

CITY BUILDING (CONTRACTS) LLP

Members' Report and Financial Statements
Registered number: SO301080
Year ended 31 March 2019

Contents	Page
Members' report	2
Statement of members' responsibilities in respect of the Members' Report and the financial statements	12
Independent auditor's report to the members of City Building (Contracts) LLP	13
Profit and loss account and other comprehensive income	16
Other Comprehensive Income	17
Balance Sheet	18
Statement of Changes in Equity	19
Notes	20

Members' report

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

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.

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.

Financial Results for the Year

It is highly rewarding to report that the LLP delivered strong results despite adverse economic pressures in certain elements of the market in which City Building operates. Turnover increased to £87.9m (2018 - £86.2m). As a result we have achieved a healthy £4.1m return to Glasgow City Council representing 4.7% of turnover. The undernoted table shows the comparison with 2018:

	2019	2018
	£000	£000
Reported Loss for the year	(5,386)	(5,975)
Additional pensions costs- IAS19	4,787	5,975
Discount to members	4,135	4,193
Underlying profit	3,536	4,193

The underlying profit reduced by £657k over 2018 mainly due to pressure on profit margins. City Building (Glasgow) LLP charged City Building (Contracts) LLP a Management Fee. For 2019 this Management Fee was a charge of £4,112k (2018 – £3,759k).

The net liabilities of City Building (Contracts) LLP at 31 March 2019 were £(27.9m) (2018 – (£16.9m)). This is primarily a result of the net pension deficit of £(27.9m) (2018 - (£17.5m)) in the Strathclyde Pension Fund (Local Government Pension Scheme). An actuarial loss of £5.6m (2018 – £11.5m) was experienced during the year as a result of a changes in accounting 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 company has sufficient facilities to meet its future liabilities as they fall due.

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. As stated above, any shortfall is itself guaranteed by Glasgow City Council, and the members believe the LLP exposure is limited to annual contributions. The LLP 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 2017 which was to determine employer contribution levels from 1 April 2018. 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 reduced to £8,203k (2018 – £9,266k) partly due to reduced pension costs under IAS19.

OUR VALUES

Our values 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 a 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. To continue to be the country’s leading employer of female and BME construction apprentices is something of which we are very proud.

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.

OUR STRATEGIC FOCUS

City Building (Contracts) LLP continues to proudly celebrate the Queen's Award for Enterprise: Sustainable Development as it constitutes the greatest honour to be bestowed on a business and our workforce can be rightly proud of their unique achievements.

This award recognises our workforce for their hard work and commitment to our customers, communities, our ability for innovative thinking and determination to raise standards in the construction sector. This hard work and commitment was further recognised by the awarding this year of Customer Service Excellence accreditation, achieving five (5) compliance plus elements which resulted in the external assessor recognising us as world class in those areas.

Our responsibility of supporting economic growth aspirations, combining our commercial success with socially and environmentally responsible practices, giving life changing opportunities to those far removed from the labour market was also recognised by our Investors in Young People Gold re-accreditation and the Scottish Parliament's Economic, Energy and Fair Work Committee in their report "Under Construction: Building the future of the sector in Scotland." We are delighted to be able to share our experience and exemplar work practices in the broader industry.

We continue to develop City Building (Contract) LLP's brand in our chosen markets. As well as delivering 67 new apprenticeships during this financial year, 97% of our apprentices were retained in jobs with us on completion of their qualifications.

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, manufacturing, micro-renewables including district heating, solar thermal and PV installations as well as a range of specialist services. Indeed, we were crowned the best UK Gas Contractor of the Year at the 2019 ASCP UK awards.

This year we were recognised within the UK as the most inspiring employer by creating an inclusive environment in which all employees can thrive. This follows the publication of two reports focussing on our Diversity and Inclusion Strategy that defines the exemplar approach we have in this field.

The report found that:

- 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.

This year we also worked with the Scottish Government through 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 been judged 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 can at times be infinite that provides us with demonstrable feedback on the effectiveness and success of our workforce.

In the past 12 months, we have received specific recognition from a range of industry and business organisations, gaining many very notable plaudits, including:

- **Queens Award for Enterprise - Sustainable Development 2018**
- **World Skills UK Apprentice Decorator of the Year - Aiden Dearie**
- **Glasgow Business Awards - Best Healthy and Active workplace**

- **Glasgow Business Awards** - Best Company for Sustainable Development
- **Glasgow Guarantee Construction Apprentice of the Year** - Jack Henning
- **Glasgow Guarantee Challenge Recognition Award** - Connor Hamilton
- **Customer Service Excellence**
- **ARCA** (Asbestos removal contractors association) - Gold
- **Investors in Young People** – Gold
- **CN Talent Awards** – Best Place to Work Finalist
- **CN Talent Awards** – CSR Initiative of the Year Finalist
- **CN Talent Awards** – Health and Wellbeing Initiative of the Year Finalist
- **CN Talent Awards** - Excellence in Learning and Development Finalist
- **Hr National Network Awards** – Attraction and Resourcing Award Finalist
- **Hr National Network Awards** – Employee Engagement Award Finalist
- **Hr National Network Awards** – Strategic People Project Award Finalist

INVESTING IN SKILLS AND LEADERSHIP

Our business is successful because of the individuals within our workforce who deliver our services. We manage our talent and continue to invest in our people whether it is our current workforce development, trainees or apprentices. We continue to rely on the innovation, hard work and commitment of our workforce and thank them for their continued dedication.

CUSTOMER SERVICE EXCELLENCE

We set out last year to undertake a rigorous independent assessment on how we deliver our services to our customers. The assessment, which was carried out over a number of days, found that we provided a very high-quality service to our customers and also that our workforce had a strong focus on customer care. We always work hard to improve our services and delivering a high standard of quality to each of our customers is as the core of our business. Our customer satisfaction levels remain high within the top quartile of Scottish repairs provision.

CONSTRUCTION DIVISION

Market conditions continued to be challenging for the construction sector as a whole. Despite revisions to programme start dates and the completion of existing projects, turnover increased slightly to £75.2 million (2018 £74.0 million).

The Construction Division continues to be a market leader in providing opportunities which are of significant community or 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 female craft apprentices in Scotland.

For Glasgow City Council’s Education Services we are working on the construction of the new Dalmarnock Primary School (14 classrooms) and Sighthill Community Campus (28 classrooms) as well an extension to Scotstoun Primary School.

For Glasgow City Health and Social Care Partnership we are completing Care Homes in Leithland (120 bedrooms) and Blawarthill (70 bedrooms) as well as a Children's unit in the City.

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

We have successfully entered into new areas of work based on both the quality of our work and the community and social value that we offer.

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 will be validated and that our order book will allow the company to continue to grow over the course of the forthcoming year.

REPAIRS AND MAINTENANCE DIVISION

Following a strong year for the Repairs and Maintenance Division with turnover of £8.7m we continue to implement a revised and refreshed approach to our Housing Association tendering strategy.

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.

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, have awarded £5.2m to date as part of the Community Asset Fund 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.

CORPORATE SERVICES DIVISION

The 242 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. However, it is only one element of the investment we make in our people, which also covers degree and post-graduate qualifications.

In the past year alone, we have carried out 50,000 hours of training across a myriad of disciplines, from construction, health and safety and manual handling to scaffold inspections, asbestos awareness and first aid and fire wardens.

Our inclusive approach to community engagement is not just the ‘right’ thing to do, but also makes business sense. In all major projects, we actively involve local people in our decision-making processes – after all, they are the ones who will be benefitting from these projects for years to come. Not only do we provide local employment, apprenticeships and sponsorship of local projects and events but we also undertake community-based apprenticeship projects, further strengthening the links between our workforce and our customers.

This year, 89 communities, charities and third sector organisations benefitted from our work, including numerous community apprentice projects undertaken for local charities, projects and community organisations and 120 school pupils gaining work experience in construction and manufacturing. In addition, we have contributed £39,856, representing an increase of 94% from the previous year to corporate charities and our employee-led charity fundraising raised £17,406 an increase of 89% from the previous year which included raising funds for a number of charities giving support to people suffering with mental health issues. These activities underline our workforce’s commitment to our corporate values.

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, our own Audit Committee, which is chaired by an elected Board member.

The stability of the UK construction market appears to have improved over the year and our previous concerns with regard to the viability of sub-contractors has diminished. We continue to work with our supply chain within our new framework to supply more than 70 construction and trades services involving 136 Glasgow-based companies, with 82.5% of the successful businesses described as SMEs (small-medium sized businesses).

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 to bolster current contracts.

City Building (Contracts) LLP has worked hard to ensure our cash management procedures are rigorous enough to enable us to manage this resource effectively and we are pleased to report that financial projections forecast a further cash positive position for the forthcoming financial year.

Regular reviews of our business operations and procedures are undertaken by our own Internal Audit Team and those of Glasgow City Council, the results of which are reported to the Audit Committee and subsequently to the Board.

CORPORATE SOCIAL RESPONSIBILITY

“Building a Sustainable Future” is more than a trite 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 including RNIB, Glasgow's Helping Heroes and the Ministry of Defence 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 10.65% or 1,246.58 tonnes. Across the business, 93% 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 a number of waste minimisation policies.

INVESTMENT FOR 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 2019-20

The Members are of the considered opinion that the core business operations continue to be in a position to deliver a profitable outcome for the forthcoming financial year.

With both a highly skilled workforce and a strong, experienced management team City Building (Contracts) LLP is confident that it will continue to secure new contracts through the 2019-20 financial year for both itself and its clients resulting in a further increased profits.

Transactions with Members

No remuneration of members occurred during the period. The members' share in the profit or loss for the period is accounted for as an allocation of profits, with unallocated profits and losses included within Other Reserves. City Building (Contracts) LLP transacts with Glasgow City Council as its member through its Construction Division.

In accordance with the agreements between the LLP and Glasgow City Council, the annual discount to members, £4.135m (2018 - £4.193m), was provided for within these accounts in respect of the profits made on contracts and services provided during the year.

Disclosure of information to Auditor

The members who held office at the date of approval of this members report confirm that, so far as they are 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 Company's auditor is aware of that information.

Auditor

KPMG LLP was appointed for an initial period covering the 2018/19 financial statements. A new appointment will be approved by the Members prior to the end of the period for appointment of auditors in accordance with Section 487 of the Companies Act 2006.

The financial statements were authorised for issue on 22 August 2019

Approved by the members and signed by

Graham Paterson

For and on behalf of

GCC LLP Investments Ltd

Designated member

Registered Number: SO301080

Registered Office: 350 Darnick Street, Glasgow G21 4BA

9 September 2019

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

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

Independent auditor's report to the members of City Building (Contracts) LLP

We have audited the financial statements of City Building (Contracts) LLP ("the LLP") for the year ended 31 March 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model, including the impact of Brexit, and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the LLP will continue in operation.

Independent auditor's report to the members of City Building (Contracts) LLP (continued)

Other information

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 12, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

**Independent auditor's report to the members of City Building (Contracts) LLP
(continued)**

The purpose of our audit work and to whom we owe our responsibilities

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

Andrew Shaw (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

Date

Profit and loss account and other comprehensive income
for the year ended 31 March 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	87,856	86,192
Cost of sales		<u>(84,511)</u>	<u>(82,772)</u>
Gross profit	3	3,345	3,420
Administrative expenses		<u>(8,203)</u>	<u>(9,266)</u>
Operating loss	4	(4,858)	(5,846)
Interest payable and similar charges	7	<u>(528)</u>	<u>(129)</u>
Loss on ordinary activities before and after taxation being profit for the financial year before members remuneration and profit share		<u>(5,386)</u>	<u>(5,975)</u>
 Loss for the period available for discretionary division among members		 <u><u>(5,386)</u></u>	 <u><u>(5,975)</u></u>

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

There is no difference between the loss on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

**Statement of Other Comprehensive Income
for year ended 31 March 2019**

	Note	2019 £000	2018 £000
Loss for the year		(5,386)	(5,975)
Other comprehensive income			
Re-measurement of the net defined benefit liability		(5,619)	(11,483)
Other comprehensive income for the year, net of income tax		(5,619)	(11,483)
Total comprehensive income for the year		(11,005)	(17,458)

Balance Sheet
at 31 March 2019

	<i>Note</i>	2019 £000	2018 £000
Fixed assets	8	4	8
Current assets			
Stock and work in progress	9	16	19
Debtors	10	12,354	18,047
Cash in hand and in bank		11,400	11,688
		<u>23,770</u>	<u>29,754</u>
Creditors: amounts falling due within one year	11	<u>(23,369)</u>	<u>(28,816)</u>
Net current assets		<u>401</u>	<u>938</u>
Total assets less current liabilities		405	946
Provisions for liabilities and charges	12	<u>(404)</u>	<u>(346)</u>
Net assets before pension fund (deficit)		<u>1</u>	<u>600</u>
Pension fund deficit		<u>(27,864)</u>	<u>(17,458)</u>
Net (liabilities)		<u>(27,863)</u>	<u>(16,858)</u>
 Members' interest			
Members' capital		1	1
Other reserves		<u>(27,864)</u>	<u>(16,859)</u>
Members' (deficit)		<u>(27,863)</u>	<u>(16,858)</u>

These financial statements were approved by the members on 22 August 2019 and were signed on their behalf by:

Graham Paterson
For and on behalf of

GCC LLP Investments Ltd
Designated member
Registered Number: SO301080

9 September 2019

Statement of Changes in Equity

	Members capital	Other reserves	Total equity
	£000	£000	£000
Balance at 1 April 2017	1	599	600
Total comprehensive income for the year			
Profit or loss	-	(5,975)	(5,975)
Other comprehensive income for the year	-	(11,483)	(11,483)
Balance at 31 March 2018	1	(16,859)	(16,858)

Statement of Changes in Equity

	Members capital	Other reserves	Total equity
	£000	£000	£000
Balance at 1 April 2018	1	(16,859)	(16,858)
Total comprehensive income for the year			
Profit or loss	-	(5,386)	(5,386)
Other comprehensive income for the year	-	(5,619)	(5,619)
Balance at 31 March 2019	1	(27,864)	(27,863)

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.

Basis of preparation

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

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

The LLP's financial statements are fully consolidated in the group financial statements prepared and published by Glasgow City Council. This entitles the LLP to use the exemption from the preparation of a cash flow statement and related notes, and key management personnel compensation as stated in FRS 102. There have been no transition related adjustments raised.

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.

Going concern

The financial statements have been prepared on the going concern basis because management considers that City Building (Contracts) LLP will continue to be cash generative in the following 12 months. This is based on the contracts which the LLP has for the forthcoming period and prior experience of the general profitability of the work being undertaken. In addition, significant overdraft facilities are available although there has been no requirement to utilise them.

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.

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.

Contract work in progress is stated as costs incurred, less those transferred to the profit and loss account, after deducting reasonable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

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.

Members' remuneration and allocation of profits

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

Members' capital

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

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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

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.

Stock

Stock is valued at the lower of cost and net realisable value in line with the requirements of FRS102.

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 is deducted. The LLP determines the net interest expense/ (income) on the net defined benefit liability/ (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/ (asset) taking account of changes arising as a result of contributions and benefit payments. Assets and liabilities of the Fund are held separately from those of the LLP. The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Fund's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The LLP recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

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

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

2 Turnover

Turnover represents the invoiced value of goods and services supplied within the principal activities of the LLP and is net of VAT.

3 Gross Profit

The activities of the LLP are broken down as follows:

Year ended 31 March	Construction Activities		Repairs and Maintenance Activities		Manufacturing		Total	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Turnover	75,173	74,006	8,704	7,706	3,979	4,480	87,856	86,192
Gross profit/(loss)	<u>3,615</u>	<u>3,308</u>	<u>(270)</u>	<u>112</u>	<u>-</u>	<u>-</u>	<u>3,345</u>	<u>3,420</u>
Common administrative costs							(8,203)	(9,266)
Operating (loss)							<u>(4,858)</u>	<u>(5,846)</u>
Interest receivable							-	-
Interest payable							(528)	(129)
(Loss)before taxation							<u>(5,386)</u>	<u>(5,975)</u>

4 Operating profit

	2019 £000	2018 £000
<i>Operating profit is stated after charging:</i>		
Auditor's remuneration	24	20
other services relating to taxation	3	2

5 Staff numbers and cost

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

	2019 Number	2018 Number
Direct operatives	383	374
Administration	8	9
	<u>391</u>	<u>383</u>
	2019 £000	2018 £000
Staff costs for the above persons were:		
Wages and salaries	13,325	12,488
Social security costs	1,365	1,260
Pension costs	6,560	7,871
	<u>21,250</u>	<u>21,619</u>

6 Particulars of members

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

7. Other interest payable and similar charges

	2019 £000	2018 £000
Interest on defined benefit scheme obligation	(2,314)	(1,738)
Expected return on pension assets	1,786	1,609
	<u>(528)</u>	<u>(129)</u>

8 Fixed assets

	Plant & Equipment £000	Total £000
Cost		
At 1 April 2018	8	8
At 31 March 2019	<u>8</u>	<u>8</u>
Depreciation		
At 1 April 2018	-	-
Charge for the year	4	4
At 31 March 2019	<u>4</u>	<u>4</u>
Net book value		
At 31 March 2019	<u>4</u>	<u>4</u>
At 31 March 2018	8	8

Finance Lease

	2019 £000	2018 £000
At Cost	-	-
Depreciation	-	-
	<u>-</u>	<u>-</u>

9 Stock and work in progress

	2019 £000	2018 £000
Raw materials and consumables	<u>16</u>	<u>19</u>

10 Debtors

	2019	2018
	£000	£000
Trade debtors	3,401	3,226
Amounts due by group undertakings	503	749
Amounts due by parent	6,451	12,372
Value added tax	-	981
Prepayments and accrued income	1,999	719
	12,354	18,047

11 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	6,866	10,997
Amounts owed to parent	4,295	4,354
Amounts owed to other group undertakings	5	8
Taxes and social security	932	341
Accruals and deferred income	11,271	13,116
	23,369	28,816

12 Provisions for liabilities and charges

	2019	2018
	£000	£000
Balance at beginning of the year	(346)	-
Charged to profit and loss account	(58)	(346)
	(404)	(346)

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

13 Pension Costs

The information disclosed below is in respect of the LLP's share of assets and liabilities within the Strathclyde Pension Fund, in which it is a participating employer. The latest full actuarial valuation was carried out as at 31 March 2017. The next triennial valuation of the scheme will be 31 March 2020

	2019	2018
	£000	£000
Present value of funded defined benefit obligations	(99,549)	(82,104)
Fair value of plan assets	71,685	64,646
Net liability	(27,684)	(17,458)

Movements in present value of defined benefit obligation

	2019	2018
	£000	£000
At 1 April	82,104	-
Current service cost	4,840	3,975
Interest cost	2,314	1,738
Contribution by scheme participants	765	617
Actuarial losses arising from changes in financial assumptions	7,766	12,396
Actuarial losses arising from changes in demographic assumptions	-	1,054
Effect on settlements/curtailments	-	62,324
Past service cost including curtailments	1,760	-
	<u>99,549</u>	<u>82,104</u>

Movements in fair value of plan assets were as follows:

	2019	2018
	£000	£000
At 1 April	64,646	-
Interest Income	1,786	1,609
Re-measurement: return on plan assets less interest income	2,147	1,967
Contributions by employer	2,341	1,874
Contributions by members	765	617
Benefits paid	-	-
Effect of settlements/curtailments	-	58,579
At 31 March	<u>71,685</u>	<u>64,646</u>

Expenses recognised in the profit and loss account

	2019	2018
	£000	£000
Current service cost	4,840	3,975
Past Service cost	1,760	-
Net interest on defined benefit pension plan obligation	528	129
At 31 March	<u>7,128</u>	<u>4,104</u>

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

	2019	2018
	£000	£000
Cost of Sales	84,511	82,772
Administrative expenses	8,203	9,266
Other interest payable and similar charges	528	129
	<u>93,242</u>	<u>92,167</u>

The total amount recognised in Other Comprehensive Income in respect of actuarial gains and (losses) is (£5,619,000) (2018- £11,483,000).

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

	Fair value	
	2019	2018
	£000	£000
Equities	47,399	44,773
Corporate bonds	10,549	7,485
Property	6,490	5,853
Other	7,247	6,535
	71,685	64,646
Actual return on plan assets	2,147	1,967

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

	2019	2018
	%	%
Discount rate	2.5	2.7
Expected rate of return on plan assets	2.6	3.8
Future salary increases	3.6	3.5
Inflation/pension increase rate	2.4	2.3

In valuing the liabilities of the pension fund at 31 March 2019, 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. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Salary increases are expected to be 3.6% p.a.

Current pensioner aged 65: 21.4 years (male), 23.7 years (female)

Future retiree upon reaching 65: 23.4 years (male), 25.8 years (female)

History of plans

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

	2019	2018	2017	2016
	£000	£000	£000	£000
Present value of scheme liabilities	(99,549)	(82,104)	-	-
Fair value of scheme assets	71,685	64,646	-	-
Net asset	<u>(27,864)</u>	<u>(17,458)</u>	<u>-</u>	<u>-</u>

The LLP expects to contribute approximately £2,341,000 to its defined benefit plan in the next financial year.

14 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.