with Council service providers to develop strategies to meet the objectives of the SOA, and community engagement increases local participation, accountability and influences decision making.
- (d) The Council's Strategic Plan 2012 – 2017, refreshed during 2015, established the Council's priorities as 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 which reflects the challenges ahead and the need for the Council to remain focussed on 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>
- (e) The Corporate Performance Management Framework sets out how the Council monitors, manages and reports progress and performance to management, elected members and the public. This includes performance against delivery of the SOA and Council Strategic Plan, service performance and benchmarking and citizens' views on services. The Performance Management Framework was reviewed in 2016/17 and recommendations for improvements to corporate reporting arrangements were agreed by Extended Corporate Management Team. A detailed plan will be developed to progress this in 2017/18. A copy of the current Framework can be found on the Council's website at:
<http://www.glasgow.gov.uk/councillorsandcommittees/viewDoc.asp?c=P62AFQNTDXDNDXDX>
- (f) Corporate Risk Management Policy and Strategy - The Council's approach to risk management is well embedded and the Policy and Strategy are regularly reviewed. The Council maintains a Corporate Risk Register, supported by Service Risk Registers; a Risk Register specifically recording the risks to the Council which arise by virtue of providing services through subsidiaries and relevant associates, and programme and project Risk Registers. The Council operates an Operational Risk Management Forum which considers risks across Council Services and regular reports are provided to the Extended Corporate Management Team and the two scrutiny Committees.
- (g) The Council's Business Continuity Policy continued to operate across Services and Business Continuity Plans were reviewed and updated, as required.
- (h) Whistleblowing Policy - A publicised Whistleblowing Policy is in place and is publicised throughout the Council and community. It is available on the Council's website at:
<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=27565&p=0>
- (i) Financial Management and Control: A Code of Practice - an integral part of the stewardship of Council funds, the Code aims to ensure that the Council's financial transactions are conducted in a manner which demonstrates openness, integrity and transparency. This Code of Practice was updated, revised and approved by the first meeting of the new Council on 18 May 2017. Since

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

- (j) A Customer Care Strategy 2015 – 2018 is in place and the Complaints Handling Procedure manages and monitors formal contact with members of the public. Regular reports are made to senior management and the Operational Delivery Scrutiny Committee. The Procedure is available on the Council's website at:
<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=33402&p=0>
- (k) The Council operates Codes of Conduct for employees, and elected members adhere to the nationally prescribed Councillors' Code of Conduct.
- (l) Throughout 2016/17, arrangements continued to operate to ensure that officers were clear on their role and responsibilities and were compliant with relevant statutory requirements and best practice, for example, the role of the Head of Audit and Inspection and chief financial officers fulfil the principles set out in the relevant CIPFA statements.
- (m) The Procurement Strategy, which was refreshed in the year, sets the Council's procurement objectives and actions for the period 2016 to 2018. The Standing Orders Relating to Contracts defines how the Council will conduct the business of procuring works, goods and services. These are regularly reviewed and can be found on the Council's website at:
<https://www.glasgow.gov.uk/index.aspx?articleid=17758>
- (n) The Council operates a Strategic Asset Management Planning structure to plan and oversee investment in and performance of the Council's assets, including property, information, technology, parks and open spaces and the civic Collections. The Corporate Asset Management Plan 2014 – 2017 can be found on the Council's website at:
<http://www.glasgow.gov.uk/councillorsandcommittees/viewSelectedDocument.asp?c=P62AFQUTZLT1T1DN>
- (o) The Council's Transformation Programme was launched in 2015/16 to support the Council's vision for a world class city, focused on economic growth and tackling poverty and inequality, the Programme continues to deliver efficiencies across the Council Family through changes in ways of working with a preventative approach; focus on de-duplication; income generation; innovation; the transformation of service delivery and wider approach to transforming the city through collaboration to deliver a significant shift in how city partners work together to make better use of their resources and join up service delivery.
- (p) The Council regularly publishes information about itself and the services it provides and makes the information available in a wide variety of forms and formats. The Council engages with stakeholders, including citizens in a number of ways, including the annual Household Survey of over 1,000 citizens to establish views on matters ranging from service delivery through to the development of strategy. A dedicated web page provides a Consultation Hub to co-ordinate consultation with residents and businesses. This can be found on the Council's website at:
<https://www.glasgow.gov.uk/CHttpHandler.ashx?id=30652&p=0>

4. Review of effectiveness

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

- (a) The work of the members of the Extended Corporate Management Team, who have responsibility for the development and maintenance of the governance environment.
- (b) Oversight by the Director of Governance and Solicitor to the Council.
- (c) The Head of Audit and Inspection's annual report. Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions and complies with the Public Sector Internal Audit Standards (PSIAS) which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- (d) Observations made by external auditors and other review agencies and inspectorates.
- (e) The completion of a self-assessment questionnaire by Service Executive Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates. This questionnaire is aligned to the principles contained in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government, and requires assessments to be made of the extent to which arrangements within each Service/organisation comply with these principles. The responses to the questionnaires are confirmed on a sample basis by Internal Audit, as part of a rolling programme of corporate governance reviews.
- (f) The completion of signed statements of internal control by all Service Executive Directors and the Managing Directors/Chief Executives of subsidiaries and relevant associates. Such statements were received for 2016/17, 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 2016/17, as it is my opinion that the procedures which have been designed to ensure proper governance and financial control are operating adequately".
- (g) The exercising, by the two Scrutiny Committees, of respective remits including scrutiny of the performance of Services, subsidiaries and relevant associates, including financial management, statutory and other performance, and outcomes set through the SOA, which are relevant to partnership working and monitoring internal financial control, corporate risk management and corporate governance, and receiving and considering summaries of internal and external audit reports. These remits can be found on the Council's website at:

<http://www.glasgow.gov.uk/councillorsandcommittees/allCommittees.asp?sort=1>

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

4.3 Due to the 2017 Council elections and subsequent review of Committee structures, the first meeting of a Committee of the Council, whose remit includes audit, was not held until after the unaudited Annual Accounts were submitted for external audit. However, at its first post-election meeting on 27 September 2017, the Finance and Audit Scrutiny Committee considered the Head of Audit and Inspection's Annual Report for 2016/17, which includes consideration of the effectiveness of the system of internal control and Internal Audit.

5. Governance Developments and Future Activity

5.1 The Public Bodies (Joint Working) (Scotland) Act 2014 established the framework for the integration of health and social care in Scotland. The Glasgow City Integration Joint Board was formally established on 6 February 2016 and the delegation of functions formally took effect from 1 April 2016. The Board met regularly during 2016/17, supported by a separate Finance and Audit Committee which received reports from the appointed internal and external auditors.

5.2 The Community Justice (Scotland) Act 2016 established new delivery and oversight arrangements for the provision of community justice. The Glasgow Community Justice Authority, which aimed to reduce reoffending and improve outcomes for communities, offenders and the criminal justice system through a city partnership, was disestablished on 31 March 2017. Community Justice Glasgow (CJG) is the new delivery model for community justice which will establish direct engagement with communities, families and individuals using justice services, through direct linkages in the new local model with the Glasgow Community Planning Partnership (GCPP). A CJG team is hosted by the Council and collectively resourced by partners. The Community Justice Outcomes Improvement Plan 2017 – 2018 can be found at:

<https://www.glasgowcpp.org.uk/CHttpHandler.ashx?id=37360&p=0>

5.3 From 1 April 2017, the 50/50 joint venture (JV) between the Council and Wheatley Housing Group (WHG) took effect with each partner becoming joint owners of City Building (Glasgow) LLP. The JV was the product of several years of consideration and diligence by each party to enable closer joint working to deliver wider benefits for both parties and the City, taking account of shared interests, the imminent end of the WHG's subsidiary Glasgow Housing Association contracts, the financial challenges affecting the public sector and the need to maintain a highly skilled workforce with opportunities to develop long term apprenticeship programmes and future work for Royal Strathclyde Blindcraft Industries (RSBi). The JV will operate its own Board, comprised of equal membership from each partner.

5.4 The Community Empowerment (Scotland) Act 2015 is being enacted in stages. The Community Planning element came into force on 20 December 2016; further to this, Asset Transfer measures came into force on 23 January 2017, and Participation Requests came into force on 1 April 2017. The spirit of the Act is one of improving outcomes for communities, encouraging and promoting dialogue, tackling inequalities, and supporting the increased participation of those whose voices are less heard or who face additional barriers.

The Council is taking a leading role as Glasgow Community Planning Partnership undertakes a process to develop and deliver a Local Outcomes Improvement Plan and Locality Plans as required by the Act. Following a period of consultation on a draft document, the Local Outcomes Improvement Plan will be published by 1 October 2017. As part of this process, the Partnership will ensure that Community Planning structures in the city are configured appropriately to support the work of the Partnership. The Council has developed a process for responding to Asset Transfer Requests and Participation Requests both of which build on existing channels for our communities to enter into dialogue regarding service design and delivery and can be found on the Council's website at:

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

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

5.5 The following activity is planned, in relation to the governance framework, in 2017/18:

- (a) Following the Local Government election in May 2017, the Council's decision making and Committee structure has been subject to a review. The new arrangements were approved by the Council on 14 September 2017 and the details can be found on the Council's website at: <http://www.glasgow.gov.uk/councillorsandcommittees/agenda.asp?meetingid=15130>
- (b) The Corporate Risk Management Policy and Strategy will be subject to review and update.
- (c) The Council's Business Continuity Policy is undergoing refresh as part of the development of a wider Business Continuity Management Framework that will be implemented in 2017/18.

6. Update on significant governance issues previously reported

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

6.2 In May 2016, Internal Audit reported findings from an investigation into areas of non-compliance with European Funding requirements. This focussed on six grant claims by Jobs and Business Glasgow, which were found to include significant amounts of ineligible expenditure and resulted in the Council decommitting £4.8 million of European grants. The review also included an assessment of the systems and controls for ensuring compliance with European Funding within Jobs and Business Glasgow, and also more broadly across the Council. Detailed follow up work was undertaken by Internal Audit during 2016/17 and 8 of the 13 recommendations for the Council have been fully implemented. Five recommendations were ongoing as at March 2017 and relate to:

- (a) Formalising the governance procedures where projects are delivered by Council Services or ALEOs;
- (b) Finalising a central register of all grant funded activity;
- (c) Rolling out the planned new grant monitoring controls;
- (d) Completing the suite of guidance and training for officers involved in European Funding; and
- (e) Addressing some residual risks associated with document retention for funded projects.

No additional areas of non-compliance with European grant terms and conditions have been identified.

6.3 During 2015/16 an Internal Audit into Disaster Recovery and Business Continuity controls concluded that the control environment was unsatisfactory and identified a number of improvement actions for the Council and its ICT partner ACCESS. During 2016/17, a number of actions have been undertaken to strengthen the Council's resilience:

- (a) Remedial action has taken place to improve Disaster Recovery arrangements at the Council's data centre;
- (b) There has been a successful migration to a new purpose built back-up site, providing more storage capacity and scalability to meet future Disaster Recovery and resilience needs, and
- (c) An IT Disaster Recovery policy is now in place and Business Continuity is now a standing agenda items at both the Council's IT Asset and ICT Advisory Boards.

Work is ongoing to determine the Council's priority applications and the required recovery timescales for these. A new Business Continuity Management Framework has been agreed and was implemented in

June 2017. A programme of Business Continuity Plan testing has also been developed, with the first Council wide test completed in June 2017. Internal Audit will review the effectiveness of the new arrangements as part of the 2017/18 audit plan.

- 6.4 The 2015/16 Statement also reported that the control environment in relation to the management of school funds in primary and Additional Support for Learning schools was unsatisfactory, with instances of non-compliance with the systems of internal control designed to ensure the secure management of these funds. The planned actions to address the matters identified are ongoing, with agreed management implementation dates up to August 2017. Internal Audit will follow up these actions during 2017/18.

7. Significant governance issues

- 7.1 Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported in the Annual Governance Statement. During 2016/17 there were no unsatisfactory opinions issued relating to the Council's assurance.
- 7.2 Some internal audit investigations are ongoing. These have not yet been finalised or reported on but will be reported on in due course if required, and potentially included in the 2017/18 Annual Governance Statement as appropriate.

8. Information Management

- 8.1 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.
- 8.2 Of the 30 recommendations made by the ICO, 27 have been completed and, of the remaining 3, 2 are partially complete and one is considered to be no longer relevant.
- 8.3 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 across the Council Family.
- 8.4 There has been one report made by the Council to the ICO in relation to an information security breach in 2016/17. The ICO has not taken any further action in relation to this reported matter.
- 8.5 In 2016/17, the Council developed a plan to prepare for the implementation of, and compliance with, the General Data Protection Regulation, approved by the European Parliament in April 2016 and enforceable from May 2018. These planning arrangements were reviewed by Internal Audit who concluded that assurance could be placed on the control environment. Preparatory work will continue throughout 2017/18.
- 8.6 The Council is due to be assessed by the Public Services Network (PSN) assessor in October 2017. Maintaining PSN accreditation is key to the Council's effective sharing of information with third party

organisations, which in turn underpin a number of core Council services. Work to ensure the Council meets the requirements of the PSN Code of Connection is ongoing and regular contact is maintained with the PSN assessor in relation to this.

9. Internal Audit Opinion

Based on the audit work undertaken, the assurances provided by Executive Directors of Services and Managing Directors/Chief Executives of subsidiaries and relevant associates and, excluding the significant issues noted above, it is the Head of Audit and Inspection's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and internal control environment which operated during 2016/17 in the council and its subsidiaries and relevant associates.

10. Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance and internal control that operate in Glasgow City Council and its subsidiaries and relevant associates and that these arrangements were in place for the whole of 2016/17. 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 Susan Aitken

Leader of the Administration

28 September 2017

Annemarie O'Donnell

Chief Executive

28 September 2017

Remuneration report for the year ended 31 March 2017

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 2016/17, the maximum salary for the Leader of the Council is £50,682. 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 2016/17, the maximum salary for the Civic Head is £38,011.

The regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Leader of the Council. The council is able to exercise local flexibility in the determination of the precise number of senior councillors and their salaries within these maximum limits. The council pays senior councillor supplements to executive members, chairs of committees and Community – Area Leads. In 2016/17 the council had no more than 24 senior councillors at any one time and the total senior councillor salary paid to these councillors did not exceed £658,817. The table at 4.1 shows the total remuneration paid to any councillors that held a senior council post at any point in 2016/17 and also includes the remuneration of the Leader of the Council and the Civic Head.

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

Senior officers

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

Subsidiaries

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

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

Councillor Susan Aitken

Annemarie O'Donnell

Leader of the Administration

Chief Executive

28 September 2017

28 September 2017

4. Remuneration

4.1. Remuneration of senior councillors

2015/16 Total remuneration £	Remuneration of senior councillors (includes the basic councillor salary of £16,893)	Date from	Date to	Year ended 31 March 2017 Total remuneration £
37,675	Frank McAveety Leader of the Council	April 2016	March 2017	50,526
37,522	Sadie Docherty Lord Provost	April 2016	March 2017	37,894
37,522	Archibald Graham Depute Leader of Council and Executive Member for Commonwealth Games	April 2016	March 2017	37,894
28,139	Gerald Leonard Depute Lord Provost	April 2016	March 2017	28,418
24,027	Susan Aitken Leader of Opposition	April 2016	March 2017	24,266
24,027	Bill Butler Convenor of Licensing Board	April 2016	March 2017	24,266
27,153	Soryia Siddique Executive Member for Citizens and Communities	April 2016	March 2017	32,355
24,027	Paul Carey Convenor of Sustainability and the Environment Policy Development Committee	April 2016	March 2017	24,266
20,821	Philip Braat City Treasurer	April 2016	March 2017	32,355
32,037	Elizabeth Cameron Executive Member for Children, Young People and Lifelong Learning	April 2016	March 2017	32,355
28,912	Stephen Curran Area Lead- Communities (South)	April 2016	March 2017	24,266
22,670	George Redmond Executive Member for Jobs, Business and Investment	April 2016	March 2017	32,355
32,037	Martin Rhodes Executive Member for Personnel	April 2016	March 2017	32,355
28,912	Matthew Kerr Executive Member for Families, Health and Social Care Executive Member for Social Justice	April 2016 June 2016	June 2016 March 2017	24,266
24,027	Frank Docherty Convenor of Licensing and Regulatory Committee	April 2016	March 2017	24,266
24,027	Marie Garrity Area Lead - Communities (North East)	April 2016	March 2017	24,441
24,027	Emma Gillan Convenor of Health and Social Care Policy Development Committee Convenor of Health and Social Care Transition Board	April 2016 June 2016	June 2016 March 2017	24,266
24,027	Mohammed Razaq Area Lead – Communities (North West)	April 2016	March 2017	24,266
24,027	David McDonald Convenor Operational Delivery Scrutiny Committee	April 2016	March 2017	24,266
24,027	Kenneth McLean Convenor Finance and Audit Scrutiny Committee	April 2016	March 2017	24,266

2015/16 Total remuneration £	Remuneration of senior councillors (includes the basic councillor salary of £16,893)	Date from	Date to	Year ended 31 March 2017 Total remuneration £
32,037	Alistair Watson Business Manager	April 2016	March 2017	32,355
22,670	Elaine McDougall Executive Member for Transport, Environment and Sustainability	April 2016	March 2017	32,355
24,027	Malcolm Cunning Convener of Children and Families Policy Development Committee	April 2016	June 2016	24,266
	Convener of Children and Young People Policy Development	June 2016	March 2017	
24,027	James Scanlon Chair of Planning Applications Committee	April 2016	March 2017	24,266
19,544	Hanif Raja Convener of Public Petitions and General Purposes Policy Development Committee	April 2016	March 2017	24,266
17,847	Maureen Burke Convener of Regeneration and the Economy Policy Development Committee	April 2016	March 2017	24,266
689,795	Total			745,382

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. Details of the council's committees and public minutes are available on the council website at:

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:

2015/16 £000	Remuneration	2016/17 £000
1,610	Salaries	1,627
12	Allowances	11
100	Expenses	102
1,722	Total	1,740

Note:

The annual return of councillors' salaries and expenses for 2016/17 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

2015/16 Total Remuneration £	Remuneration of senior employees	Year ended 31 March 2017			Total remuneration £
		Salary, fees and allowances £	Compensation for loss of office £	Election duties £	
180,894	Annemarie O'Donnell Chief Executive	167,853	0	46,662	214,515
127,848	Carole Forrest Director of Corporate Governance and Solicitor to the Council	112,524	0	4,000	116,524
137,718	Lynn Brown Executive Director of Financial Services (from 1 April 2016 to 30 September 2016)	72,893	0	2,000	74,893
135,318	Richard Brown Executive Director of Development and Regeneration Services	135,372	0	0	135,372
135,318	Maureen McKenna Executive Director of Education Services	135,372	0	0	135,372
135,318	Brian Devlin (note 1) Executive Director of Land and Environmental Services (from 1 April 2016 to 31 December 2016)	143,182	0	0	143,182
14,645	Susanne Millar Chief Social Work Officer	100,603	0	0	100,603
77,293	Anne Connolly (note 2) Strategic Adviser to the Chief Executive	82,348	0	0	82,348
6,695	Chris Starrs (note 2) Executive Communications Manager (from 1 April 2016 to 28 January 2017)	57,674	0	2,150	59,824
-	Morag Johnston Acting Executive Director of Financial Services (from 3 October 2016)	56,412 (FYE 122,562)	0	2,150	58,562
-	George Gillespie Acting Executive Director of Land and Environmental Services (from 1 January 2017)	25,959 (FYE 122,562)	0	0	25,959
951,047	Total	1,090,192	0	56,962	1,147,154

Notes:

1. This includes 12 weeks pay in lieu of notice and payment with respect to unused annual leave.
2. 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).
3. 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

2015/16 Total Remuneration £	Remuneration of senior employees of subsidiaries	Year ended 31 March 2017						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 £	
210,723	Peter Duthie Chief Executive, SEC Ltd	171,666	27,449	18,162	0	0	0	217,277
154,784	Billy McFadyen Corporate Services and Finance Director, SEC Ltd	125,166	20,640	13,317	0	0	0	159,123
146,358	Dr Graham Paterson Executive Director, City Building (Glasgow) LLP	137,477	0	5,005	0	0	5,000	147,482
135,173	Dr Bridget McConnell Chief Executive, Culture and Sport Glasgow T/A 'Glasgow Life'	135,209	0	0	0	0	0	135,209
1,361	Andy Clark Director of Services, Cordia (Glasgow) LLP	105,091	0	0	0	0	0	105,091
68,635	William Taggart Managing Director, City Parking (Glasgow) LLP	71,980	0	0	0	0	0	71,980
96,458	Pauline Barclay Managing Director, City Property (Glasgow) LLP	102,521	0	0	0	0	0	102,521
102,029	Calum Graham (note 1) Chief Executive, Jobs & Business Glasgow (from 1 April 2016 to 23 December 2016)	80,398	0	2,970	0	0	0	83,368
-	Martin Booth (note 1) Interim Chief Executive, Jobs & Business Glasgow	10,736	0	0	0	0	0	10,736
915,521	Total	940,244	48,089	39,454	0	0	5,000	1,032,787

Notes:

1. With effect from 28 January 2016 the Chief Executive of Jobs & Business Glasgow had been subject to a precautionary suspension. He left this post on 23 December 2016. A senior officer from within the council family has been appointed as interim Chief Executive. In addition to their substantive salary this has resulted in an additional payment as noted above.

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 2016/17					
<i>Total</i> 2015/16	£5,000 band	Teachers	Those receiving compensation for loss of office	Staff (excl teachers)	Total
270	50,000 - 54,999	238	0	65	303
194	55,000 - 59,999	67	0	148	215
22	60,000 - 64,999	12	0	14	26
16	65,000 - 69,999	7	0	12	19
33	70,000 - 74,999	11	0	35	46
9	75,000 - 79,999	3	0	1	4
5	80,000 - 84,999	1	0	8	9
22	85,000 - 89,999	3	0	15	18
1	90,000 - 94,999	0	0	6	6
6	95,000 - 99,999	0	0	0	0
1	100,000 - 104,999	0	0	4	4
0	105,000 - 109,999	0	0	1	1
0	110,000 - 114,999	0	0	0	0
1	115,000 - 119,999	0	0	2	2
0	120,000 - 124,999	0	0	0	0
1	125,000 - 129,999	0	0	0	0
0	130,000 - 134,999	0	0	0	0
4	135,000 - 139,999	0	0	2	2
0	140,000 - 144,999	0	0	1	1
1	180,000 - 184,999	0	0	0	0
0	210,000-214,999	0	0	1	1
586	Total	342	0	315	657

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.

2015/16		Exit packages bands			2016/17			
Number	Cash value £000	Notional CAY value £000	Total £000		Number	Cash value £000	Notional CAY value £000	Total £000
7	46	0	46	£1 - £20,000	0	0	0	0
2	69	0	69	£20,001 - £40,000	1	22	0	22
2	64	36	100	£40,001 - £60,000	0	0	0	0
0	0	0	0	£60,001 - £80,000	0	0	0	0
4	230	137	367	£80,001 - £100,000	0	0	0	0
3	268	111	379	£100,001 - £150,000	1	120	0	120
18	677	284	961	Total	2	142	0	142

5. Pension benefits

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

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

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

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

From 1 April 2009 a five tier contribution system was introduced with contributions from members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Up to 31 March 2015 if a person worked part-time their contribution rate was worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned. From 1 April 2015 contribution rates are worked out on actual pay. The tiers and member / Councillor contribution rates for 2015/16 and 2016/17 are as follows:

Whole time pay 2015/16 bandings	Employee contribution rate	Whole time pay 2016/17 bandings
On earnings up to and including £20,500	5.50%	On earnings up to and including £20,500
On earnings above £20,500 and up to £25,000	7.25%	On earnings above £20,500 and up to £25,000
On earnings above £25,000 and up to £34,400	8.50%	On earnings above £25,000 and up to £34,400
On earnings above £34,400 and up to £45,800	9.50%	On earnings above £34,400 and up to £45,800
On earnings above £45,800	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 131 to 132, summarise the in-year employer contributions and the accrued benefits for all senior councillors and senior employees that held post at some point during 2016/17 and are regarded as senior as outlined at section 2. The tables do not include contributions made by employees or councillors to the pension fund. All councillors that held senior posts at any time are included, where they are members of the scheme.

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

5.1. Pension benefits of senior councillors

Pension benefits of senior councillors	In year pension contributions			Accrued pension benefits	
	For year to 31 March 2016 £	For year to 31 March 2017 £		Difference from 31 March 2016 £000	As at 31 March 2017 £000
Frank McAveety	7,271	9,751	Pension	1	3
			Lump sum	0	0
Sadie Docherty	7,242	7,314	Pension	1	5
			Lump sum	0	2
Archibald Graham	7,242	7,314	Pension	1	5
			Lump sum	0	0
Gerald Leonard	5,431	5,485	Pension	1	4
			Lump sum	0	1
Paul Carey	4,637	4,683	Pension	1	4
			Lump sum	0	1
Frank Docherty	4,637	4,683	Pension	1	4
			Lump sum	0	0
Marie Garrity	4,637	4,683	Pension	0	2
			Lump sum	0	0
David McDonald	4,637	4,683	Pension	1	4
			Lump sum	0	1
Mohammed Razaq	4,637	4,683	Pension	1	4
			Lump sum	0	1
Malcolm Cunning	4,637	4,683	Pension	0	2
			Lump sum	0	0
James Scanlon	4,637	4,683	Pension	0	3
			Lump sum	0	0
Susan Aitken	4,637	4,683	Pension	1	2
			Lump sum	0	0
Martin Rhodes	6,183	6,244	Pension	1	3
			Lump sum	0	0
Philip Braat	4,015	6,244	Pension	1	4
			Lump Sum	0	0
Hanif Raja	3,770	4,683	Pension	1	2
			Lump Sum	0	0
Maureen Burke	3,442	4,683	Pension	1	2
			Lump Sum	0	0
Total	81,692	89,182	Pension	13	53
			Lump sum	0	6

5.2. Pension benefits of senior employees

Pension benefits of senior employees	In year pension contributions		Accrued pension benefits		
	For year to 31 March 2016 £	For year to 31 March 2017 £		Difference from 31 March 2016 £000	As at 31 March 2017 £000
Annemarie O'Donnell	31,451	38,345	Pension	3	60
			Lump sum	4	115
Lynn Brown (note 1)	26,116	134,147	Pension	-12	42
			Lump sum	165	277
Carole Forrest	23,962	21,717	Pension	-1	39
			Lump Sum	-7	67
Richard Brown	26,116	26,127	Pension	3	55
			Lump sum	0	107
Maureen McKenna	26,116	26,127	Pension	3	73
			Lump sum	0	162
Brian Devlin	26,116	20,600	Pension	2	59
			Lump sum	1	141
Anne Connolly	14,917	15,893	Pension	4	36
			Lump sum	5	73
Susanne Millar	19,157	19,416	Pension	2	30
			Lump Sum	1	49
Chris Starrs	10,997	11,131	Pension	1	11
			Lump Sum	0	10
Morag Johnston	19,223	21,825	Pension	10	45
			Lump Sum	15	85
George Gillespie	19,223	20,298	Pension	4	36
			Lump Sum	3	63
Total	243,394	355,626	Pension	19	486
			Lump sum	187	1,149

Notes:

- Contributions include one-off pension strain on the fund costs arising from early retirement agreements made in the year.

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 2016 £	For year to 31 March 2017 £		Difference from 31 March 2016 £000	As at 31 March 2017 £000
Peter Duthie (note 1) Chief Executive, SEC Ltd	25,245	25,750	Pension	n/a	n/a
			Lump sum	n/a	n/a
Billy McFadyen (note 1) Corporate Services and Finance Director, SEC Ltd	14,603	15,548	Pension	n/a	n/a
			Lump sum	n/a	n/a
Dr Graham Paterson Executive Director, City Building (Glasgow) LLP	26,522	26,533	Pension	3	65
			Lump sum	0	137
Dr Bridget McConnell Chief Executive, Culture and Sport Glasgow T/A 'Glasgow Life'	23,250	23,256	Pension	3	61
			Lump sum	0	125
Andy Clark Director of Services, Cordia (Glasgow) LLP	19,223	20,426	Pension	4	33
			Lump Sum	3	54
William Taggart Managing Director, City Parking (Glasgow) LLP	13,384	13,892	Pension	2	34
			Lump sum	3	73
Pauline Barclay Managing Director, City Property (Glasgow) LLP	18,616	19,787	Pension	3	25
			Lump sum	2	32
Calum Graham Chief Executive, Jobs & Business Glasgow	18,721	13,168	Pension	-1	6
			Lump Sum	0	0
Total	159,564	158,360	Pension	14	224
			Lump Sum	8	421

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

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 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Glasgow City Council and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Expenditure and Funding Analyses, Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets and Cash-Flow Statements, the council-only Council Tax Income Account, Non-domestic Rates Income Account, Common Good Fund, Sundry Trusts and Funds and notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services 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 2016/17 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.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Acting Executive Director of Financial Services for the financial statements

As explained more fully in the Statement of Responsibilities, the Acting Executive Director of Financial Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Acting Executive Director of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 Acting Executive Director of Financial Services; and the overall presentation of the financial statements.

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

Other information in the annual accounts

The Acting Executive Director of Financial Services is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to 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.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

David McConnell MA CPFA

Assistant Director (Audit Services)

Audit Scotland

4th Floor

8 Nelson Mandela Place

Glasgow

G2 1BT

29 September 2017

❖ **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.