

CITY BUILDING (CONTRACTS) LLP

Members' Report and Financial
Statements

Registered number: SO301080
For the Year ended 31 March 2021

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MEMBERS' REPORT

The members present their report and audited financial statements for the year ended 31 March 2021.

Principal Activity

The principal activities of City Building (Contracts) LLP are Construction, Repair and Maintenance operations and Manufacturing.

Designated Members

City Building (Contracts) LLP had two members during the period, Glasgow City Council and GCC LLP Investments Ltd, both of whom were designated Members.

Members' Capital

No distribution was made to the members for the year. Policy on allocation of profits and losses is noted on page 30.

There was no movement on members' capital within the year. Current policy is not to make repayment of members' capital. No additional Members' contributions to capital were made and no cash drawings were made against Members' capital.

Business Review

At a time of considerable economic, political and social change, City Building continues to take a truly unique approach- combining industry-leading performance with a central social ethos which helps set new, higher standards for responsible business practice.

In response to the requirement to continually deliver a top quality and efficient service to customers, a successful voluntary redundancy programme was managed and delivered during the year.

Due to the Covid-19 pandemic there was a substantial reduction in work from both Members and £3.1m was claimed from the Government Job Retention Scheme which has been treated as other operating income in the profit & loss account. In addition, £4.447m representing a temporary price increase acknowledging the operational challenges and the difficult pandemic working conditions was received from Glasgow City Council which has been included within turnover within the profit and loss account. The Council believes this was not capital in nature as it was provided to compensate for the impact of the Covid-19 pandemic on costs, with no expectation of future repayment and no other conditions attached. The costs are both those that are variable in nature such as costs to complete jobs, PPE & security, together with fixed overhead, which resulted in price increases.

Financial Results for the Year

Due to the impact of the pandemic turnover reduced to £45.8m (2020 - £65.2m).

A temporary price increase of £4.447m was received which enabled the Partnership to achieve break-even prior to additional pension costs. The undernoted table shows the comparison with 2020:

	2021	2020
	£000	£000
Loss for the year	(2,311)	(2,688)
Additional pensions costs	2,311	2,688
Discount to Members	-	2,202
Temporary price increase from Members	<u>(4,447)</u>	<u>-</u>
Underlying (loss)/profit	(4,447)	2,202

City Building (Glasgow) LLP charged City Building (Contracts) LLP a Management Fee. For 2021 this Management Fee was a charge of £4.3m (2020 – £4.2m).

The net liabilities of City Building (Contracts) LLP at 31 March 2021 were £(27.1m) (2020 – (£16.7m)). This is primarily a result of the net pension deficit of £(29.6m) (2020 - (£19.1m)) in the Strathclyde Pension Fund (Local Government Pension Scheme). An actuarial loss of £8.2m (2020 – gain of £11.4m) was experienced during the year as a result of a changes in actuarial assumptions.

The financial statements have been prepared on a going concern basis as, despite there being a substantial negative net worth as a result of the pension position, any shortfall within that area is guaranteed by Glasgow City Council and therefore the partnership has sufficient facilities to meet its future liabilities as they fall due, see Going Concern note, Note 1 of financial statements.

It is important to note that, whilst the net pension liability remains an identified risk for management, the net liability does not fall due in any one year. The LLP's immediate cash exposure is only in respect of the annual contributions. As stated above, any shortfall is itself guaranteed by Glasgow City Council to the Pension Scheme although this guarantee is only activated if City Building (Contracts) LLP fails in its obligations. The partnership currently meets all current annual contributions determined by the Scheme Trustees as requiring to be made to the pension fund.

The Strathclyde Pension Fund was subject to a triennial valuation as at 31 March 2020 which was to determine employer contribution levels from 1 April 2021. Currently these levels remain the same and while management acknowledges that the current pension liability could result in increased contribution levels at some time in the future, it does not consider that there is any major impact on the on-going business trading position.

Administrative Expenses

These have increased to £6.4m (2020 – £6.1m) mainly due to the costs of voluntary redundancy.

Coronavirus Covid-19

In common with the wider construction industry, and business generally, City Building (Contracts) LLP faced significant challenges throughout the pandemic, which had an adverse impact on our financial position.

The business went into lockdown on 23rd March 2020 in line with Scottish Government restrictions, and the instructions from the Member which have evolved as we have moved through the many phases and tiers of Covid-19 related restrictions.

During this period, we continued to provide an emergency life and limb repairs service with all planned works and construction site works suspended. With most operations on hold there was a reduced resourced need, a reduction in resource was required, resulting in some employees being furloughed through the Government's Job Retention Scheme as a direct consequence.

We adopted a digital transformation in technology which will support a more flexible working approach in the future across all business units and our innovation in adopting new business practices will bring sustained business improvement.

Incorporating new ways of working allowed us to continue our plans in constructing a new College for our Apprenticeship programme and employee development as we seek to upskill our workforce and embrace new and emerging renewable technologies in collaboration with stakeholders and our supply chain.

Our reinforced robust safety procedures also enabled the sustained delivery of essential services within communities helping some of the most vulnerable of our citizens. In addition, we adopted an industry leading standard of care towards our employees by ensuring full pay whilst on furlough and continuation of pension contributions.

Our Values

The circumstances of the pandemic have highlighted the importance of our organisational values and how our values were translated by our Leaders and workforce in continuing to deliver, as a priority, for our customers and other stakeholders.

Our values which drive our purpose of building a better society by using our commercial success to deliver socially inclusive practices, responsible business and fair working practices all contributing to positive economic growth.

City Building (Contracts) LLP is committed to "Building a Sustainable Future" for our clients, partners, and employees. Through constant engagement with our customers we ensure we have a detailed interpretation of their aspirations and needs.

Our mission is to contribute excellence in construction, repairs, maintenance, manufacturing and training to customers, our employees, suppliers, and the local communities in which we work. To always give back to the communities is central to our core values.

Our unique social ethos will continue to underpin everything we do and will drive the creation of training and employment opportunities for a diverse range of people, including minority and other under-represented groups across Glasgow and beyond. We continue to be the country's leading employer of female and BME construction apprentices and this is something we are very proud of.

We will continue to contribute to build a better society by using socially inclusive practices, and delivering effective, accountable products and services which offer value for money and enhance the quality of life, safety, and wellbeing of our stakeholders.

Our values, which are embraced by all employees, are:

Excellence: to deliver quality in everything we do.

Honesty: to promote, at all times, honesty in our communication with all stakeholders, promoting partnerships and sustainability.

Ambition: to do more for our clients and partners and provide more opportunities for our employees and stakeholders as part of our change and growth strategies, succession planning and sustainability.

Trust: to be trusted by our employees, clients and partners.

Community: to build more sustainable communities through social, economic and community engagement.

Building a Sustainable Future – Statement of Intent

City Building (Contracts) LLP has sustainability at the heart of our business, ensuring we boost productivity, diversify into new markets and whilst doing so benefit the local communities in which we live and work. Now is the time to grasp the opportunity of establishing this business as a recognised National leader in the 'just transition' towards a greener, cleaner, and more prosperous future for all.

Climate Change is one of the greatest challenges faced by us all. The Scottish Government has set a target of 2045 when Scotland's economy is to become net zero. Working together with Glasgow City Council, we aim to play our part in reducing our impact by managing our business in a sustainable way that reduces Greenhouse gas emissions and improves resource efficiency.

At the heart of our plans we will promote fairness, equality, opportunity and innovation to bring greater economic success alongside sustainable inclusive growth by the following actions:

Business Aims:

All our strategies will prioritise three pillars: economic, social and environmental.

- Our Corporate Social Responsibility policy and strategies will ensure all our activities drive our productivity and competitiveness through fairness, equality and sustainable employment in line with our Scottish Business Pledge accreditation.
- We will work to ensure our business activities positively impact on society through reducing our environmental undertakings and building community wealth.
- We will continue to use our economic success to implement socially inclusive practices in our recruitment processes particularly targeting those furthest away from the labour market.
- We will work with all stakeholders in increasing the adoption of renewable technologies creating a better environment, creating jobs and better communities. Our approach will build on the skills and talent within our workforce who have already delivered on so many Renewables installations throughout the City.

Sustainable Products - Technologies and Design

- We will embrace new and emerging renewable technologies in collaboration with our stakeholders and supply chain to ensure the most appropriate renewable technologies for each intended location are available.
- Our portfolio of modern, energy efficient house types ambitiously designed to current Scottish Technical Standards and also to “Glasgow” Gold standards incorporating renewable technologies and building innovation are continually being developed, with a market affordable and socially just edge coming as standard.
- We will further advance our ‘City Plan’ based approach to MMC (Modern Methods of Construction) where a holistic end-to-end measurement of carbon generation is embedded alongside meaningful and rewarding employment for all within our society.

Sustainable Employment - Our People

- We will continue to use fair working practices investing in the skills and diversity of our workforce including continual employee engagement and trade union consultations, ensuring our workforce are motivated, as well as using training and development to ensure they have the skills to take advantage of emerging new markets in the green economy.
- Our recruitment strategies will continue to target those furthest away from the job market including young people and people with disabilities, ensuring that all can benefit from the transformative platform that net zero carbon reduction strategies bring.

Sustainable Procurement - Procurement and Supply Chain Management

- We will ensure our growth and economic success is shared amongst our supply chain including the high number of SMEs on our framework as well as continue to

develop social enterprises to ease access to our framework and supply chain as well as partnership working to increase diversity in construction.

- We will continue to provide prompt payment to our supply chain in line with our responsible business practices, our procurement teams will work on a dynamic basis to ensure emerging technology competence is an ongoing part of our delivery teams.

Sustainable Communities

- We will continue to embrace the circular economy through our recycling activities on behalf of our clients in our day-to-day operational activities working alongside community housing associations, social enterprises and the third sector.
- Our Corporate Values of Excellence, Honesty, Ambition, Trust and Community underpins all our work to build more sustainable communities through social, economic and community engagement.

Our Strategic Focus

City Building (Contracts) LLP continues to celebrate our Queen's Award for Enterprise – Sustainable Development 2018, we were proud to be awarded the Queen's Award for Enterprise – Promoting Opportunity 2021 which both constitute the greatest honour to be bestowed on a business and our workforce can be rightly proud of their unique achievements. We also continue to be proud of achieving the Defence Employer Recognition (ERS) scheme Gold award which is another accolade recognising our responsible business practices.

With a key priority of Health and Safety we have transitioned this year from the OHSAS 18001 accreditation to the ISO 45001, as well as the National Federation of Roofing Contractors Gold accreditation in Health and Safety, both demonstrating within our organisation we are an exemplar in managing risk to the wellbeing of our workforce and customers.

We are clear on our responsibility to support economic growth aspirations and combine our commercial success with socially and environmentally responsible practices, giving life changing opportunities to those far removed from the labour market. At the heart of our plans we promote fairness, equality, opportunity, and innovation to bring greater economic success alongside sustainable inclusive growth all recognised in both our Queen's Award for Enterprise 2021 - 2026 in promoting opportunity and our Queen's Award for Enterprise 2018 - 2023 in Sustainable Development. We continue with a rolling programme of monitoring our Customer Service Excellence accreditation achieving six (6) compliance plus elements, an increase from our previous assessment.

We work with Glasgow City Council to support the delivery of its Strategic Plan inclusive of the priority themes. We continue to deliver a diverse range of construction and manufacturing operations, including repairs and maintenance, design and build construction, new house building, major investment, and refurbishment, delivering micro-renewable installations as well as a range of specialist services.

Our aspirations in green technologies going forward have seen us install energy efficient equipment including Air Source Heat Pumps, Solar Photovoltaics, and rainwater harvesting technologies all meeting Glasgow City Council's Gold Star rating for energy efficiency in their buildings as a delivery partner. The development of new green technologies installation skills amongst our workforce is critical to delivering works for Glasgow City Council.

We recognise the significant impact our activities have on the environment and have several measures in place to reduce our carbon emissions. However, our ambition and focus over the coming period is to reduce these further across our business, all of which will be monitored.

Our exemplar Equality, Diversity and Inclusion practices continue our leadership in this area within the construction sector. As a result of our positive action in this area:

- 9% of our apprentices are female compared with 2% starts in the construction sector in Scotland.
- 38% of our apprentices live in the most deprived areas of Scotland.
- 11% of our apprentices have a disability compared with 9% of apprentices in Scotland.
- 4% of our apprentices are from an ethnic minority background compared to 2% of apprentices in Scotland.

We employ one in eight construction workers in Glasgow and therefore compete to recruit the best. We recruit 60 craft apprentices annually and to build diversity we work through our "Construction for All" initiative, where we take a unique approach because we believe opportunities for training and an apprenticeship are life changing. We worked with our supply chain to create a tool kit to build greater diversity and inclusion in the construction sector. This is an area we will continue to focus on as we enjoy the outcomes of being a fully inclusive and progressive employer.

Underlining the unique social ethos at the heart of City Building (Contracts) LLP, we have retained our tribute as the most Inspiring Employer within the UK. We retain our market positioning within the top 100 construction companies in the UK and according to industry data collated by the journal Construction News we are in the top ten companies for having responsible business practices in how we pay our supply chain.

External independent validation of performance is central to a culture of continuous improvement. This independent scrutiny by many bodies can at times be infinite, nevertheless it provides us with demonstrable feedback on the effectiveness and success of our workforce.

Despite the Covid-19 pandemic, in the last 12 months, we have received specific recognition from a range of industry organisations, gaining many notable plaudits, including:

The Queen's Award for Enterprise - Promoting Opportunity

Ministry of Defence – ERS Scheme Gold

ARCA (Asbestos removal contractors association) Gold

Carer Positive – Established Award

Customer Service Excellence – Six (6) compliance plus elements
Flexibility Works – Highly Commended Top Ten Employers
NFRC (National Federation of Roofing Contractors) Gold
Screwfix UK – UK Apprentice of the Year – Christopher Keel

Investing in Skills and Leadership

Our business is successful because of the individuals within our workforce who deliver our services. We manage our talents and continue to invest in our people whether it is our current workforce development, trainees, or apprentices. Our Leadership programme continues to grow our senior leadership team. We continue to rely on the innovation, hard work and commitment of our workforce particularly during what has been a really challenging year and we thank them for their continued dedication.

A key element of our forward strategic planning is to continue to develop our culture to underpin the delivery of outstanding performance and continuous improvement in our customers' experience. Our focus is on excellence, value for money and right first-time services.

Customer Service Excellence

We set out in 2019 to undertake a rigorous assessment at City Building (Contracts) LLP on how we deliver our services to our customers. We are now part of a rolling programme of assessment which is carried out over a number of days, engaging with various business units and customers. At the core of our business, we always work hard to improve our service and deliver a high standard of quality to each of our customers. Our customer satisfaction levels remain high within the top quartile of Scottish repairs provision which has been confirmed by our increase in Compliant Plus elements of our CSE award.

Construction Division

With the suspension of the wider construction industry and the business going into lockdown on 23rd March 2020 in line with Scottish Government guidelines a number of planned works and construction site works were deferred, which means turnover in this area reduced to £34.9 million (2020: £51.9m).

Construction opened earlier than other sectors allowing for the restart of some of our works although continuing with the guidelines the sites were not able to work at full level.

The Construction Division continues to be a market leader in providing opportunities which are of significant community and local economic benefit. We continue in rolling out various award-winning equality initiatives under our "Construction for All" initiative which targets women into construction and the black minority ethnic community to develop their careers in construction. A stark illustration of our commitment is that we employ 20% of all craft female apprentices in Scotland and our decision to construct a new Training College for not only our apprenticeship programme but the continuous development of skills for our workforce continues that leadership in the sector.

For Glasgow City Council's Education Services, we completed the construction of Riverbank Primary, Sighthill Primary and an extension to the Gaelic School and are currently constructing Scotstoun Primary School and North Kelvinside Primary as well as four new Nurseries across the City.

For Glasgow City Health and Social Care Partnership we are completing refurbishments to various Care Homes, Children's units and other facilities in the City.

A number of the components and furniture for the above new build and refurbishments comes from our manufacturing factory Royal Strathclyde Blindcraft Industries (RSBi). In recent years we continue to make strategic investments in our technology capabilities, our manufacturing capabilities, our processes, and our workforce at the factory. The results of this investment have created additional new ways of working and greater innovation with products and services.

We have successfully entered new areas of work based on both the quality of our work and the community, social value, and promotion of opportunities through social mobility that we offer. New workstreams include the construction of new houses for some of our Housing Association Clients.

With our main strength being in the depth of our service provision, we can operate as a main contractor, sub-contractor or as part of a working partnership.

City Building (Contracts) LLP is confident that our stance in creating skills and training in construction will be validated, and we have projects within our order book for the forthcoming year.

Repairs and Maintenance Division

This year we have focussed mainly on emergency repairs and compliance works as part of Scottish Government guidelines. As restrictions have opened, we have delivered non-emergency end to end times repairs, completed above target as well as completing 100% compliance with Gas CP12's.

The turnover totalling £9m (2020: £9.4m) has been generated from our Repairs and Maintenance Division supporting Local Housing Associations which has been affected due to restrictions, however our refreshed approach to our Housing Association tendering strategy has resulted in achieving new contracts.

We work to build capability and deliver cost effectiveness. Our reputation as an employer of choice means we attract and retain the best people with the skills, solutions, and commitment to get the job done right first time and to the highest standard.

At the forefront of everything we do is a clear responsibility to set out new standards of efficiency and accountability. That is why we have worked hard to align services, processes and standards with our clients where we have enhanced and improved our commercial approach, particularly in the delivery of Registered Social Landlords (RSL) Repairs and Maintenance contracts, generating value and delivering a service aligned with the Scottish Housing Regulators' Charter Measures, with our Customer Service Excellence accreditation supporting these standards.

This modern and progressive approach has enabled us to secure contract extensions with several key clients as well as secure new contracts too.

We always work hard to improve our services and delivering a high standard of quality to each of our customers is at the core of our businesses. Our customer satisfaction levels remain high within the top quartile of Scottish repairs provision.

We lead by example in terms of our environmental strategy and addressing our own carbon footprint. Our strategy is annually reviewed and ensures our legal compliance, particularly with SEPA regulated Pollution Prevention and Control permits and waste management licences. Our Environmental Management System is accredited to ISO 14001: 2015 and audited by BSI.

Investment Division

Glasgow City Council, recognising our skills and expertise and the challenges facing the construction sector as a whole, has awarded £1.5m (2020 £4.0m) as part of their investment in Community Spaces in the City, providing a significant boost to revenue, as well as delivering a wide range of economic, community benefits and social value across the whole City.

These community spaces include local libraries and community hubs and add to the existing refurbishment of a number of sports centres. These works have included Tollcross and Scotstoun Sports facilities, Woodside Library, Pollok House and new BBC studios at Kelvin Hall as well as roofing refurbishments at the City Hall.

People and Development Division

The 237 apprentices employed at our SQA-accredited training centre at Queenslie underpin much of the work carried out by our Construction and Repair and Maintenance Divisions, and the outstanding quality of the training they receive enhances their career prospects for decades to come. Our apprentices are recognised by external bodies in terms of awards.

With an apprentice "pass out rate" of 95% in the past year, almost a third above the national sector average, our apprenticeship programme is one of the most highly rated in the country. This commitment to future proofing the skills of the construction sector is underlined by our strategic decision to construct a state-of-the art Training College to meet future demands of CBG's Craft Apprenticeship Training Programme. However, it is only one element of the investment we make in our people, which also covers degree and post-graduate qualifications as well as Leadership and Management pathways.

In the past year our training focused on PPE and health and safety specifically for Covid wardens and first aiders.

In line with Scottish Government guidelines our community engagement activities were diminished. However, we were still able to support 14 communities including works within Marie Curie Hospice.

Our inclusive approach to community engagement is not just the right thing to do, but also makes business sense. We target our current customer base and the communities in which we work as well as supporting our Members in building community wealth.

Risk Management

City Building (Contracts) LLP applies a significant level of corporate governance to the management of business risk and has in place a formal structured risk review process. The risk register is a live document and reviews are reported to Glasgow City Council and the City Building (Contracts) LLP Board, which is chaired by an elected Board member.

The stability of the UK construction market remains variable and there is now concern with the impact of Covid-19. The macro-economic impact of Covid-19 is not fully known yet, however City Building's main concerns were in respect of the health and welfare of the staff, customers, clients and subcontractors; the availability of the work from clients; the availability of subcontractors and the additional costs associated with ensuring safe working practices.

Our framework is due to be reviewed but our sustainable procurement and supply chain management will continue to ensure our growth and economic success is shared amongst our supply chain including ensuring we continue to work to develop SMEs and social enterprises and supported businesses to ease access to our framework and supply chain as well as partnership working to increase diversity in construction.

The Repairs and Maintenance sectors will continue to be driven in part by efforts to reduce energy costs by the installation of energy efficient measures and/or renewable energy generation technologies and City Building (Contracts) LLP is well placed to take advantage of any opportunities in this area.

In addition, we are continually engaged in seeking out new business development opportunities and improvements to bolster current contracts.

Regular reviews of our business operations and procedures are undertaken by our Customer and Business Improvement team and Auditors from Glasgow City Council, the results of which are reported to the Board.

Corporate Social Responsibility

"Building a Sustainable Future" is more than a slogan for us. We are acutely aware that we're providing valuable skills to the workforce of tomorrow and generating sustainable economic and social benefits in our local communities and beyond. Our strong focus on continuous training for all employees, including apprentices and tradespeople, will help us to develop responsible citizens for the future.

City Building (Contracts) LLP is committed to:

- Delivering lasting employment opportunities to local people, including those with a disability and / or from minority groups.

- Engaging directly with local community groups, housing associations and other agencies to ensure we maximise opportunities to improve local areas and overall wellbeing.
- Continuing our work on youth citizenship programmes to deliver positive communities.
- Investing in green technologies to ensure the future of both our workforce and the environment.
- Increasing the number of apprentices and tradespeople trained in renewable technologies to ensure we have a multi-skilled workforce for the future.
- Combining commercial success with socially and environmentally responsible practices to give life changing opportunities to those far removed from the labour market.
- Working in partnership with a range of organisations to ensure that people of all abilities are encouraged to reach their full potential.

Our strong commitment to sustainable development will ensure that we continue to leave positive and lasting legacies for future generations in local communities across the city.

Environmental and Sustainability

City Building (Contracts) LLP recognises the significant impact that our activities have on environmental issues such as climate change; resource depletion and water quality affect us all. These matters remain priorities for Government. Over the past five years, with an increase in business, we have reduced annual waste production by 73.7% or 10,289 tonnes. Across the business, 71% of the waste is re-used or recycled therefore minimising waste being sent to landfill.

Although we have an excellent recycling rate, we are now incorporating the circular economy principles into our business strategy and have implemented several waste minimisation policies. We work with social enterprises to ensure we continue to develop our ambitions in support of the Circular Economy Route Map published in 2020 supporting a more inclusive and resilient City ensuring the continuous circulation of products and materials across Glasgow and Scotland.

Carbon Reporting

Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR)

The LLP's energy use and emissions for the last year have been as follows:

Total energy use covering electricity, gas, other fuel and transport	97,616 kWh
Total per employee	296 kWh
Total emissions generated through combustion of gas	12.2 tCO ₂ e
Total emissions generated through other fuel	404.6 tCO ₂ e
Total emissions generated through purchased electricity	7.4 tCO ₂ e
Total Gross	424.2 tCO₂e

The UK Government Company Greenhouse Gas conversion factors have been used to calculate the emissions provided. The source of the information included energy and fuel invoices and meter readings.

Our aim is to reduce our carbon footprint to as low a level as is reasonably possible through effective management and identification of improvements within the organisation, all of which will be in-line with the ISO 14001:2015 accreditation held by the LLP.

As a start, we have implemented the following initiatives for the purpose of increasing the business energy efficiency in the upcoming financial year:

- A Sustainability Champion network has been established within the organisation to help identify potential savings opportunities across the various premises of the business. Regular training sessions and awareness materials have been made available to support effective delivery of this scheme;
- A full feasibility study has been commissioned for the vehicle fleet operated by the business and will be undertaken by The Energy Savings Trust with a view to identifying the latest technology available which has the potential to drastically reduce carbon emissions from the current diesel-powered fleet.

The following energy efficiency measures are under consideration for implementation during the financial year:

- Implementation of IT systems to allow for PC shutdown to ensure equipment is switched off during periods when they are not in use;
- Continued installation of energy-efficient lighting and appliances throughout the business;
- Continued replacement of older air-conditioning unit systems with more energy-efficient systems.;
- On-going monitoring of building energy performance and identifying potential for new technology to be implemented.

Investment and New Business Development

City Building (Contracts) LLP is committed to investing in the business to support its development and growth. In line with other construction companies we ensure our marketing budget is directed towards increasing new business opportunities.

Outlook 2021-22

Despite the difficulties over the last financial year, there is a very robust order book going forward that emboldens our recovery plans. We are working to excel on all operational and commercial targets for the forthcoming year while retaining our focus on innovation and people development.

As lockdown eases and opportunities open, we believe that with both a highly skilled workforce and a strong, experienced management team and a robust Business Plan for the coming year, City Building (Contracts) LLP is confident it will return to profitability and deliver operational and financial success.

Transactions with Members

During the year sales and purchases for construction, maintenance and manufacturing were made from members.

In accordance with agreements between the LLP and Glasgow City Council, a temporary price increase of £4.447m was in 2021 was received which has been included within turnover within the profit and loss account. In 2020 a discount was made to the Council of £2.2m. Glasgow City Council believes this temporary price increase was not capital in nature as the funds were provided to compensate for the impact of the Covid-19 pandemic on costs, with no expectation of future repayment and no other conditions attached. The costs are both those that are variable in nature such as costs to complete jobs, PPE & security, together with fixed overhead which resulted in price increases.

Disclosure of Information for the Auditor

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

The financial statements were authorised for issue on XX XXXX 2021.

Approved by the members and signed by

Alan Burns

For and on behalf of

GCC LLP Investments Ltd
Designated member
Registered Number: SO301080
Registered Office: 350 Darnick Street, Glasgow G21 4BA

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STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS

The members are responsible for preparing the financial statements in accordance with applicable law and regulations as applied to limited liability partnerships.

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

The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the 2008 Regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY BUILDING (CONTRACTS) LLP

Opinion

We have audited the financial statements of City Building (Contracts) LLP (the 'limited liability partnership') for the year ended 31 March 2021 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Members' Interests 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the limited liability partnership to cease to continue as a going concern.

In our evaluation of the members' conclusions, we considered the inherent risks associated with the limited liability partnership's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the members and the related disclosures and analysed how those risks might affect the limited liability partnership's financial resources or ability to continue operations over the going concern period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY BUILDING (CONTRACTS) LLP (Continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the members with respect to going concern are described in the 'Responsibilities of members for the financial statements' section of this report.

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

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

Responsibilities of members for the financial statements

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY BUILDING (CONTRACTS) LLP (Continued)

In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the limited liability partnership and industry in which it operates through our general commercial and sector experience, discussions with management and inspection of relevant documents such as Board minutes. We determined the following laws and regulations were most significant: FRS 102 'The Financial Reporting Standard applicable in the UK and Republic Ireland', the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009, the Health and Safety at Work Act 1974 and The Construction (Design and Management) Regulations 2015.
- We enquired with management and in-house legal counsel as to any instances of non-compliance with any of the applicable laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the limited liability partnership's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY BUILDING (CONTRACTS) LLP (Continued)

- identifying and evaluating the design effectiveness of controls that management has in place to prevent and detect fraud;
 - challenging assumptions and judgements made by management in their assessment of significant accounting estimates;
 - identifying and testing journal entries, with a focus on material and unusual manual journals, considered by the engagement team to carry a higher risk of fraud;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item;
 - performing audit procedures to conclude on the compliance of disclosures in the annual report with the applicable financial reporting requirements.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the following:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge and experience of the industry in which the client operates;
 - understanding of the requirements of FRS 102 in conformity with the requirements of the Companies Act 2006 and the application of the legal and regulatory requirements to the limited liability partnership.
 - The team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue and cost recognition through the estimates made in the percentage of completion method for long-term contracts held, and sales made in the final month of the financial year.
 - In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the limited liability partnership's operations, including the nature of its revenue sources and revenue recognition policy, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatements; and
 - the limited liability partnership's control environment, including management's knowledge of laws and regulations and how the entity is complying with those laws and regulations, the policies and procedures implemented to comply with the requirements of accounting standards in conformity with the requirements of the Companies Act 2006 and the adequacy of procedures for authorisation of transactions.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY BUILDING
(CONTRACTS) LLP (Continued)**

not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Andersen
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
[**Date**]

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	2	45,788	65,173
Other Operating Income	4	3,100	-
Cost of sales		<u>(44,335)</u>	<u>(60,987)</u>
Gross profit		4,553	4,186
Administrative expenses		<u>(6,404)</u>	<u>(6,141)</u>
Operating loss	5	(1,851)	(1,955)
Interest payable and similar charges	8	<u>(460)</u>	<u>(733)</u>
Loss for the financial year available for discretionary division among members		<u>(2,311)</u>	<u>(2,688)</u>

All of the LLP's operations are classed as continuing.

The notes and accounting policies on pages 28 to 38 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for year ended 31 March 2021

	2021	2020
	£000	£000
Loss for the year available for discretionary division among members	(2,311)	(2,688)
	<hr/>	<hr/>
Other comprehensive income		
Actuarial (losses)/gains on defined benefit pension scheme	(8,182)	11,440
	<hr/>	<hr/>
Other comprehensive income for the year	(8,182)	11,440
	<hr/>	<hr/>
Total comprehensive income for the year	(10,493)	8,752
	<hr/> <hr/>	<hr/> <hr/>

The notes and accounting policies on pages 28 to 38 form part of these financial statements.

BALANCE SHEET

at 31 March 2021

	<i>Note</i>	2021 £000	2020 £000
Fixed assets			
Tangible assets	9	-	-
Current assets			
Stock	10	21	20
Debtors	11	13,729	11,969
Cash in hand and in bank		4,461	3,043
		<u>18,211</u>	<u>15,032</u>
Creditors: amounts falling due within one year	12	<u>(15,209)</u>	<u>(12,207)</u>
Net current assets		3,002	2,825
Total assets less current liabilities		3,002	2,825
Provisions for liabilities	13	<u>(488)</u>	<u>(392)</u>
Net assets before pension fund (deficit)		2,514	2,433
Pension fund deficit	14	<u>(29,605)</u>	<u>(19,112)</u>
Net liabilities attributable to members		<u>(27,091)</u>	<u>(16,679)</u>
Represented by:			
Loans and other debts due to members within one year			
Other amounts		2,513	2,432
Members' other interests			
Members' capital classified as equity		1	1
Members' Other interests - other reserves classified as equity		<u>(29,605)</u>	<u>(19,112)</u>
		<u>(27,091)</u>	<u>(16,679)</u>
Total Members' Interests			
Amounts due from members		(7,295)	(3,947)
Loans and other debts due to members		2,513	2,432
Members' other interests		<u>(29,604)</u>	<u>(19,111)</u>
		<u>(34,386)</u>	<u>(20,626)</u>

The notes and accounting policies on pages 28 to 38 form part of these financial statements.

These financial statements were approved and authorised for issue by the members on XX August 2021 and were signed on their behalf by:

Alan Burns
For and on behalf of

GCC LLP Investments Ltd
Designated member
Registered Number: *SO301080*

X September 2021

STATEMENT OF MEMBERS' INTERESTS

	Equity			Debt		Total Members' Interests
	Members' other interests			Loans and other debts due to members less any amounts due from members in debtors		
£000's	Members' Capital	Other Reserves classified as equity	Total	Other amounts	Total	
Amounts Due from Members				4,295	4,295	4,295
Amounts Due to Members				(6,451)	(6,451)	(6,451)
Balance as at 1 April 2019	1	(27,864)	(27,863)	(2,156)	(2,156)	(30,019)
Loss for the financial year available for discretionary division among members		(2,688)	(2,688)			(2,688)
Other Comprehensive Income		11,440	11,440			11,440
Other movements				641	641	641
Amounts due from Members				2,432	2,432	2,432
Amounts Due to Members				(3,947)	(3,947)	(3,947)
Balance as at 31 March 2020	1	(19,112)	(19,111)	(1,515)	(1,515)	(20,626)

STATEMENT OF MEMBERS' INTERESTS (Continued)

	Equity			Debt		Total Members' Interests
	Members' other interests			Loans and other debts due to members less any amounts due from members in debtors		
£000's	Members' Capital	Other Reserves classified as equity	Total	Other amounts	Total	Total Members' Interests
Amounts due from Members				2,432	2,432	2,432
Amounts Due to Members				(3,947)	(3,947)	(3,947)
Balance as at 1 April 2020	1	(19,112)	(19,111)	(1,515)	(1,515)	(20,626)
Loss for the financial year available for discretionary division among members		(2,311)	(2,311)			(2,311)
Other Comprehensive Income		(8,182)	(8,182)			(8,182)
Other movements				(3,267)	(3,267)	(3,267)
Amounts due from Members				(7,295)	(7,295)	(7,295)
Amounts Due to Members				2,513	2,513	2,513
Balance as at 31 March 2021	1	(29,605)	(29,604)	(4,782)	(4,782)	(34,386)

The notes and accounting policies on pages 28 to 38 form part of these financial statements.

NOTES **(forming part of the financial statements)**

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements. City Building (Contracts) LLP is an LLP incorporated in Scotland, registered at 350 Darnick Street, Glasgow, G21 4BA.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules and in accordance with the Statement of Recommended Practice 'accounting by limited liability partnerships 2018' ("LLP SORP").

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

The LLP's financial statements are fully consolidated in the group financial statements prepared and published by Glasgow City Council. This entitles the LLP to use the exemption from the preparation of a cash flow statement and related notes, Financial Instruments, Risk Managements Disclosure, and key management personnel compensation as stated in FRS 102. As the LLP is a wholly owned subsidiary of Glasgow City Council, the LLP has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

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

Measurement Convention

The financial statements are prepared on the historic cost basis.

Going concern

The LLP has net liabilities of £27.1 million at the balance sheet date. These arise from its obligations in respect of the inclusion of Strathclyde Pension Fund liabilities of £29.6 million which fall due in future years in accordance with the accounting treatment required by FRS102. The net pension fund liability is dependent on market economic conditions and represents the specific circumstances as at the balance sheet date.

The LLP is required to service the annual cash contributions payable to the pension scheme. These are determined every three years as a result of the formal triennial actuarial valuation. The last formal valuation was as at 31 March 2020. Based on the LLP's business plan for the short to medium term, management is of the view that the trading performance of the LLP will be such as to enable the LLP to continue to meet the annual contributions to the pension fund as they fall due. In the longer term, beyond the scope of the next triennial actuarial valuation, as the LLP participates in a multi-employer local government pension scheme, any actions to address the longer-term funding position in respect of the LLP will necessarily be undertaken in conjunction with

Notes (continued)

the parent member, Glasgow City Council which is also a participant member in the Strathclyde Pension Fund.

Due to Covid-19, the LLP went into lockdown 23rd March 2020 in line with Scottish Government guidance. During this period the LLP continued to provide an emergency life and limb repairs service. Works have now been re-mobilised with strict adherence to Scottish Government guidelines however Covid-19 continues to cause uncertainty in the timing and nature of works. The LLP has benefited from the UK Government's Job Retention Scheme (furlough). Glasgow City Council has committed to fund City Building (Contracts) LLP for at least 12 months from the date of signing these financial statements giving comfort that there is no going concern issue. We also expect trading to increase due to new contracts.

Turnover recognition

Turnover from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

Revenue Streams are recognised:

Repairs & Maintenance – when job is complete

Manufacturing – when product is complete

Construction Works – when the outcome of a contract can be measured reliably, the entity will recognise both income and costs by reference to the percentage of completion of the contract. If the outcome cannot be reliably measured, all costs are expensed and revenue is only recognised to the extent that it is probable that costs are recoverable. When it is probable that a loss will occur on a contract, this is recognised in full immediately as an onerous contract provision. Percentage completion is based on 3rd party Quantity Surveyor valuations.

Long-term contracts

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous accounting periods. Provision is made for any losses as soon as they are foreseen.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price.

Cash & Cash Equivalents

Cash is represented as cash in hand and deposits with financial institutions.

Notes (Continued)

Provisions

Provisions are recognised when the LLP has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Allocation of profits/losses

In accordance with an agreement with the members', a discount is provided to members on the services provided to them is accounted for as a reduction to turnover in the profit and loss account rather than members' remuneration charged as an expense, with unallocated profits and losses included within 'Other Reserves'. The members shall be entitled to share equally the other reserves classified as equity. Losses are allocated against the members current account and are deducted from any past or future profits allocated to the members. However, the members are not liable for any losses.

Members' capital

The capital requirements of the LLP are determined from time to time by the members. No interest is paid on capital. Capital is considered equity by the Members as per the LLP Agreement where it is noted as being at the discretion of the Members.

Value added tax

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

Taxation

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

Retirement benefits

All existing and new members of staff have the option of joining the defined benefit pension scheme; Strathclyde Pension Fund ("the Fund"). A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The LLP's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets, which are valued in accordance with FRS 102 fair value hierarchy, is deducted. The LLP determines the net interest expense/ (income) on the net defined benefit liability/ (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/ (asset) taking account of changes arising as a result of contributions and benefit payments. Assets and liabilities of the Fund are held separately from those of the LLP.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Fund's obligations. A valuation is performed annually by a qualified actuary using the

Notes (Continued)

projected unit credit method. The LLP recognises net defined benefit plan assets to the extent it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

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

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

Furlough Income

Furlough income was recognised as grant income under FRS 102. The Coronavirus Job Retention Scheme was utilised, and the amount claimed was £3.1m. Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2 Turnover

Turnover which is net of VAT and is recognised in the UK, is included to the extent of the completion of the contract or service supplied under the principal activities of the LLP.

3 Turnover by class

The activities of the LLP are broken down as follows:

Year ended 31 March	Construction Activities		Repairs and Maintenance Activities		Manufacturing		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	34,889	51,942	9,040	9,417	1,859	3,814	45,788	65,173

4 Other Operating Income

Other Operating Income represents the value of monies claimed via the Government's Coronavirus Job Retention Scheme, £3.1m.

5 Operating loss

	2021 £000	2020 £000
Operating loss is stated after charging:		
Fees payable to auditor for the audit of the LLP's annual accounts	25	22
Fees payable to the LLP's auditor for tax compliance services	3	2
Other assurance – agreed upon procedures services	2	-

Notes (Continued)

6 Staff numbers and cost

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

	2021	2020
	Number	Number
Direct operatives	321	351
Administration	9	8
	<u>330</u>	<u>359</u>

	2021	2020
	£000	£000
Staff costs for these persons were:		
Wages and salaries	11,903	13,344
Social security costs	1,175	1,317
Pension costs	3,911	4,138
	<u>16,989</u>	<u>18,799</u>

7 Particulars of members

The number of members of the Limited Liability Partnership for the period was two. No remuneration was paid to either member. A temporary price increase from Glasgow City Council of £4.447m was received. In 2020 a Discount was made to Glasgow City Council of £2.202m. The members believe this temporary price increase was not capital in nature as the funds were provided to compensate for the impact of the Covid-19 pandemic on costs, with no expectation of future repayment and no other conditions attached. The costs are both those that are variable in nature such as costs to complete jobs, PPE & security, together with fixed overhead which resulted in price increases to customers.

There is no preferential ranking to Members on winding up of the LLP.

8 Other interest payable and similar charges

	2021	2020
	£000	£000
Interest on defined benefit scheme obligation	(2,125)	(2,562)
Expected return on pension assets	1,665	1,829
	<u>(460)</u>	<u>(733)</u>

Notes (Continued)

9 Fixed assets

	Plant & Equipment £000	Total £000
Cost		
At 1 April 2020	8	8
At 31 March 2021	<u>8</u>	<u>8</u>
Depreciation		
At 1 April 2020	8	8
At 31 March 2021	<u>8</u>	<u>8</u>
Net book value		
At 31 March 2021	<u>-</u>	<u>-</u>
At 31 March 2020	-	-

10 Stock

	2021 £000	2020 £000
Raw materials and consumables	<u>21</u>	<u>20</u>

11 Debtors

	2021 £000	2020 £000
Trade debtors	5,526	4,225
Amounts due by group undertakings	728	1,260
Amounts due by members	7,295	3,947
Prepayments and accrued income	180	2,537
	<u>13,729</u>	<u>11,969</u>

12 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	3,939	2,925
Taxes and social security	1,812	1,099
Accruals and deferred income	9,458	8,183
	<u>15,209</u>	<u>12,207</u>

Royal Bank of Scotland has a floating charge over all assets.

Notes (Continued)

13 Provisions for liabilities

	2021	2020
	£000	£000
Balance at beginning of the year	(392)	(404)
Released/(Charged) to profit and loss account	(96)	12
	<u>(488)</u>	<u>(392)</u>

Provisions relate to warranty on certain works and estimates for potential holiday obligations arising from changes to the Employment Rights Act 1996.

14 Pension costs

The information disclosed below is in respect of the LLP's share of assets and liabilities within the Strathclyde Pension Fund, in which it is a participating employer. The last full actuarial valuation took place 31 March 2020. The next triennial valuation of the scheme will be 31 March 2023.

	2021	2020
	£000	£000
Present value of funded defined benefit obligations	(110,569)	(90,637)
Fair value of plan assets	80,964	71,525
Net liability	<u>(29,605)</u>	<u>(19,112)</u>

Notes (Continued)

Movements in present value of defined benefit obligation:

	2021	2020
	£000	£000
At 1 April	90,637	99,549
Current service cost	3,895	5,155
Interest cost	2,125	2,562
Contribution by scheme participants	697	733
Actuarial losses/(gains) arising from changes in financial assumptions	28,024	(12,376)
Actuarial losses/(gains) arising from changes in demographic assumptions	(4,633)	(3,805)
Other experience losses	(9,238)	(192)
Past service cost including curtailments	16	(989)
Estimated Benefits Paid	(954)	-
At 31 March	110,569	90,637

Movements in fair value of plan assets were as follows:

	2021	2020
	£000	£000
At 1 April	71,525	71,685
Interest Income	1,665	1,829
Re-measurement: return on plan assets less interest income	16,484	(4,933)
Contributions by employer	2,060	2,211
Contributions by members	697	733
Benefits paid	(954)	-
Other experience losses	(10,513)	-
At 31 March	80,964	71,525

Expenses recognised in the profit and loss account

	2021	2020
	£000	£000
Current service cost	3,895	5,155
Past Service cost	16	(989)
Net interest on defined benefit pension plan obligation	460	733
At 31 March	4,371	4,899

The total amount recognised in Other Comprehensive Income in respect of actuarial gains and (losses) is (£8,182,000), (2020 £11,440,000).

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

	2021	2020
	%	%
Equities	76	62
Corporate Bonds	14	25
Property	8	12
Other	2	1
	100	100

Notes (Continued)

Actual return on plan assets **(16,484)** (4,933)

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

	2021	2020
	%	%
Discount rate	2.1	2.3
Expected rate of return on plan assets	2.1	2.6
Future salary increases	3.5	2.9
Inflation/pension increase rate	2.8	1.8

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. Salary increases are expected to be 3.5% p.a.

The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Category	2020/21		2019/20	
	Male	Female	Male	Female
Current Pensioner aged 65	19.8	22.6	20.7	22.9
	years	years	years	years
Future Retiree upon reaching 65	21.2	24.7	22.2	24.6
	years	years	years	years

History of plans

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

	2021	2020	2019	2018
	£000	£000	£000	£000
Present value of scheme liabilities	(110,569)	(90,637)	(99,549)	(82,104)
Fair value of scheme assets	80,964	71,525	71,685	64,646
Net liabilities	<u>(29,605)</u>	<u>(19,112)</u>	<u>(27,864)</u>	<u>(17,458)</u>

The LLP expects to contribute approximately £2,060,000 to its defined benefit plan in the next financial year.

Notes (Continued)

Sensitivity Analysis

Change in assumptions at 31 March 2021	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	14%	15,310
0.5% increase in the Salary Increase Rate	3%	3,231
0.5% increase in the Pension Increase Rate (CPI)	11%	11,626

15 Ultimate parent organisation

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

16 Accounting estimates and judgements

Key sources of estimation uncertainty: The LLP believes that there is estimation uncertainty within the defined benefit pension liability which may materially affect the financial results. This uncertainty includes life expectancy, rate of inflation, returns the plans generate, discount rate. Independent actuarial advice is used to assist see note 14.

Critical accounting judgements in applying the LLP's accounting policies:

It is the opinion of the members that the profit of the LLP should be treated as a discount shown as a reduction to turnover rather than as remuneration to members as this reflects how it has been documented in the legal agreements. It is the clear intention of the members that the transactions are refunds on amounts charged and that the members do not believe that this should be classified as remuneration based on their interpretation of the SORP.

Contract Accounting – as referred to in note 1, all long-term contracts are reviewed on a 4 weekly basis, with particular attention to contract stages of completion, costs to date and costs still to be incurred. Movement in margin is recognised when prudent to do so but immediately in the event there is a foreseeable loss.

Notes (Continued)

17 Related Parties

During the year the LLP entered into the following transactions with related parties:

	Sales		Purchases	
	2021	2020	2021	2020
	£000	£000	£000	£000
Entities with joint control or significant influence:-				
City Building (Glasgow) LLP	6,910	7,099	15,562	20,553
	6,910	7,099	15,562	20,553

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties		Amounts owed to related parties	
	2021	2020	2021	2020
	£000	£000	£000	£000
Entities with joint control or significant influence:-				
City Building (Glasgow) LLP	1,510	2,426	3,551	3,732
	1,510	2,426	3,551	3,732

The transactions and amounts outstanding above include the management fee due to City Building (Glasgow) LLP.

Amounts owed by City Building (Glasgow) LLP are shown in the Debtors (Note 11). Amounts owed to City Building (Glasgow) LLP are shown in Creditors (Note 12).

Sales to City Building (Glasgow) LLP are shown in Turnover (Note 3) and purchases from City Building (Glasgow) LLP are shown within Cost of Sales within the Profit & Loss Account.

18 Controlling Party

Glasgow City Council is the Controlling Party of the LLP.