

annual accounts 2017/2018



Front cover image : Motherwell Civic Centre

Photograph: Jacqueline Bradley, Corporate Communications, North Lanarkshire Council



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Introduction

The Annual Accounts demonstrate the Council's stewardship of the public funds with which it is entrusted. The financial statements represent the financial position of North Lanarkshire Council as at 31 March 2018. They have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom which is based on International Financial Reporting Standards (IFRS) and also the requirements of accounting and statutory guidance of central government. IFRS is a set of accounting standards developed by an independent, not-for-profit organisation, the International Accounting Standards Board (IASB). The goal of IFRS is to provide a global framework for organisations to prepare and disclose their financial statements. IFRS provides general guidance for the preparation of financial statements, rather than setting rules for industry-specific reporting.

Comprehensive Income and Expenditure Statement (CIES)

The CIES (page 14) covers the day-to-day operational expenditure for each service of the Council and the level of income received to support service provision. It includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure includes the cost of goods or services received by the authority by 31 March which has not been paid for. Similarly, accrued income includes income due, but not yet received.

The CIES shows the accounting position of the authority before statutory adjustments are applied. It analyses income and expenditure in line with North Lanarkshire's own organisational structure, used to report against budget and performance throughout the year.

The CIES shows the Council had a Net Cost of Services of £688.125m, and other corporate charges totalling £49.261m. These were funded by Taxation and Non-Specific Grant Income (including Council Tax, General Revenue Grant and Non Domestic Rates) of £756.918m. This resulted in an accounting surplus on the provision of services for the year of £19.532m.

Other net income not related to the provision of services totalling £350.970m was also accounted for, resulting in the Total Comprehensive Income and Expenditure for the year showing a surplus of £370.502m, an increase of £570.490m from 2016/2017, largely due to the impact of actuarial valuations of the Council's share of pension scheme assets and liabilities.

Movement in Reserves Statement (MiRS)

The MiRS statement shows the movement in year on the different reserves held by the Council, both Usable and Unusable, as a result of the Council's performance, accounting adjustments and statutory adjustments. Reserves represent the authority's net worth and show its spending power. The key figure in the Accounts is the General Fund balance. The credit balance in the General Fund is the excess of income over expenditure in the revenue account, after adjusting for movements to and from reserves including a transfer from HRA of £1.645m and other non-cash items such as depreciation. When account is taken of those items excluded from the Comprehensive Income and Expenditure Statement, the overall deficit on the General Fund Account for the year is £11.620m (page 16).

The net General Fund deficit for the year has been added to the surplus of £56.723m brought forward from 2016/2017 resulting in an overall surplus of £45.103m (page 16) to be carried forward into 2018/2019. This balance is represented by the carry forward of £23.000m of committed resources into 2018/2019. A further £14.103m has been allocated to the change management fund to deal with any emerging issues. The remainder of the General Fund of £8.000m relates to the financial reserve which is held as a contingency against unforeseen events and helps ensure stability of cash flow management.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis (Note 2 page 30) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and non-domestic rates) by the Council in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Housing Revenue Account

There is a statutory requirement placed upon the Council to maintain a separate Housing Revenue Account, as distinct from the General Fund Revenue Account. The movements in the Housing Revenue Account are outlined

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in the Movement in Reserves Statement (page 16), with the Housing Revenue Account financial statements detailed on page 71. These deal mainly with the transactions involved in managing the Council's housing stock. The account shows a surplus for the year ended 31 March 2018 of £3.608m which has been added to the balance brought forward to enable a cumulative surplus of £11.852m to be carried forward within the Council's Usable Reserves. Of this surplus, some £6.677m has already been approved for specific purposes including temporary accommodation (£5.940m). Considering the approved £1.200m contingency reserve this leaves a current unallocated balance of £3.975m.

The opening 2017/2018 equal pay provision included £0.063m in relation to the Housing Revenue Account. Based on the number of outstanding claims as well as an estimate of employer pension contributions for claims already settled, the provision in respect of the Housing Revenue Account has been increased by £0.087m and is included in the Comprehensive Income and Expenditure Statement. The revised provision relating to the Housing Revenue Account totals £0.150m.

Capital Account

Details of Capital Expenditure and Capital Financing are shown on page 63. Total gross expenditure for Housing and Composite Services amounted to £133.532m. This was funded by income generated from internal and external funds as summarised below: -

	£m
Sale of Council Assets	12.344
Contributions from Revenue Budgets	28.095
Capital Grants and Other Income	51.462
Greenfaulds DBFM	3.789
Loans Fund Advances	37.842
	133.532

2017/2018 was the final year of the Council's 5 year capital programme with the new programme now approved for financial years 2018/2019 to 2022/2023.

Cash Flow Statement

The Council's cash and cash equivalent balance (detailed on page 18) increased by £5.995m during 2017/2018. This represents a net cash inflow from operating activities of £75.227m, a net cash outflow in investing activities of £62.313m and a cash outflow from financing activities of £6.919m with a further non cash adjustment of £0.007m in respect of accrued interest made to the closing cash and cash equivalents.

Long Term Borrowing

The Council's annual borrowing strategy is laid out within the Treasury Management Strategy. The strategy considers the affordability of the capital financing requirement per the capital investment plan which links to the Council's asset management plan, created to meet the objectives of the Corporate Plan.

The Council's [Treasury Strategy and Treasury and Prudential Indicator](#) limits for 2017/2018 were approved by the Council on 1 March 2017. These facilitate the decision-making processes in support of the Council's capital investment and borrowing strategies. Significant capital investment was initiated through the arrangements available within the Prudential System for Capital Finance. During 2017/2018 the approach to borrowing was in line with the approved strategy, the Council taking advantage of temporary (short-term) borrowing at attractive rates and internal cash balances primarily being used to meet the principal repayments, daily revenue account requirements and the capital financing requirement, in lieu of future borrowing for capital purposes. The strategy adopted reflected interest rate forecasts, the management of carrying costs and the retention of cash balances at appropriate levels managing the associated investment, interest and liquidity risk.

Further detailed information and narrative on the Council's future capital investment plans, treasury management (borrowings and investments), prudential indicators and loans fund liabilities is contained within the [Treasury Management Strategy](#) document.

Pension Assets and Liabilities

The IAS 19 calculation (pages 53 to 58) for employers participating in the Strathclyde Pension Fund is based on a snapshot valuation as at 31 March 2018. The value of the pension funds is fully assessed every three years with annual estimates made between assessments. A range of factors are taken into account each time, such

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as inflation and life expectancy. Therefore annual estimates of fund values and future pension payments can vary from year to year. The latest triennial review took place as at 31 March 2017 with no change to the employer's contribution which remains at 19.3%. The funding position is currently at 105% (March 2014 94%) with the improvement explained as being as a result of better than anticipated membership experience and current investment returns, partially offset by a reduction in future expected investment returns.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £307.313m has a significant impact on the net worth of the Council as recorded in the Balance Sheet. However, the deficit on the local government pension scheme will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary. The pension expense for the period to 31 March 2018 and the projected pension expense for the year to 31 March 2019 allow for the Local Government Pension Scheme (LGPS) career average revalued earnings (CARE) benefit design.

The estimated reduction in net liability of £303.695m reflects an increase of £84.346m in the estimated fair value of the fund's assets, as well as a decrease of £219.349m in the estimated fair value of future liabilities as shown in Note 26.4. The increase in net assets reflects higher estimated returns on equities and bonds, both significant sources of pension investment returns as seen in Note 26.3.

Group Accounts

The Council has a controlling interest in a number of companies and joint ventures. The Code of Practice on Local Authority Accounting requires, where significant, the Council to include summary Group Accounts within the Annual Accounts, showing the financial position of the Council and its subsidiaries plus the investments in associates and interests in joint ventures as a single economic entity.

The Council's oversight and management of ALEOs has changed considerably, with an ALEO Partnership Unit and ALEO and External Bodies Monitoring Sub-Committee established to strengthen and enhance existing arrangements. The Council has an approved ALEO review programme covering the period 2016/2017 to 2018/2019 which aims to assess how well ALEOs have delivered against Council expectations, and to comment on the suitability of the existing vehicles to deliver the Council's priorities going forward. During financial year 2017/2018, the Council continued to assess the merits of merging North Lanarkshire Leisure Ltd and Culture NL Ltd, with the ALEO Partnership Unit also leading six additional ALEO reviews, namely: Saltire Facilities Management Ltd, Fusion Assets Ltd, North Lanarkshire Properties LLP, the Campsies Centre (Cumbernauld) Ltd, Town Centre Activities Ltd and Walker Profiles Ltd. Key points to note in respect of each of these reviews are:

- Uncertainty around a merged entity's ability to continue to benefit from charitable rates relief resulted in the Council postponing its consideration of the potential ALEO merger to the end of 2018;
- The Council sold its 33% shareholding in Saltire Facilities Management Ltd in May 2017, generating income of £1.150m and varying the continuing Works Agreement to include new clauses in respect of community benefits, change of control, financial assurance and performance guarantees;
- Fusion Assets Ltd and North Lanarkshire Properties Ltd were found to be delivering against the Council's expectations. However, in recognising the Council's wider ambitions for longer-term economic growth, both were to be considered for potential inclusion within a single, arm's length Property / Business and Regeneration / Inward Investment services structure;
- The Council determined the Campsies Centre (Cumbernauld) Ltd had limited capacity going forward to support its priority outcomes, so approved the company's dissolution and agreed to earmark the net assets at time of transfer for allocation to projects within the boundary of Cumbernauld;
- The review of Town Centre Activities Ltd confirmed the company delivers the Council's requirements to a high standard, but that its most sustainable business activity CCTV could be significantly impacted as the Council progresses its town centre and housing re-provisioning ambitions. To that end, committee approved further detailed examination of TCA's services with a view to either ceasing provision, allocating responsibility to TCA or an alternative provider or returning service delivery to in-house provision;

Further detailed information on the Group performance, along with the summarised group financial statements, is available on pages 75 to 87. After consolidation the Group balance sheet shows net assets of £1,330.587m as at 31 March 2018, an increase on the single entity position of £97.976m, representing the Council's share of the net assets of these entities.

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Equal Pay

The Council has previously recognised the need to provide for on-going commitments arising from equal pay compensation claims. The provision is reviewed annually with consideration given to the scale and scope of any risk and uncertainties.

The total opening 2017/2018 provision value of £5.469m comprised of £5.406m in relation to General Fund and £0.063m for HRA. Total claims paid out during 2017/2018 equated to £0.386m in total. Following further review and quantification of likely values of claims in relation to previous non-claimants, and providing for the employers pension cost of earlier settlement agreements, the provision has been increased by £5.167m, (£0.087m relates to HRA). Note 22 on page 50 provides the detail of the revised provision for Equal Pay of £10.250m.

Review of the Year

Councils are required, under Section 93 of the Local Government Finance Act 1992, to set a balanced budget each year. The starting point for determining the revenue budget is the base budget from the previous year, updated to take account of the financial planning implications identified through updates to the medium term financial plan, including assumptions in relation to: Employee and Other Cost Pressures; Strategic Priorities; and Directed Expenditure from Scottish Government. Available resources are estimated based on the Local Government Finance Settlement, Council Tax base and use of reserve balances. When combined, the need for additional savings to balance the budget can be identified.

The Council approved the Majority Group proposed General Fund Revenue Budget of £752.390m on 23 February 2017. At the same meeting a one-year savings target of £7.590m was approved, this combined with action already identified of £17.543m, resulted in total savings for the year of £25.133m. The 2017/18 budget has been closely monitored through the management and budgetary processes which are embedded within the Council's existing reporting arrangements. The final recorded combined movement on the General Fund and HRA was a deficit of £8.012m as shown within the Movement in Reserves Statement. This position is illustrated against the amended budget (updated to take account of the latest position contained in the Scottish Government Local Government Finance Circular 4/2018), in the table below.

	Budget 2017/2018	Actual 2017/2018	(Under)/ Overspend
	£m	£m	£m
Education, Youth and Communities	416.414	412.745	(3.669)
Infrastructure	147.400	147.680	0.280
Chief Executive	18.764	18.052	(0.712)
Enterprise and Housing Resources	23.659	22.851	(0.808)
Social Work (Non-Integrated)	10.567	10.567	-
Social Work (Integrated)	167.578	167.578	-
Joint Boards	14.393	14.306	(0.087)
HRA	-	(2.465)	(2.465)
Financing Costs & Other Budgetary Issues	(57.427)	(64.697)	(7.270)
Total Expenditure Per Provisional Outturn	741.348	726.617	(14.731)
Use of Earmarked Reserves			28.569
Exclude Budgeted Use of Reserves			(12.750)
Top up to Equal Pay Provision			5.176
Other Departmental Movements & Use of Reserves			1.631
Council Tax Income			0.117
Movement on General Fund and HRA Services			8.012

Movement from the provisional outturn position reported in May is primarily due to the top up to the Equal Pay provision in addition to slight differences in the anticipated use of Earmarked Reserves due to timing.

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The Council has been required to make significant budget savings for a number of years in order to ensure that it responds to continued funding reductions and complies with its statutory requirement to set a balanced budget whilst meeting the needs of local residents. A total of £112.413m budget savings have been achieved in the past five years. For 2017/18, Services have reported total savings of £21.034m against the approved target of £25.133m with the shortfall of £4.099m also fully achieved through alternative savings and management action.

The Council remains committed to long term financial planning and approved a new Long Term Financial Plan on 21 September 2017 covering financial years 2018/2019 to 2022/2023. The plan recognises the challenges facing the Council and makes assumptions about these, presenting a range of scenarios which may ultimately be faced by the Council as a result. In the past, a 10 year financial plan has been prepared with regular updates to assumptions made, however given the level of uncertainty surrounding funding it was considered that a 5 year plan was more appropriate. The plan includes assumptions about the likely levels of resources available however these assumptions are subject to ongoing review and are reported to Committee through updates to the Financial Outlook presented following the Scottish Budget announcement and Local Government Finance Settlement.

The Council holds reserves as a contingency against unforeseen events as well as to ensure stability of cash flow management. Over recent years the level of contingency has been £12m (1.6%). The level of contingency was reviewed for 2017/18 giving consideration to the establishment of the Integration Joint Board and the council's existing financial management arrangements. As a result of the IJB having the statutory power to hold its own reserves it was recognised that the level of Financial Risk to the Council would reduce and therefore the level of contingency was safely reduced to £8m. This continues to be considered as an appropriate level for contingency.

Council Tax is the system of local taxation used to part fund services provided by local authorities. Introduced in 1993, the rate of tax payable is based on the value of residential property.

The Council Tax freeze commenced in 2008/2009 with the Scottish Government holding back an element of funding from council's Local Government Finance Settlement until they agreed to the freeze Council Tax charges within their own local authority area. 2017/2018 saw the removal of the Council Tax freeze allowing Local Authorities the opportunity to increase Council Tax by a maximum of 3%. The Council agreed not to impose an increase to Council Tax however the Scottish Government Council Tax reform measures increased the Council Tax rates in bands E to H. This generated additional revenue of £3.9m which could be retained by the Council.

Band	Increase	Percentage Increase
E	£100.65	7.5%
F	£198.25	12.5%
G	£320.25	17.5%
H	£494.10	22.5%

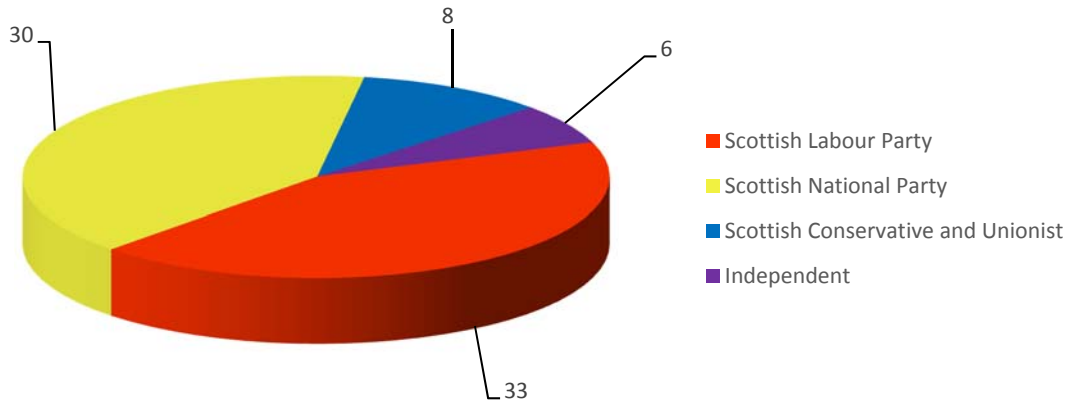
The Council Tax Income Statement for the year is provided on page 72 and provides the details of the calculation of the Council's Council Tax base and the charge per dwelling for each Council Tax Band.

The Council's Treasury Management team is responsible for funding the Composite Capital Programme for General Services and the HRA which is not already resourced by capital grants, capital receipts or 'capital funded from current revenue', whilst also managing the refinancing of historic debt reaching maturity. During the year, the team adopt a range of techniques and tools, sourcing treasury management data, forecasts and market statistics to assist with decision making and developing a borrowing strategy to achieve interest cost efficiencies. The techniques include for example: cash flow management and forecasting; balance sheet analysis; weekly PWLB loan rate trend analysis; debt maturity profiling; and debt rescheduling. These techniques combined with projections have enabled the Council to time its borrowing in order to take advantage of opportunities that may arise to achieve beneficial borrowing rates, minimising interest rate risk. In recent years the strategy adopted has primarily been to use internal cash balances whilst undertaking short term borrowing where available at attractive rates. For 2017/2018 this has resulted in a saving of £2.311m for the General Fund.

Local Government Elections

The Council is overseen by 77 elected members. The current political composition for North Lanarkshire Council is shown overleaf:

North Lanarkshire Council
Political Composition



At the statutory meeting of the Council on the 18 May 2017, following the Local Government elections, the constitution of the Council Committees and the appointments per political party were approved. Following the elections, the Council is under the leadership of a minority Labour administration. Councillor James Logue was appointed Leader of the Council, with Councillor Paul Kelly as the Depute Leader of the Council. Councillor Jean Jones was appointed Provost and First Citizen of North Lanarkshire, with Councillor Tom Castles appointed Depute Provost.

Further information on the political composition of the Council, Committee membership and Councillors is available on the Council's [Councillor Information System \(ColnS\)](#). The ColnS system includes: political party membership; committee membership; contact information; register of interests; surgery details; and ward details.

Revenue Expenditure and Income

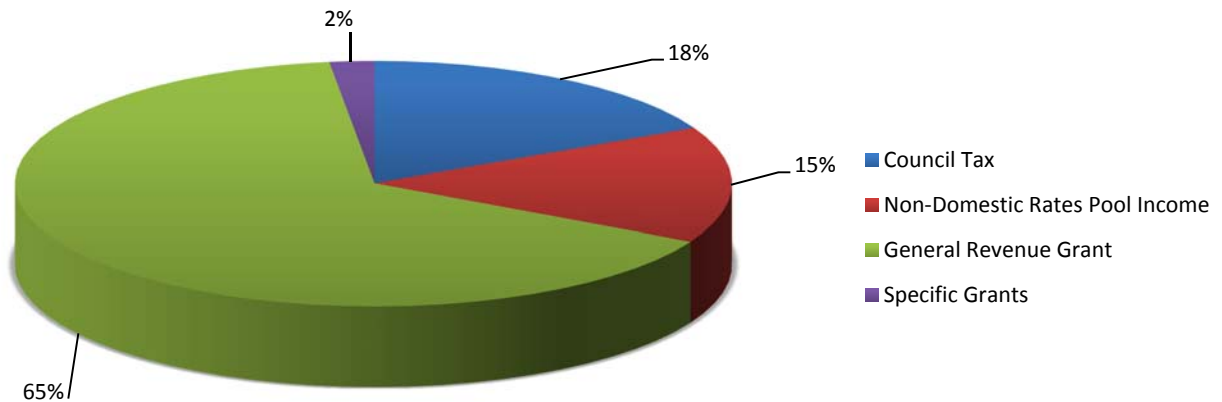
Revenue Expenditure is the day to day expenditure incurred by the Council in providing services to the public including employee costs, property repairs and maintenance, office expenses and payments to other agencies. In addition, the cost of financing capital expenditure must be funded. The approved budget was further updated throughout 2017/2018 to take account of Scottish Government redeterminations.

Revenue monitoring reports to the Finance and Organisational Business Sub-Committee throughout the financial year have provided members with a projected outturn position against the approved revenue budget as well as an anticipated outturn for both approved savings and use of earmarked reserves. These projections allowed a forecast of available resources for future year use to be made with a balance of £14.103m being carried forward within the Change Management Fund for 2018/2019 to assist with the costs associated with the Council's Ambition programmes including Digitisation.

Funding sourced from the Scottish Government Grant is broken down into three parts namely General Revenue Grant, Non Domestic Rates Pool Income and Specific Grants. Local Government is informed of its annual funding through the Local Government Finance Settlement. In 2017/2018, the Council was allocated £613.074m in Aggregate External Finance. This comprised:

- General Revenue Funding £483.571m: Government grant, allocated based on Grant Aided Expenditure (GAE) calculations, using a suite of indicators such as population in order to base it on relative need;
- Non-Domestic Rates Pool Income (NDR) £114.474m: Collected locally but pooled centrally, each Council's share of estimated NDR income in the year is based on Council's NDR income returns;
- Specific Grants £15.029m: This funding must be spent on the purpose intended including. For 2017/2018 the following funding streams were allocated in the settlement as being ring fenced: Scottish Attainment Challenge Funding; Gaelic Grant; and Community Justice Social Work grant.

Taxation and non-specific Grant Income



In addition to those sources of income described above, the Council is able to generate income through direct charges for certain services such as Council house rents and some social work services.

Capital Programme

The Council has completed its final year of the Composite 5 Year Capital Programme 2013/2014 to 2017/2018.

Notable achievements in the final year of the programme include:

- Schools and Centres 21 programme continued the upgrading of the school portfolio including 2 primary joint campuses, 2 stand-alone primary schools and 2 secondary schools units;
- Smarter Working project is enhancing the office portfolio including Kildonan Street, Fleming House and Civic Centre;
- Energy efficiency programme has now commenced the roll-out of installations of LED street lighting;
- North Lanarkshire led Glasgow Region City Deal projects progressed infrastructure investment with the aim of improving economic growth across the council area;
- HRA New Build programme has now completed 523 units as part of the updated plan to build 5,000 new homes by 2035.

Council Strategy and Performance Indicators

The council's strategic business plan details the stated intentions until 2020 and focusses on the delivery of the council's five priorities:

- Improve economic opportunities and outcomes;
- Support all children to realise their full potential;
- Improve the health and care of communities;
- Improve relationships with communities and the 3rd sector;
- Improve the council's resource base.

The priorities are interrelated and no one service can deliver the outcomes in isolation. The business plan has specifically been developed to promote a corporate approach to the planning and delivery of services. Continuing the Council's strategic development programme, the Strategic Self- Assessment Framework was introduced during 2017/2018 and engaged the Council's senior leadership team in a consistent and standardised approach to self-evaluation and linked to the characteristics contained within best value criteria. At the core was an opportunity to assess practice and recognise strengths and identify areas for improvement which were then prioritised and captured in the Council's Corporate Improvement Plan, ensuring a one council/joined up approach to common areas of work and improvement.

Review work commenced on the range of strategic policies and plans supporting the Council's business plan with a more cohesive policy framework being introduced in 2018/2019.

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Community empowerment legislation has resulted in a number of changes in the work and governance arrangements of the community planning partnership where the council plays a key role in the development and delivery of the Local Outcome Improvement Plan (LOIP) which is the strategic plan for the Community Planning Partnership (CPP) governed by the North Lanarkshire Partnership and currently chaired by Scottish Fire and Rescue. Work is underway to review the CPP in line with Best Value which still remains the overarching legislation for the council. Actions as a result of the CPP self-evaluation exercise, with a council focus, will be added to the council's Corporate Improvement Plan.

The plans detailed above are available on the Our Plans and Priorities section of the North Lanarkshire Council website, www.northlanarkshire.gov.uk and provide further information on the Council's strategic objectives and performance.

The Council's annual performance report is published each year and provides updates on progress towards meeting Council targets for delivering public services. During 2017/2018 performance staff took part in a series of roadshows designed to update knowledge and roles and responsibilities of performance management arrangements for the council business plan to 2020. New processes will include an in-depth performance review and challenge process to be undertaken by the Challenge and Review network, a peer challenge and review process to be carried out by the Corporate Management Team, ongoing performance monitoring to ensure appropriate scrutiny and strategic oversight and challenge by elected members. All ensuring that forward planning is informed by robust evidence.

Performance Overview

The Accounts Commission has a statutory power to define performance information under the Local Government Act 1992, however the most recent approach has been to allow Local Government to develop its own comprehensive set of performance data information. The Local Government Benchmarking Framework (LGBF) project was developed by the Improvement Service at the request of the Society of Local Authority Chief Executive's and Senior Managers (SOLACE), and uses a suite of performance measures which can be compared across all councils in Scotland. The 2017/2018 performance information will not be available publicly until later in the year however past performance reports can be accessed via the [Local Government Benchmarking Framework website](#) for individual local authorities, or comparisons of Family Group Local Authorities based on a geographical basis – city, urban, semi-urban and rural, or Scottish Index of Multiple Deprivation (SIMD) characteristics.

Health and Social Care North Lanarkshire – Inspection Report

A report by the Care Inspectorate and Healthcare Improvement Scotland Inspectors has stated that the health and social care partnership in North Lanarkshire is laying down “strong foundations” to support more integrated working. The clear and ambitious vision of North Lanarkshire's Health and Social Care Services deliver positive outcomes for its communities, alongside its sound strategic planning were cited as areas of good practice, including partnership with voluntary sector organisation which was described as “strong”. Inspectors found that the building blocks were in place to support improvement in people's health and care experiences and outcomes. The senior leadership around integration had made significant investment and good progress in driving towards a culture of shared responsibility and accountability. North Lanarkshire was the first area in Scotland to be inspected on the effectiveness of its strategic planning and commissioning of Adult Health. Ensuring that the infrastructure for the effective delivery of Health and Social Care Integration was in place to support the delivery and planning of high quality services in a co-ordinated and sustainable way, was a priority for the inspection.

Risk Management

The Corporate Management Team receive regular reports on the development of the Corporate Risk Register and updates on wider risk management arrangements.

The Corporate Risk Register contains:

- Risks with potential impacts which could significantly impair the organisation's ability to achieve its corporate priorities;
- Those significant risks which are corporate in nature and which typically will require corporate leadership and direction to control and/or manage; and
- Service level risks with potentially significant impacts which have been proposed for escalation to the corporate risk register because they may be either cross-cutting, impacting several areas of the organisation or, because of interdependencies, require more strategic leadership focus.

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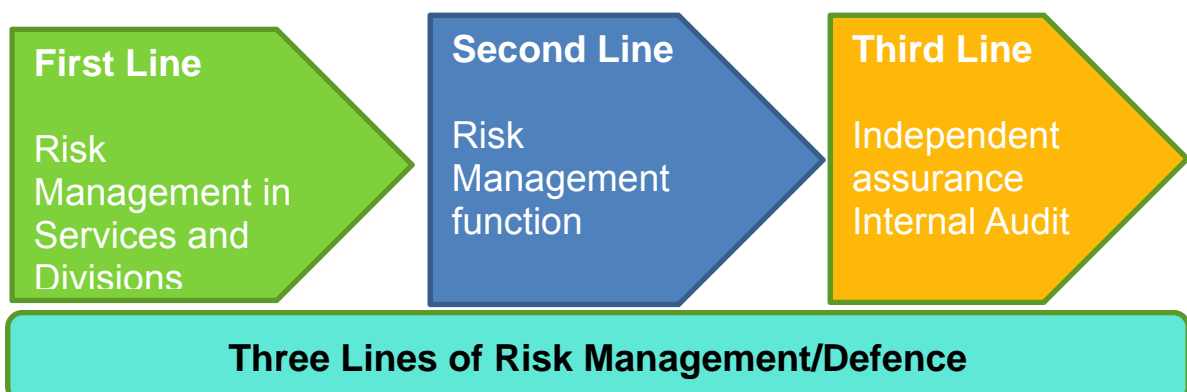
Within the Risk Register, there are six overarching primary risk categories:



Potential risks highlighted within the Corporate Risk Register currently include:

- Information and security governance – Significant mismanagement of information potentially leading to breach, fines, legal action and/or adverse media coverage and reputational damage;
- Public Protection – Non-compliance with legal requirement to ensure adequate Public Protection, any failures could result in death and serious physical or mental harm to children and adults;
- Inability to manage Strategic Change – The Council may be unable to effectively implement the pace and scale of reform or change needed to enable it to deliver its corporate objectives, at a time of significant challenge, long-term reductions in funding and an ageing and growing population;
- Health and Safety – Failure to comply with the Health and Safety at Work Act 1974 and associated legislation protecting the health, safety and welfare of our employees, service users and anyone else who can be affected by the Council's activities;
- Community Partnership Planning – That the Council may fail to make best use of North Lanarkshire assets to maximise opportunities for residents due to not effectively implementing the Community Empowerment Act (Scotland) and ensuring that Community Planning Partnership activities are effective and contribute towards council priorities and objectives;
- Planning and Resources – In the face of demographic and legislative change, and significant cost pressures due to reductions in central government funding, the Council is unable to adequately fund and plan resources to meet service delivery.

The Corporate Management Team considers specific risks within the Corporate Risk Register in detail to assess current controls and to ensure the Council has reduced and/or mitigated the risk to an acceptable level. Reports on the management of individual key corporate risks and on risk management arrangements more generally across the organisation are also submitted regularly to the Audit and Scrutiny Panel.



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Looking Ahead

The Council approved the Labour Group proposed General Fund Revenue budget of £756.720m for 2018/2019 at a special meeting of the Council on the 23 February 2018. This included the use of £2.502m from General Fund reserves. At the same meeting the Council also approved a one-year savings target of £2.608m in addition to the savings from action previously identified of £17.409m, resulting in total savings for the year of £20.017m which will go towards supporting the overall budgeted financial position. In setting the 2018/2019 budget, the Council decided to increase the rate of Council Tax by the maximum 3% allowable increase set by the Scottish Government.

As previously highlighted £37.103m (including £14.103m surplus allocation) of the cumulative General Fund Surplus carried forward to 2018/2019 is earmarked to fund specific future commitments:

	£m	£m
2018/2019 Earmarked Funds		
Balances held by Schools under Devolved School Management	5.090	
Pupil Equity Fund	3.229	
Change Management Fund	14.103	
Youth Employment and Apprentices	0.698	
City Deal	1.585	
Digitisation	0.750	
LDP	1.378	
Revenue Budget Support	2.502	
Scottish Attainment Fund	0.138	
Dilapidations	0.750	
Roads Summer Works	0.350	
Other Earmarked Funds	6.530	37.103
Contingency Reserve		8.000
General Fund Surplus as at 31 March 2018		<u>45.103</u>

The Council approved its new [Composite 5 Year Capital Programme 2018/2019 to 2022/2023](#) at Policy and Resources Committee on the 21st March 2018, with investment in the programme totaling £213.397m. The Strategic Capital Delivery Group was established in July 2017 to develop the 5 year composite capital programme, ensuring it aligned with the approved Council Plan to 2020. The Group advises elected members in terms of capital allocation and project approval and has responsibility for the day to day management of the Council's ambitious capital programme, including the realignment of resources to facilitate its effective delivery and ensuring resources are directed to where they are most required.

Terms of Reference outlining the Group's role and responsibilities, were approved by Policy and Resources on the 7 June 2018, allowing the Group to make recommendations on and amendments to the approved 5 year Capital Programme, as required, with any amendments reported to Committees in line with agreed limits.

The Council reports periodically on the outcomes of UK and Scottish Government policy decisions that have the potential to influence the funding available to the Council. Recent years have seen the Scottish Government produce single year financial settlements for Local Government. The ability of the Council to accurately forecast the potential funding from the Scottish Government is reduced in the absence of longer term financial information. Through COSLA, the Council has urged the Scottish Government to return to longer-term financial settlements to allow a more effective and proactive method of forward planning that goes towards avoiding reactionary measures that short-term budgeting creates. For the first time, the Scottish Government have published a five year financial strategy: published on 31 May 2018. This is a medium term financial strategy that explains the Fiscal Framework and funding arrangements that the Scottish Government operates within and outlines their approach to financial management and fiscal rules, setting out funding scenarios for the next 5 years using their own financial modelling based on the Scottish Fiscal Commission's economic and fiscal forecasts. However the document is of limited value to the Council's own financial planning process as it does not provide detailed budgets for the 5 year period nor does it provide detail at individual portfolio level.

The Council continues to face a squeeze on its finances as a result of reduced real terms settlements, rising cost pressures and additional responsibilities placed on councils as a result of legislative and policy changes. For example the expansion of Early Learning and Childcare from 475 hours to 600 hours, and subsequently then to 1140 hours by 2020. This is a significant undertaking and whilst the council is well placed to deliver this ambitious expansion programme, the scale, complexity and level of investment and resources required is not to

Annual Accounts 2017/2018 Management Commentary

be underestimated. It is projected that, by 2020, approximately 8,572 children will be eligible for a statutory pre-school Early Learning and Childcare education place of 1140 hours per annum. There are currently around 6,367 spaces available including all local authority, independent, and private nursery provision. The Council continues to review our implementation plans in order to close this gap whilst considering the revenue and capital funding available.

From 25 May 2018 the General Data Protection Regulation (GDPR) became UK Law, bringing more accountability for organisations, new rights for individuals and more protection for people and the information held about them. The Council have put in place e-learning modules for all staff to explain how this new legislation impacts and what is expected of them i.e. consent to use information, privacy impact assessment, information breaches, retention of information and subject access requests. Throughout 2018/2019 the Council will continue to re-evaluate our approach to data protection issues and update processes to ensure adherence to the new rules.

As the delivery of local public services has never been more in the spotlight, strong and effective leadership is essential to ensure the right balance between the day-to-day business, achieving efficiencies, driving service improvements, and managing and delivering large scale transformational change. In this respect, the Council has embarked on an ambitious programme that aims to take advantage of the opportunities that are before us and ensure the Council and partners have one common focus improving life for people in North Lanarkshire's communities. To do this North Lanarkshire will need to grow, adapt, and change in a range of new ways for 2018/19 and beyond. The collective ambition therefore, depicted through a series of reports (North Lanarkshire – Our Ambition), presents a range of programmes that aim to focus on North Lanarkshire's needs over the longer-term. Aligned to the priorities in the Business Plan, these programmes include:

- Increasing economic regeneration;
- Digitising council services;
- Integrating health and social care services;
- Creating a workforce for the future;
- Transforming our assets;
- Reviewing our approach to policy and practice across the council;
- Reviewing housing management;
- Developing a delivery model which allows children and young people to access full educational provision to meet their individual needs as close to their community as possible in 21st century learning environments.
- Developing a delivery model which supports parents and carers and builds resilient communities with access to localised sport, culture, and learning hubs within the community, third sector, and council ownership.

Plans to provide nutritious food on weekends and holidays for children who qualify for free school meals have been agreed in principle by the Council. The Club365 programme will cover the 175 days of the year when pupils are not at school during the holidays and weekends. A pilot project took place in Coatbridge in April and subject to the evaluation of the outcome, will be rolled out across North Lanarkshire during 2018/2019.

In March 2018 the Current Chief Executive, Paul Jukes announced that he would retire in September 2018 which would mark the end of his third year as Chief Executive. Paul Jukes has remained actively engaged in leading the services of the Council supported by the current management team. On 14 June 2018, Des Murray was appointed as the next Council Chief Executive and has since taken up the post from 27 July to begin the transition prior to Paul's departure on 5 September 2018.

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Key Challenges and Pressures Facing Local Government

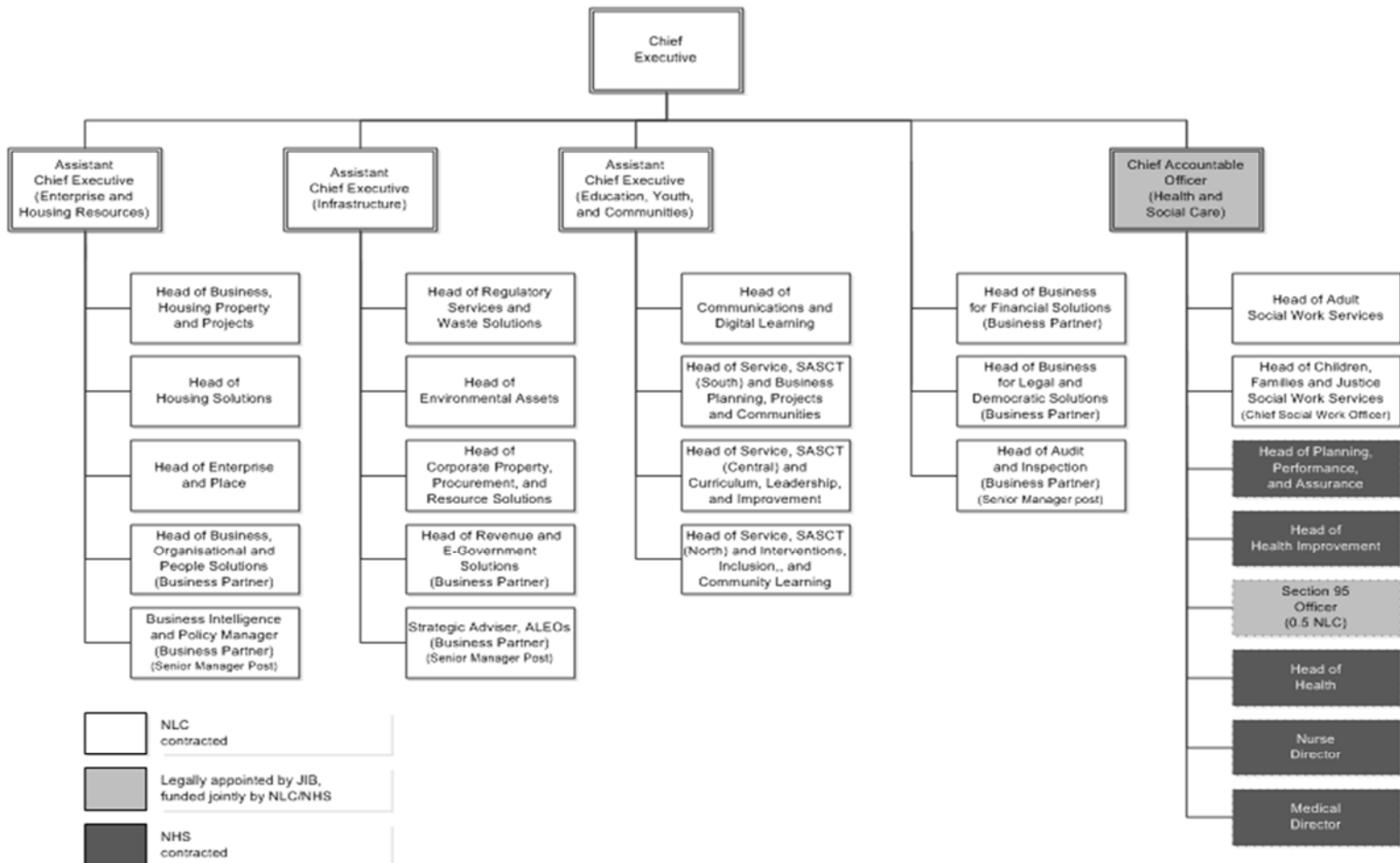
Continuing to provide better or similar service from real terms reduction in funding
 Potential changes to the funding landscape due to local tax reform and the Scotland Bill
 Impact resulting from the implementation of legislative and policy changes

Increased demand for services
 Significant increase in elderly population
 Support for those not in work
 Environmental Management services
 Digitisation
 Fairer Scotland Duty

Reduced staffing numbers due to savings
 Equal Pay
 Inflationary pressures
 Expansion of Early Learning and Childcare
 Delivering Transformation

Council Structure

From 1 April 2017 the Council's Phase 2 restructure, approved at Policy and Resources Committee on 21 December 2016 was fully implemented. The chart below illustrates the 2017/2018 reporting structure which has been reflected in the financial statements for the current year with the 2016/2017 financial statements restated to reflect the amended structure.



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Financial Controls and Procedures

Reference is made to the Council's Section 95 Officer with regards responsibility for ensuring that proper controls and procedures are in place to safeguard the Council's assets. In this respect, the Section 95 Officer has provided the Chief Executive with a statement of the effectiveness of internal financial controls within the Authority. This assurance is contained within the Annual Governance Statement on pages 100 to 105 of this document.

Acknowledgements

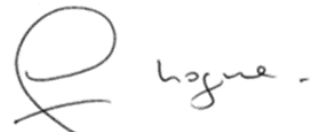
Thank you to elected members of North Lanarkshire Council and colleagues across the Council, all of whose efforts have contributed to the completion of these accounts.

A handwritten signature in black ink, appearing to read "Paul Hughes".

Paul Hughes, CPFA
Head of Business for Financial
Solutions

A handwritten signature in black ink, appearing to read "Des Murray".

Des Murray
Chief Executive

A handwritten signature in black ink, appearing to read "James Logue".

Councillor James Logue
Council Leader

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Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016/2017 Restated			2017/2018			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
416,537	(14,338)	402,199		420,227	(28,741)	391,486
222,951	(134,812)	88,139	Education, Youth and Communities	237,794	(133,993)	103,801
9,191	(2,207)	6,984	Infrastructure	12,732	(3,674)	9,058
37,742	(11,453)	26,289	Chief Executive	29,265	(8,492)	20,773
12,668	-	12,668	Enterprise & Housing Resources	12,486	-	12,486
386,773	(219,437)	167,336	Social Work (Non-Integrated)	394,416	(217,533)	176,883
14,459	-	14,459	Social Work (Integrated)	14,306	-	14,306
115,898	(123,397)	(7,499)	Joint Boards	66,483	(127,013)	(60,530)
18,916	-	18,916	Housing Revenue Account	19,862	-	19,862
1,235,135	(505,644)	729,491	Net Cost of Services	1,207,571	(519,446)	688,125
-	(3,646)	(3,646)	Other Operating Expenditure	-	(2,616)	(2,616)
103,870	(53,797)	50,073	Financing and Investment Income and Expenditure	101,094	(49,217)	51,877
	(755,480)	(755,480)	Taxation and Non-specific Grant Income		(756,918)	(756,918)
		20,438	(Surplus) or Deficit on the Provision of Services			(19,532)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(9,080)	(Surplus) or deficit on the revaluation of non current assets			1,746
		188,630	Re-measurement of the net defined benefit liability			(352,716)
		179,550	Other Comprehensive Income and Expenditure			(350,970)
		199,988	Total Comprehensive Income and Expenditure			(370,502)

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Balance Sheet

The Balance Sheet is a snapshot of the value at the reporting date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve may only be used to fund capital expenditure or repay loan charges). The second category of reserves are those that the Council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017 £000		Note	31 March 2018 £000	31 March 2018 £000
	Property, Plant and Equipment	13,14		
877,663	Council Dwellings		941,744	
1,116,010	Other Land and Buildings		1,087,516	
35,000	Vehicles, Plant and Equipment		37,639	
253,799	Infrastructure Assets		258,340	
10,254	Community Assets		10,496	
22,489	Surplus Assets		17,648	
18,660	Assets Under Construction		48,267	2,401,650
2,188	Long Term Debtor	15		1,868
892	Long Term Investments	16		1,212
2,336,955	Long-Term Assets			2,404,730
-	Short Term Investments	16	57	
-	Assets Held for Sale	17	5,100	
1,447	Inventories	18	1,531	
75,158	Short-Term Debtors (net of impairment)	19	81,933	
21,842	Cash and Cash Equivalents	20	27,844	
98,447	Current Assets			116,465
(180,707)	Short-Term Borrowing	16	(206,829)	
(169,607)	Short-Term Creditors	21	(188,448)	
(8,032)	Provisions	22	(11,183)	
(5,040)	Short-Term Finance Lease Liabilities	16,24,25	(5,324)	
(363,386)	Current Liabilities			(411,784)
(450,012)	Long-Term Borrowing	16	(422,325)	
(587)	Provisions	22	(470)	
(148,300)	Other Long-Term Liabilities (Finance Leases)	16,24,25	(146,692)	
(611,008)	Other Long-Term Liabilities (Pensions)	26	(307,313)	
(1,209,207)	Long-Term Liabilities			(876,800)
862,109	Net Assets			1,232,611
	Usable Reserves			
56,723	General Fund Reserve		45,103	
8,244	Housing Revenue Account Balance		11,852	
4,327	Capital Grants Unapplied Accounts		3,540	
-	Capital Fund		2,965	
13,709	Insurance Fund		15,118	
466	Repairs and Renewals Fund	27	533	
83,469	Total Usable Reserves			79,111
778,640	Unusable Reserves	28		1,153,500
862,109	Total Reserves			1,232,611

The unaudited accounts were issued on 27 June 2018 and the audited accounts were authorised for issue on 26 September 2018.



Paul Hughes, CPFA
Head of Business for Financial Solutions
26 September 2018

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase or Decrease before Transfers to Other Statutory Reserves shows the statutory General Fund Balance and Housing Revenue Account before any discretionary transfers to and from the other statutory reserves of the Council.

Year Ended 31 March 2018

	Usable Reserves							Unusable Reserves	Total Reserves
	General Fund	Housing Revenue Account	Capital Fund	Repairs & Renewals Fund	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	56,723	8,244	-	466	13,709	-	4,327	778,640	862,109
Movement in Reserves during 2017/2018									
Surplus / (Deficit) on Provision of Services	(45,578)	65,110	-	-	-	-	-	-	19,532
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	350,970	350,970
Total Comprehensive Income and Expenditure	(45,578)	65,110	-	-	-	-	-	350,970	370,502
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 31)	33,789	(59,857)	-	-	-	2,965	(787)	23,890	-
Net Increase or Decrease before Transfers to Other Statutory Reserves	(11,789)	5,253	-	-	-	2,965	(787)	374,860	370,502
Transfers to and from Other Statutory Reserves (Note 32)	169	(1,645)	2,965	67	1,409	(2,965)	-	-	-
Increase or Decrease in the Year	(11,620)	3,608	2,965	67	1,409	-	(787)	374,860	370,502
Balance at 31 March 2018 Carried Forward	45,103	11,852	2,965	533	15,118	-	3,540	1,153,500	1,232,611

Annual Accounts 2017/2018

Movement in Reserves Statement

Comparative Figures for Year ended 31 March 2017

Restated	Usable Reserves							Unusable Reserves	Total Reserves
	General Fund	Housing Revenue Account	Capital Fund	Repairs & Renewals Fund	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	63,664	10,493	-	1,223	13,687	-	1,738	971,292	1,062,097
Movement in Reserves during 2016/2017									
Surplus / (Deficit) on Provision of Services	(28,116)	7,678	-	-	-	-	-	-	(20,438)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(179,550)	(179,550)
Total Comprehensive Income and Expenditure	(28,116)	7,678	-	-	-	-	-	(179,550)	(199,988)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 31)	18,087	(7,574)	-	-	-	-	2,589	(13,102)	-
Net Increase or Decrease before Transfers to Other Statutory Reserves	(10,029)	104	-	-	-	-	2,589	(192,652)	(199,988)
Transfers to and from Other Statutory Reserves (Note 32)	3,088	(2,353)	-	(757)	22	-	-	-	-
Increase or Decrease in the Year	(6,941)	(2,249)	-	(757)	22	-	2,589	(192,652)	(199,988)
Balance at 31 March 2017 Carried Forward	56,723	8,244	-	466	13,709	-	4,327	778,640	862,109

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Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2016/2017 Restated £000	Note	2017/2018	
£000		£000	£000
OPERATING ACTIVITIES			
Cash Inflows:			
60,236	Rents (after rebates)	61,694	
102,169	Council Tax receipts	108,001	
488,792	Revenue Support Grant	485,511	
106,179	DWP grants for Housing Benefits	104,110	
120,030	Non Domestic Rates Receipts	116,022	
27,056	Other government grants	33,666	
32,873	Cash received for goods and services	34,700	
54,196	Other operating cash receipts	61,053	
181	Interest received	162	
991,712			1,004,919
Cash Outflows:			
(483,188)	Cash paid to and on behalf of employees	(487,564)	
(355,439)	Other operating cash payments	(345,726)	
(43,061)	Housing Benefit paid out	(47,977)	
(13,460)	Precepts paid	(13,162)	
(37,189)	Interest Paid	(35,263)	
(932,337)			(929,692)
59,375	Net Cash Inflow / (Outflow) from Operating Activities	33	75,227
INVESTING ACTIVITIES			
Cash Inflows:			
13,983	Sale of non-current assets	12,344	
32,777	Capital grants received	55,728	
4,420	Other capital cash receipts	295	
51,180			68,367
Cash Outflows:			
(120,184)	Purchase of non-current assets		(130,334)
(60)	Long- term Investments		(346)
(69,064)	Net Cash Inflow / (Outflow) from Investing Activities		(62,313)
(9,689)	Net Cash Inflow / (Outflow) before Financing Activities	34	12,914
FINANCING ACTIVITIES			
Cash Inflows:			
198,896	New Loans Raised		206,500
Cash Outflows:			
(190,495)	Repayments of amounts borrowed	(208,450)	
(6,122)	Capital payments of finance leases	(4,969)	
(196,617)			(213,419)
2,279	Net Cash Inflow / (Outflow) from Financing Activities	34	(6,919)
(7,410)	Net Increase / (Decrease) in cash and cash equivalents	34	5,995
29,243	Cash and Cash Equivalents at the beginning of the year	34	21,842
9	Increase / (Decrease) Non-cash in cash equivalents	34	7
21,842	Cash and Cash Equivalents at the end of the year	34	27,844

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Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/2018 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in the prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Central Support Charges

The direct costs of Central Support Services have been allocated in full to user Services and capital accounts on the following basis:

- Staff time spent on various services;
- Payroll, superannuation and personnel - numbers of Full Time Equivalent employees;
- Creditors and Debtors - number of transactions;

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Notes to the Accounts

- Building costs - floor areas.

The indirect costs of corporate management and democratic representation have been allocated to Corporate and Democratic Core which is within the Chief Executive's Service in the Comprehensive Income and Expenditure Statement.

Redemption of Debt

A Loans Fund has been established and all loans raised are paid into this Fund. Advances are made to Services to finance capital expenditure and these are repaid by application of The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

The schedule of Premiums and Discounts held at 31 March 2007 was transferred to the Financial Instruments Adjustment Account on 1 April 2007 and have been designated as statutory premiums and discounts under statutory guidance issued by the Scottish Government (Section 12 (2) b of the Local Government in Scotland Act 2003). This schedule is used to determine the annual charge to the General Fund and reflects annual charging schedules held at 31 March 2007. All charges are managed by movements to and from the Financial Instruments Adjustment Account and the Movement in Reserves Statement (MiRS).

From 1 April 2007, costs associated with debt restructuring (Premiums and Discounts) are charged directly to the Comprehensive Income and Expenditure Statement in the year of extinguishment in accordance with accounting regulations. In line with the statutory guidance stated above, all premiums and discounts arising from an extinguishment have been deferred and charged to the General Fund over a period greater than one year. Any discount or premium incurred for restructuring exercises deemed a modification has been reflected in the carrying amount of the loan.

External Interest Payable, Interest Receivable and Investment Income

External interest has been calculated and charged to the Comprehensive Income and Expenditure Statement on an amortised cost basis over the life of the loan with the interest expense being recognised on a level yield / interest rate basis. For the majority of loans, this represents the interest amount payable for the year per the loan agreement. For those loans with a stepped interest rate feature, this results in a difference between the coupon rate and the amount charged to the Comprehensive Income and Expenditure Statement. For interest payable on all loans held at 31 March 2007, the net charge to the General Fund has been adjusted to reverse this differential. This is in line with statutory guidance issued by the Scottish Government (Section 12 (2)b of the Local Government in Scotland Act 2003). The Financial Instruments Adjustment Account (FIAA) has been credited / debited with the difference between the actual amount due in the year and the effective interest rate over the life of the loan.

The Council manages its investments in accordance with the Local Government Investments (Scotland) Regulations 2010, including the preparation of an Annual Investment Strategy. The amount disclosed for interest receivable and investment income is based on the amount receivable per the contractual terms of the financial assets.

Capital Expenditure Charged to Revenue

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and

Annual Accounts 2017/2018

Notes to the Accounts

- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement (MiRS). Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted a liability and an expense is recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised in the Comprehensive Income & Expenditure Statement, apportioned to Services on the basis of energy consumption.

Property, Plant and Equipment

Non-current assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

a) Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council operates a £6,000 de-minimis when recognising expenditure on property, plant and equipment.

b) Measurement

Non-current assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst non-current assets are under construction.

The cost of non-current assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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Non-current assets are then carried in the Balance Sheet using the following measurement bases:

Property, Plant and Equipment:	
Council Dwellings	In accordance with LASAAC guidance, fair value is adjusted to reflect the ratio of local authority rents to private sector rents.
Other Land & Buildings	Depreciated replacement cost/Existing Use Value
Vehicles, Plant & Equipment	Open market value/Historical Cost
Infrastructure Assets	Historical cost
Community Assets	Historical cost
Surplus Assets	Fair Value (IFRS 13)
Assets Under Construction	Historical cost
Investment Properties	Open market value
Heritage Assets	Historic Cost/Insurance Value

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Non-current assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

It should be noted that only vehicles purchased by the Council either through revenue or capital budgets are reported. Vehicles used by the Council through Operational Leases are not included. There were no material Heritage Assets held by the Council as at 31 March 2018.

When an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

c) Depreciation

The Council employed the following depreciation policy for each class of non-current asset held during the year:

Property, Plant and Equipment:	
Council Dwellings	Depreciated on a straight line basis up to 40 years
Other Land & Buildings	Depreciated on a straight line basis up to 60 years
Vehicles, Plant & Equipment	Depreciated on a straight line basis up to 15 years
Infrastructure Assets	Depreciated on a straight line basis up to 40 years
Community Assets	No depreciation
Surplus Assets (Land)	No depreciation
Surplus Assets (Other)	Depreciated on a straight line basis up to 60 years
Assets Under Construction	No depreciation
Investment Properties	No depreciation
Heritage Assets	No depreciation

The Council does not depreciate its non-current assets in the year of acquisition, charging a full year's depreciation on disposal.

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The Council does not provide for depreciation on land or community assets with the exception of landfill sites, which are depreciated over their useful life.

d) Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

e) Disposal and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

f) Charges Made to Revenue

A combination of depreciation and any relevant impairment is charged to Services for the use of assets based upon their fair value rather than the financing costs of the level of debt outstanding on these assets, following the CIPFA guidelines on Capital Accounting. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Heritage Assets

The Council's collections are held within the stores at Summerlee Museum and North Lanarkshire Heritage Centre. The most significant of the collections are the Industrial and Social History items, however the Museums Service also has a number of smaller collections including Archaeology, Numismatics, Natural history, Ethnography and Art Collections.

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The Council's policy for Heritage Assets follows the recognition and measurement treatment, including the treatment of revaluation gains and losses, set out within the accounting policy for Property, Plant and Equipment. Heritage Assets, where possible, should be measured at valuation. However, in circumstances where this is not practicable the asset will be measured at historical cost less any accumulated depreciation, amortisation and impairment. The Council's museum and gallery collections are managed by the Council subsidiary CultureNL Ltd on behalf of the Council and have their own policy for the Acquisition and Disposal of items to the Museum Service Inventory.

For the current financial year on the grounds of materiality, it has not been considered appropriate to show Heritage Assets separately on the face of the Council's Balance Sheet but to continue to include these within Community Assets under the Property, Plant and Equipment category. Where valuation or cost information is not available and Heritage Assets have not been recognised as a result, further information is provided in the notes to the accounts.

Leases

IAS 17 is the standard under which leases are recognised. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance Leases

The asset is accounted for on the Balance Sheet under Property, Plant and Equipment.

- a. a charge for the acquisition of the interest in the property, plant or equipment is applied to write down the lease liability
- b. a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) is applied

Finance leases are accounted for using the policies applied generally to non-current assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate Service account in the Comprehensive Income and Expenditure Statement as an expense of the Services benefitting from use of the leased item over the lease term.

Impairment of Financial Assets

In determining impairment of its loans and receivables, the Council adopts a strict cohort rating criteria for investment in counterparties supplemented by additional market information. Therefore, it does not provide for any impairment losses from non-performance by any of its counterparties in relation to deposits with banks and building societies. For total debtor balances excluding statutory debts, the Council generally makes a 100% allowance for those debts that are more than 1 year old and a 50% allowance for debts which are greater than 6 months but less than 1 year. Within these criteria, other factors may determine this methodology is not appropriate and the amount provided for will be adjusted accordingly to reflect the specific nature of the debt being considered.

Legal Charges Over Properties

As part of its service provision, the Council may decide to provide a rechargeable service to clients, with the recovery of the costs incurred being deferred by virtue of placing a charging order on the recipient's property. Due to the legal nature of such arrangements and on the grounds of materiality, in the past the Council has not accounted for the recovery of such sums due until they were realised, i.e. when the charging order was enforced.

Following a review of recoveries during 2011/2012, the Council consider these sums to be material. The income has been accrued to the relevant Service and recognised on the Balance Sheet as a Long Term Debtor.

Soft Loans

Long Term Debtors include recorded amounts payable from service users receiving Social Care for which a charging order has been placed on the recipient's property as a method of recovering the debt. For the advances the Council is charging interest at less than the market rate applicable for similar advances and as such these balances are notionally recognised as soft loans. When soft loans are made, a loss is recorded in the

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Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from recipients, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

The Council has assessed the impact of adopting the full accounting treatment for soft loans held on this basis, and on the grounds of materiality, has decided not to recognise notional losses on soft loans in the Comprehensive Income and Expenditure Account and accordingly to adjust the long term debtor balance stated within the Balance Sheet.

Inventory

Inventory has been valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Both average cost and individual cost bases are used for valuing stock at year end.

Cash and Cash Equivalents

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for Back Pay arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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Contingent Asset

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Financial Instruments

Financial Liabilities (borrowings repayable and other long term liabilities) and Loans and Receivables (investments) are carried at amortised cost in the Balance Sheet with the Available for Sale investment category carried at fair value. Ignoring impairment, this represents the carrying amount on initial recognition plus the interest taken to the Comprehensive Income and Expenditure Statement less the cash paid or received for both interest and principal. For qualifying assets borrowing costs directly attributable to the acquisition, construction or production have been capitalised and form part of the cost of the asset.

The Council has accounting reserves to account for the restatement of financial instruments to an amortised cost or fair value basis. The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practice for financial liabilities, loans and receivables.

Reserves

Reserves are split between Usable and Unusable Reserves in the Balance Sheet. Usable Reserves include the General Fund and Housing Revenue Account. Unusable Reserves are kept in order to manage accounting processes for non-current assets, financial instruments and retirement benefits.

Insurance Fund

The Council operates an Insurance Fund to make provision for outstanding claims and events. Note 31 to the Accounts provides further information on movements in the Insurance Fund.

Repairs & Renewals Fund

The Council operates a Repairs & Renewals Fund which is earmarked for improvements to Council facilities. Note 27 to the Accounts provides further information on movements in the Repairs & Renewals Fund.

Capital Fund

The Council operates a Capital Fund where receipts from the sale of assets can be directed and utilised for financing capital expenditure and loans fund repayments.

Capital Receipts Reserve

The regulations covering capital receipts generated from the sale of assets allow the proceeds to be used to fund capital expenditure and are available to support further capital investment.

Capital Receipts in Advance Reserve

The Capital Receipts in Advance account is used to account for Grants received that have not yet met the conditions set by the grant awarding body.

Capital Grants Unapplied Account

Capital Grants Unapplied account is used to hold grant received but not yet utilised. This will be shown as part of the Usable Reserves on the Balance Sheet.

Revaluation Reserve

The Revaluation Reserve records the accumulated gains on non-current assets held by the Council arising from increases in value, as a result of inflation or other factors, since 1 April 2007. Whilst gains arising from revaluations increase the net worth of the Council they would only result in an increase in spending power if the relevant asset is sold and a capital receipt is generated.

Capital Adjustment Account

The Capital Adjustment Account represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

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Pension Reserve

The Pension Reserve arises from the IAS 19 *Employee Benefits* accounting disclosure requirements and represents the difference between accounting for pensions and the funding of pension costs from taxation in line with the statutory requirements. It is equal to the reported Pension Liability which recognises the Council's share of the net funding position on the Strathclyde Pension Fund as projected at 31 March 2018.

The Council applies IAS 19 and, as a result, quoted securities held as assets by the Strathclyde Pension Fund in the defined benefit scheme are valued at bid price rather than mid-market value.

Employee Benefits

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current accounting year.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Employee Statutory Adjustment Account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c) Post Employment Benefits

As part of the terms and conditions of employment the Council offers retirement benefits to its employees. The Council participates in two separate pension schemes, one exclusive to teachers and the other open to all other employees.

- The Scottish Teachers' Superannuation Scheme, administered by the Scottish Government
- The Local Government Pension Scheme, administered by Strathclyde Pension Fund

Both of these schemes provide members with 'defined benefits' i.e. retirement lump sums and pensions earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education, Youth and Communities expenditure line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

d) The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a 'defined benefits' scheme:

- The liabilities of the Strathclyde Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the 'projected credit unit method' i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees,

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based on assumptions about mortality rates, employee turnover rates, etc. and projections of future earnings for current employees;

- Liabilities are discounted to their value at current prices using a discount rate of 2.7%. The discount rate used by the appointed actuaries to place a value on the liability is based on Corporate bond yields on high quality bonds and recognises the weighted average duration of the benefit obligation for the Council;
- The assets of the Strathclyde Pension Fund attributable to North Lanarkshire Council are included in the Balance Sheet at their fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property.

The change in the net pensions liability is analysed into the following cost components, comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments; and
- Remeasurements, comprising the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

In relation to retirement benefits, Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement (MiRS) this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The accounting treatment of the PFI for the provision of school buildings, maintenance and other facilities is in accordance with recognised accounting standards including IAS 17 *Financial Instruments: Recognition and Measurement* and IFRIC 12 *Service Concession Arrangements*;

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- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Interest in Other Companies

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Value Added Tax

Generally, Value Added Tax is excluded from Income and Expenditure as all VAT collected is payable to H.M. Revenue and Customs while the majority of VAT paid is recoverable from H.M. Revenue and Customs. In the circumstance when the Council cannot fully recover VAT paid, this is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Re-measurement of the net defined benefit liability

Re-measurements or actuarial gains and losses arise through experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and the effects of changes in actuarial assumptions. All actuarial gains and losses have been recognised in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Events after the Reporting Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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2. Expenditure and Funding Analysis

2.1. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and non-domestic rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/2017 Restated			2017/2018		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (Note 2.2) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (Note 2.2) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
379,036	23,163	402,199	363,364	28,122	391,486
75,764	12,375	88,139	87,745	16,056	103,801
8,039	(1,055)	6,984	8,876	182	9,058
24,803	1,486	26,289	17,721	3,052	20,773
11,103	1,565	12,668	11,215	1,271	12,486
162,435	4,901	167,336	167,578	9,305	176,883
14,459	-	14,459	14,306	-	14,306
(9,151)	1,652	(7,499)	(13,493)	(47,037)	(60,530)
21,502	(2,586)	18,916	18,396	1,466	19,862
687,990	41,501	729,491	675,708	12,417	688,125
(678,065)	(30,988)	(709,053)	(669,172)	(38,485)	(707,657)
9,925	10,513	20,438	6,536	(26,068)	(19,532)
(74,157)		Opening General Fund and HRA Balance	(64,967)		
9,925		Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year	6,536		
(735)		Transfers to/from other statutory reserves	1,476		
(64,967)		Closing General Fund and HRA Balance at 31 March*	(56,955)		

*The split of this balance between General Fund and the HRA is shown within the Movement in Reserves Statement.

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Notes to the Accounts

2.2. Adjustments from General Fund to Comprehensive Income and Expenditure Statement

2017/2018	Adjustments for Capital Purposes ¹	Net Change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments
Education, Youth and Communities	21,733	7,086	(697)	28,122
Infrastructure	8,218	9,183	(1,345)	16,056
Chief Executives	(1,290)	1,775	(303)	182
Enterprise & Housing Resources	754	2,397	(99)	3,052
Social Work	1,293	16	(38)	1,271
Integration Joint Board	-	10,595	(1,290)	9,305
Joint Boards	-	-	-	-
HRA	(46,867)	-	(170)	(47,037)
Other segments	-	1,466	-	1,466
Removal of Internal Recharges	-	-	-	-
Net Cost of Services	(16,159)	32,518	(3,942)	12,417
Other Income and Expenditure	(53,291)	16,501	(1,695)	(38,485)
Surplus or Deficit	(69,450)	49,019	(5,637)	(26,068)

2016/2017 Restated	Adjustments for Capital Purposes ¹	Net Change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments
Education, Youth and Communities	18,803	3,121	1,239	23,163
Infrastructure	9,097	3,919	(641)	12,375
Chief Executives	(1,768)	769	(56)	(1,055)
Enterprise & Housing Resources	508	864	114	1,486
Social Work	1,461	103	1	1,565
Integration Joint Board	-	4,755	146	4,901
Joint Boards	-	-	-	-
HRA	1,641	-	11	1,652
Other segments	-	(2,586)	-	(2,586)
Removal of Internal Recharges	-	-	-	-
Net Cost of Services	29,742	10,945	814	41,501
Other Income and Expenditure	(43,446)	14,166	(1,708)	(30,988)
Surplus or Deficit	(13,704)	25,111	(894)	10,513

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** the net interest on the defined benefit liability is charged to the CIES.

3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

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- **For services** this represents the accrual made for the cost of holiday/leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. These require to be included within the Net cost of Services under generally accepted accounting practices, however are not chargeable to the General Fund.
- **For Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

3. Accounting Standards that have been Issued but not yet Adopted

The Council will adopt IFRS 9 Financial Instruments with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

It is not expected that the reclassification changes will have a material impact upon the financial statements as the majority of its financial assets will retain their existing measurement basis.

In addition, it is not expected that the impairment changes will have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets e.g. bank deposits and the Council already makes a provision for doubtful debts on its service financial assets e.g. trade receivables

The Council will adopt IFRS 16 Leases with effect from 1 April 2019. The Council will be reviewing its current lease portfolio including operating and finance leases in preparation for the new accounting requirements to ensure it is in a position to fully meet them.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government in Scotland. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of reductions in repairs and maintenance works or from reductions in capital resources available to invest in assets.
- Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson are engaged to provide the Council with expert advice about the assumptions to be applied.
- With regards the Provision made for Equal Pay Claims a methodology was developed which identified the number of claims and the costs within an overall risk assessment process.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for property, plant and equipment would increase by £4.263m for every year that useful lives had to be reduced.</p>
Fair Value Measurement	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16.3.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. For further information refer to Note 15.4.</p>
Provisions	<p>The Council has a total provision of £10.250m for the settlement of Equal Pay claims, based on the number of claims received.</p>	<p>A decrease in the likely value of claims in respect of Pay Protection and Job Evaluation categories would result in a decrease in the Provision required.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council is engaged with Hymans Robertson via Strathclyde Pension Fund to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability can have a material effect on the Council's Net Worth. For instance, a 0.1% change in the defined benefit obligation would result in a change in the pension liability of £2.095m.</p>
Arrears	<p>At 31 March 2018, the Council had a balance of sundry debtors of £62.513m. A review of balances suggested that an allowance for doubtful debts of £6.381m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £0.638m to be set aside as an allowance.</p>

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6. Events After the Balance Sheet Date

The Head of Business for Financial Solutions issued the unaudited Statement of Accounts on 27 June 2018. There have been no material events since the date of the Balance Sheet which necessitates revision to the figures in the financial statements.

7. Restatement

7.1. Single Entity Restatement

During 2017/18 the Council undertook a structure review, to ensure consistency with current year reporting, the 2016/2017 Financial Statements have been restated to reflect this change in reporting structure. The restatement is presentational only for both the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure and Funding Analysis and associated notes, therefore has a nil effect on the outturn reported for the financial year.

In addition to the reporting structure change, further restatements were required to reflect minor adjustments. Further details of these restatements are set out in the table below.

Reason for Restatement	Amount	Statements Affected
	£000	
Reclassification of cash paid to and on behalf of employees previously offset against Other operating cash payments.	14,505	Cashflow Statement
Reclassification of Capital internal recharges overstated and allocated to Purchase of Fixed Assets restated to Other operating cash payments.	5,985	Cashflow Statement
Reclassification of Government Grant accrual between Revenue Support Grant and Other Government Grants	1,940	Cashflow Statement
Disclosure of additional grant information	152	Grant Income, note 11
Revised treatment of Financial Instruments:		
Overdraft	647	Financial Instruments, note 16 and Cash and Cash Equivalents, note 20
Loans & Receivables	1,460	
Revised treatment of Financial Guarantee :		
Short-term Borrowing	123	Balance Sheet: Borrowing and Provision lines
Long-term Borrowing	587	Also reflected in both note 16 and 22
Current Liabilities : Provisions	(123)	
Long-term Liabilities : Provisions	(587)	
Review of related party transactions identified where further disclosure is required	(274)	Related Parties – Debtors, note 37
	2,469	Related Parties – Creditors, note 37
Revised treatment of Void Rents:		
Dwelling Rent Income	(831)	HRA Statement
Other Expenditure	(831)	
Recognition of HRA share of (Gain)/Loss of Disposal of Non-Current Assets within HRA Statement	(3,018)	Movement in Reserves Statement Adjustments between Accounting Basis & Funding Basis under Regulations, Note 31 HRA Statement

7.2. Group Accounts Restatement

Following a review of the Group consolidation process a number of amendments were made to restate the 2016/2017 Group Financial Statements. These restatements reflect the impact of the restated single entity Related Party note in addition to incorporating a reduced consolidation ratio for two Associates: Routes to Work

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and Town Centre Activities from 45% to 20%. This has resulted in a net reduction to the Group balance sheet of £1.765m, reducing the increase on the single entity position for 2016/2017 to £50.559m. The Group Comprehensive Income & Expenditure Statement deficit has also increased by £0.833m. These adjustments have been reflected in the Group Movement in Reserves Statement and associated notes to the Group Accounts.

As in previous years the Group Accounts have also been restated to reflect the final 2016/2017 audited position of the Group Entities.

8. Other Operating Expenditure

	2016/2017	2017/2018
	£000	£000
(Gains) or losses on disposal of non-current assets	(3,646)	(2,616)
Total	(3,646)	(2,616)

9. Financing and Investment Income and Expenditure

	2016/2017		2017/2018	
	Expenditure	Income	Expenditure	Income
	£000	£000	£000	£000
Interest Payable and similar charges	36,978	-	36,350	-
Pensions interest income on plan assets	-	(52,726)	-	(48,243)
Pension interest cost on defined benefit obligation	66,821	-	64,552	-
Interest receivable and similar income		(574)		(515)
Surpluses on Trading Undertaking not included in Net Cost of Services	71	(369)	192	(336)
Public / Private Partnership Dividends				
Financial Guarantee	-	(128)		(123)
Total	103,870	(53,797)	101,094	(49,217)

10. Taxation and Non-Specific Grant Incomes

	2016/2017	2017/2018
	£000	£000
Income from Council Tax	(104,405)	(108,198)
Distribution from Non-Domestic Rates pool	(120,544)	(114,474)
General Revenue Grant	(490,732)	(483,571)
Recognised capital grants and contributions	(39,799)	(50,675)
Total	(755,480)	(756,918)

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11. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/2018.

	2016/2017 Restated	2017/2018
	£000	£000
Credited to Comprehensive Income and Expenditure Statement		
Revenue Support Grant	490,732	483,571
Distribution from Non-Domestic Rates pool	120,544	114,474
Capital - Scottish Government General Grant	26,184	33,326
Capital - Scottish Government Other Grants	10,099	14,622
Capital – Other Grants	3,516	2,628
Total	651,075	648,621
Credited to Services		
Housing Benefit	108,934	108,075
Offenders / Criminal Justice Grant	6,810	6,691
Scottish Attainment Challenge	5,572	6,169
Scotland's Schools for the Future	1,190	2,547
European Grant Income	174	2,159
Home Energy Efficiency Programme	3,994	1,423
Education Maintenance Allowance	1,390	1,212
CPP/RTW European Funding	152	1,049
Active Schools & Community Support Hubs	847	780
Vacant and Derelict Land Fund	1,143	659
Gaelic Education	459	448
Youth Music Initiative	326	400
Syrian Vulnerable Persons Relocation Scheme	463	315
Opportunities For All	278	248
Fleet	44	188
Vehicle Emission Testing	89	153
City Deal	231	131
Other Miscellaneous Grants and Contributions	2,773	365
Total	134,869	133,012

12. Agency Services

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2017/2018 the Council collected and paid over £48.853m (2016/2017 £47.151m) and received £1.153m (2016/2017 £1.153m) for providing this service.

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13. Property, Plant and Equipment

13.1. Movement on Balances in 2017/2018

	HRA Dwelling	Other Land & Buildings	Vehicles, Plant & Equipment	Infrast're Assets	Community Assets	Surplus Assets	Assets Under Construct' n	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 1 April 2017	877,663	1,232,642	60,197	398,356	10,254	22,563	18,660	2,620,335
Additions in year	45,873	17,864	8,388	13,788	41	-	47,577	133,531
Disposals in year	(8,755)	(12,317)	(6,963)	(1,326)	-	(976)	-	(30,337)
Revaluation and impairment adjustments to revaluation reserve	(23,147)	(2,403)	(187)	(144)	(10)	1,838	-	(24,053)
Revaluation and impairments adjustments to CIES	34,533	(1,190)	(73)	-	-	(448)	-	32,822
Transfer to/ from AUC	15,577	468	660	923	211	-	(17,839)	-
Transfer to assets held for sale	-	-	-	-	-	(5,100)	-	(5,100)
Other reclassifications	-	(4,616)	449	4,433	-	(135)	(131)	-
At 31 March 2018	941,744	1,230,448	62,471	416,030	10,496	17,742	48,267	2,727,198
Depreciation								
At 1 April 2017	-	116,632	25,197	144,557	-	74	-	286,460
Depreciation charge for the year	21,984	36,779	6,634	14,270	-	20	-	79,687
Revaluation and impairment adjustments to revaluation reserve	(21,984)	(179)	-	(144)	-	-	-	(22,307)
Revaluation and impairments adjustments to CIES	-	(647)	-	-	-	-	-	(647)
On disposals	-	(9,356)	(6,963)	(1,326)	-	-	-	(17,645)
Other reclassifications	-	(297)	(36)	333	-	-	-	-
At 31 March 2018	-	142,932	24,832	157,690	-	94	-	325,548
Net Book Value								
At 31 March 2018	941,744	1,087,516	37,639	258,340	10,496	17,648	48,267	2,401,650
At 31 March 2017	877,663	1,116,010	35,000	253,799	10,254	22,489	18,660	2,333,875
Nature of Asset Holding at 31 March 2018								
Owned	941,744	915,382	37,639	258,340	10,496	17,648	48,267	2,229,516
Finance Lease	-	-	-	-	-	-	-	-
PPP	-	172,134	-	-	-	-	-	172,134

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13.2. Movement on Balances in 2016/2017

	HRA Dwelling	Other Land & Buildings	Vehicles, Plant & Equipment	Infrast're Assets	Community Assets	Surplus Assets	Assets Under Construct'n	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 1 April 2016	874,173	1,168,736	57,428	382,172	9,964	26,520	17,942	2,536,935
Additions in year	55,876	50,508	6,914	16,600	290	-	14,267	144,455
Disposals in year	(6,415)	(520)	(5,787)	(1,368)	-	(3,386)	-	(17,476)
Revaluation and impairment adjustments to revaluation reserve	(33,019)	15,302	777	-	-	1,054	-	(15,886)
Revaluation and impairments adjustments to CIES	(16,316)	(10,947)	(181)	-	-	(249)	-	(27,693)
Transfer to/ from AUC	3,364	9,233	-	952	-	-	(13,549)	-
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Other reclassifications	-	330	1,046	-	-	(1,376)	-	-
At 31 March 2017	877,663	1,232,642	60,197	398,356	10,254	22,563	18,660	2,620,355
Depreciation At 1 April 2016	-	91,091	24,256	132,233	-	-	-	247,580
Depreciation charge for the year	21,896	34,291	6,887	13,692	-	164	-	76,930
Revaluation and impairment adjustments to revaluation reserve	(21,896)	(3,069)	-	-	-	(1)	-	(24,966)
Revaluation and impairments adjustments to CIES	-	(5,764)	(181)	-	-	-	-	(5,945)
On disposals	-	(6)	(5,765)	(1,368)	-	-	-	(7,139)
Other reclassifications	-	89	-	-	-	(89)	-	-
At 31 March 2017	-	116,632	25,197	144,557	-	74	-	286,460
Net Book Value At 31 March 2017	877,663	1,116,010	35,000	253,799	10,254	22,489	18,660	2,333,875
At 31 March 2016	874,173	1,077,645	33,172	249,939	9,964	26,520	17,942	2,289,355
Nature of Asset Holding at 31 March 2017								
Owned	877,663	945,685	35,000	253,799	10,254	22,489	18,660	2,163,550
Finance Lease	-	-	-	-	-	-	-	-
PPP	-	170,325	-	-	-	-	-	170,325

13.3 Valuation of Non-Current Assets

The following statement shows the progress of the Council's five year rolling programme for the revaluation of non-current assets. The properties were valued by the Council's registered valuers within Asset and Procurement, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

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	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Value at historical cost	-	75,947	34,847	258,341	10,495	-	48,267	427,897
Valued at current value plus additions less depreciation as at:								
31 March 2018	941,744	9,332	315	-	-	9,085	-	960,476
31 March 2017	-	57,699	784	-	-	5,099	-	63,582
31 March 2016	-	3,871	1,426	-	-	1,947	-	7,244
31 March 2015	-	21,925	267	-	-	-	-	22,192
31 March 2014	-	918,741	-	-	-	1,518	-	920,259
Total Value as at 31 March 2018	941,744	1,087,515	37,639	258,341	10,495	17,649	48,267	2,401,650

The five year rolling valuation programme, as determined by the Head of Asset and Procurement, is structured on the following outline:

Year 1	2013/2014	Education Properties
Year 2	2014/2015	Social Work, Office Buildings, Depots and Industrial Properties
Year 3	2015/2016	Leisure Properties
Year 4	2016/2017	Leisure Properties and Open Spaces
Year 5	2017/2018	Planning and Development Properties, Car Parks and Miscellaneous

2017/2018 was the fifth year of the Council's rolling five year revaluation programme and will restart in 2018/2019 with Education Properties, in line with the previous five year valuation programme outlined above.

14. Heritage Assets

The Council recognises that there are a number of assets that could be categorised as a Heritage Asset, however due to materiality these have remained within the Community Assets and Street Furniture classification within Property, Plant and Equipment on the Balance Sheet. The Heritage Assets included within Community Assets on the Balance Sheet include Museum Exhibits, Paintings and Civic Regalia. The sculpture is included within Infrastructure. A summary of these collections are shown in the table below:

Collection	No. In Collection	Value
		£000
Civic Regalia	2	296
Museum Exhibits	1	9
Paintings	12	109
Sculptures	1	39
Total	16	453

As well as the recognised Heritage Assets, the Council's Museum Service and Archive collections also hold items that are of significant interest to the local area however are not significant in terms of value. A summary of these items include:

Industrial History Collection

Includes industrial objects ranging from large individual plant to small hand tools and ephemera with an emphasis on local iron, steel, coal and engineering industries.

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Social History

Comprises of a comprehensive range of artefacts, textiles and ephemera which relate to the domestic, community, personal and working lives of North Lanarkshire during the 19th and 20th centuries.

North Lanarkshire Archive

Documents the transformation of North Lanarkshire from an agriculture and manufacturing area to a heavy industry area.

Other Collections

Other smaller collections include:

Archaeology	Focuses predominantly on local prehistoric, Roman and medieval finds, including burial urns and pottery shards.
Natural History	Represented by a small number of rocks, fossils and local materials and specimens
Numismatics	Comprises of a range of medals; Roman, medieval and contemporary coinage; Scottish trade tokens and miners' tallies.
Ethnographic	Victorian artefacts from Africa, Polynesia and East Asia.
Art	Ranges from portraits of civic dignitaries and local figures to landscapes, historical views and works illustrating aspects of daily life.

15. Long Term Debtors

	2016/2017	2017/2018
	£000	£000
Balance at the start of the year	2,512	2,188
Recorded debt	(252)	(190)
Bad debt provision	(72)	(130)
Balance at the end of the year	2,188	1,868

For further details refer to Soft Loans and Provisions: Financial Guarantee section within Note 16.

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16. Financial Instruments

16.1. Types of Financial Instrument

The total investments, borrowing and long-term liabilities disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	At 31 March 2017	At 31 March 2018	At 31 March 2017 Restated	At 31 March 2018
Financial Liabilities	£000	£000	£000	£000
Borrowings at amortised cost :				
- Principal Sum Borrowed	450,012	422,325	174,060	199,797
- Accrued Interest	-	-	4,550	4,426
- EIR Adjustments	-	-	2,097	2,606
Total Borrowings	450,012	422,325	180,707	206,829
- Provisions :Financial Guarantees	587	470	123	117
Other Long-term Liabilities:				
- Finance Leases	2,399	2,244	144	156
- PPP and similar arrangements	145,901	144,448	4,896	5,168
Total Other Long-term Liabilities	148,300	146,692	5,040	5,324
*Creditors	-	-	138,515	164,718
Bank Overdraft	-	-	6,172	16,533
Total Financial Liabilities	598,899	569,487	330,557	393,521
Financial Assets:				
Available for Sale :				
- Principal Sum Invested	-	-	5,844	23,963
- Accrued Interest	-	-	2	7
Loans and Receivables :				
- Principal Sum Invested	892	1,212	21,451	19,841
- Accrued Interest	-	-	2	52
**Debtors	-	-	35,409	36,512
Total Financial Assets	892	1,212	62,708	80,375

For the year ended 31 March 2018 the element of long term liabilities/assets that fall due for payment or receipt on or within 12 months has been treated as current within the above table.

Within the Financial Assets current category, Loans and Receivables held for a period of less than one year include the bank current accounts / call accounts, whilst Available for Sale represent funds held in Money Market Funds with both categories included within Cash and Cash Equivalents (Note 20).

The Loans and Receivables also include the Council's investment in subordinated debt for two of its school projects delivered via the South West Hubco model, with overall balance invested of £1,269k outstanding shown as £1,212k long-term and £57k short-term. This 'hubco' is a special purpose vehicle set up for the purposes of ring fencing individual Design, Build, Finance and Maintain (DBFM) projects under Scotland's Schools for the Future national investment programme.

* The creditors amount quoted within the table above represents trade creditors, other entities and individuals included within note 21.

**The debtors amount quoted within the table includes trade debtors, other entities and individuals included within note 19.

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Income, Expense, Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement in relation to financial instruments are made up as follows:

	31 March 2017				31 March 2018			
	Financial Liabilities Measured at amortised cost	Financial Assets Loans and Receivables	Financial Assets Available for Sale	Total	Financial Liabilities Measured at amortised cost	Financial Assets Loans and Receivables	Financial Assets Available for Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expenses	(26,137)	-	-	(26,137)	(24,998)	-	-	(24,998)
PPP Unitary Charge	(10,629)	-	-	(10,629)	(11,172)	-	-	(11,172)
Interest								
Finance Lease	(212)	-	-	(212)	(180)	-	-	(180)
Interest								
Total Expense	(36,978)	-	-	(36,978)	(36,350)	-	-	(36,350)
Interest Income	-	367	207	574	-	408	107	515
Financial Guarantee Premium	-	128	-	128	-	123	-	123
Total Income	-	495	207	702	-	531	107	638
Net (Loss) / Gain for the year	(36,978)	495	207	(36,276)	(36,350)	531	107	(35,712)

Notional gains and losses on 'Soft Loans' are not considered material and accordingly are not recognised in the Comprehensive Income and Expenditure Statement.

16.2. Fair Value of Assets and Liabilities Carried at Amortised Cost

Where the fair value is deemed to be different from the amortised cost as presented within balance sheet for both Financial Liabilities and Financial Assets the fair value amount is shown in the table below.

The principal amount shown in the table represents the actual value of the monies receivable or debt payable not arising from any adjustments whilst the carrying amount reflects the amortised cost including accrued interest up to and including the valuation date.

	Fair Value Level	31 March 2017			31 March 2018		
		Principal Amount	Carrying Amount	Fair Value Amount	Principal Amount	Carrying Amount	Fair Value Amount
		£000	£000	£000	£000	£000	£000
Financial Liabilities							
PWLB Debt	2	380,346	383,785	521,910	360,648	363,894	480,966
Non PWLB Debt	2	243,726	246,934	312,660	261,474	265,260	318,479
Financial Guarantee	-	710	710	710	587	587	587
Finance Leases	2	2,543	2,543	3,455	2,400	2,400	3,133
PPP & similar arrangements	2	150,797	150,797	185,349	149,616	149,616	182,461
*Creditors	-	138,516	138,516	138,515	164,718	164,718	164,718
Bank Overdraft	-	6,172	6,172	6,172	16,533	16,533	16,533
Total Financial Liabilities		922,810	929,457	1,168,771	955,976	963,008	1,166,877
Financial Assets							
Available for Sale	1	5,844	5,846	5,846	23,963	23,970	23,970
Loans and Receivables	-	20,883	20,885	20,885	19,570	19,622	19,622
**Debtors	-	35,409	35,409	35,409	36,512	36,512	36,512
Total Financial Assets		62,136	62,140	62,140	80,045	80,104	80,104

* The creditors amount quoted within the table above represents trade creditors, other entities and individuals included within note 21.

**The debtors amount quoted within the table includes trade debtors, other entities and individuals included within note 19.

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The fair value amount within the table above represents the price that would be received to sell the financial asset or paid to transfer the liability in an orderly transaction between market participants in accordance with IFRS13 Fair Value measurement. For these purposes the Council has utilised the GB interest rate swap rates against 6 month LIBOR as quoted by Bloomberg on 29 March 2018.

The interest rate swap used to calculate the local authority margin is determined from two sources:

- Up to 5 years: the rates available to borrowers in the local authority loan market on 29 March 2018 sourced from brokers active in this market.
- Over 5 years : the yields on actively traded local authority bonds, of which the majority are issued by Transport for London as quoted by Bloomberg on 29 March 2018

The fair values have been estimated by calculating the net present value of the remaining contractual cashflow at 31 March 2018 using the following methods and assumptions:

- PWLB debt has been valued by discounting the contractual cashflows over the whole life of the instrument at the appropriate market rate for local authority loans at 31 March 2018.
- For non PWLB debt, comprising "Lender's Option Borrower's Option" (LOBO) loans these have been adjusted to reflect the value of the embedded options. Lender's options to propose an increase to the interest rate have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- For loans not classified as LOBO loans within non PWLB Debt, the fair values have been calculated based on the discounted rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of the financial guarantee has been estimated based on the likelihood of the guarantee being called and the likely payments to be made which is deemed to approximate to the carrying amount.
- For liabilities due under Finance Leases and PPP arrangements the fair values have been calculated by discounting the contractual cashflows (excluding service charge elements) at the appropriate AA- rated corporate bond yield
- The fair value of short term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.
- For financial assets classified as Available for Sale, these represent funds held in Money Market Funds which are carried in the balance sheet at fair value. These funds being invested in constant net asset value money market funds whereby a constant net asset value (CNAV) MMF is a fund that, unlike other mutual funds, seeks to maintain a stable £1 per share when investors redeem or purchase shares.
- The loans and receivables categorised as current, included within financial assets, are due to mature in less than one year and for these balances it has been assumed that the carrying amount will represent a reasonable approximation to fair value. This approach has also been applied to the loans and receivables categorised as long term given the size and nature of the investment under consideration with any differential likely to be immaterial.

Where applicable fair values are shown in the table above split by their level in the fair value hierarchy:

- Level 1: fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices
- Level 2: fair value is calculated from inputs other than quoted prices in active markets that are observable for the asset or liability e.g. interest rates or yields for similar instruments
- Level 3: fair value is determined using unobservable inputs e.g. non market data such as cash flow forecasts or estimated credit worthiness.

16.3. Nature and Extent of Risks arising from Financial Instruments

Treasury Management activity by its very nature exposes the Council to a variety of financial risks with the Council's overall risk management procedures focusing on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government in Scotland Act 2003 and the associated regulations. In accordance with the Council's financial regulations, the Council has adopted the CIPFA's Code of Practice (the Code) on

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Treasury Management in the Public Services and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017 including the key principles within Section 4, formally adopting the clauses within Section 5 and the suggested treasury management policy statement within Section 6.

The Council regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focuses on their risk implications for the organisation. It acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Council has in place suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, prescribing how it will manage and control those activities. These TMPs are a requirement of the Code of Practice within Section 7 and are implemented by the Council's Treasury Management team and are reviewed regularly.

The Council manages its risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years, limiting:
 - The Council's overall borrowing (Authorised Limit & Operational Boundary);
 - Its maximum and minimum exposures with regard to the Maturity Structure of its Debt.

These items are reported within the Council's Annual Treasury Management Strategy which is approved by the Council prior to the commencement of each financial year. This report outlines the approach to managing risk in relation to the Council's financial instrument exposure for the year ahead. The Council will monitor its interest rate exposure by monitoring the proportion of fixed interest rate costs to variable interest costs to identify if there are any potential risks if interest rates were to move significantly upwards. The Council will also monitor debt maturity profile, the spend profile of the capital programme and also continue to adopt a prudent approach to use of internal balances in lieu of future long term borrowing i.e. monitor under borrowing position. The economic outlook and interest rate forecast will supplement this on-going review of interest rate exposure.

Actual performance is monitored on a quarterly basis with any significant variation from the strategy reported to Members. In line with the recommendations of the Code of Practice, a mid-year review is carried out and an Annual Treasury Report on the year's activity is submitted to members once the final accounts are complete and the outturn prudential indicators for 2017/2018 have been calculated.

Credit Risk

Credit risk arises from the short-term depositing of surplus funds to banks, building societies and other local authorities, as well as credit exposures to the Council's customers including house rents and external debtors. The credit risk relates to the possibility that these other parties might fail to pay the amounts due to the Council. The Council manages its investments in accordance with the Local Government Investments (Scotland) Regulations 2010, including the preparation of an Annual Investment Strategy.

The Council's principal investment criteria, stipulated within the 2017/2018 Treasury Management Strategy, prescribed that short term deposits could be made with banks, building societies and local authorities based on a Lowest Common Denominator (LCD) approach. This allows the selection of counterparties that must meet a pre-determined credit-rating level to which monetary and time limits can then be applied. Therefore the counterparty is assessed by its weakest set of ratings, rather than its' strongest. The Council utilises the research of the world's foremost providers of independent credit ratings (Fitch, Moody's and Standard and Poors). These ratings are monitored by the Council's Treasury Management team and procedures are put in place with the Council's Treasury advisers to ensure that the Council is notified immediately of any negative/positive movements which will affect the Council's counterparty list.

The Council also has a HM Treasury backed Debt Management Account Deposit facility. During 2017/2018 the Council's Investment Strategy was robust, with sufficient options available to spread deposits over a wide range and category of financial institutions with due consideration given to country, group and sector exposure of the Council's investments.

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Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties the Council supplemented this by accessing other market information. This additional market information is applied to compare the relative security of differing investment counterparties and included credit default swap prices, quality financial press commentary, share prices, annual reports, and statements to the financial market including the stock market.

The Council does not generally allow credit for its external debtors or house rents receivable. The past due amount can be analysed by age as follows:

	31 March 2017			31 March 2018		
	House Rents etc Receivable	Central Government Grants	External Debtor Accounts Due	House Rents etc Receivable	Central Government Grants	External Debtor Accounts Due
	£000	£000	£000	£000	£000	£000
Less than three months	3,131	6,313	7,981	4,225	9,699	6,552
Three to six months	1,073	-	746	1,313	-	544
Six to nine months	1,202	-	1,171	1,365	-	844
More than one year	2,240	-	5,302	2,338	-	4,799
Debt Outstanding	7,646	6,313	15,200	9,241	9,699	12,739
Bad Debt Provision	(3,312)	-	(3,146)	(3,588)	-	(5,840)
Total Debtors	4,334	6,313	12,054	5,653	9,699	6,899

The table above excludes prepayments and VAT recoverable whilst also excluding amounts relating to Council Tax, Non Domestic Rates and Community Charge as these are deemed to be statutory debts not arising from contracts. Central Government Grants and External Debtors Accounts due are included within Note 18 Debtors as part of the total debtors due.

Provisions: Financial Guarantee

In 2013/14 the Council agreed to provide North Lanarkshire Properties LLP (NLP LLP) with a financial guarantee, underwriting the debt service costs of the NLP LLP loan of £45.000m to the lender, up to a limit of 80% of the total debt service costs. The Council considers the likelihood of the guarantee being called as minimal. In recognition of this financial guarantee the Council made an initial provision of £1.114m which has now been revised to £0.587m.

The Council has agreed with the NLP LLP that the premium payable to the Council for providing this guarantee will be paid in annual instalments on a fair value basis over the term of the loan. The Council has therefore included a long term debtor of £0.470m and a short term debtor of £0.117m within the Balance Sheet to reflect this arrangement.

Soft Loans

The Council has recognised an amount receivable of £1.354m within Long-Term Debtors (2016/2017 – £1.521m), representing the amounts due from service users receiving social care for which a charging order has been placed on the recipient's property as a method of recovering the debt, with a total of £1.908m of amounts recoverable (2016/2017 - £1.945m) adjusted to reflect a bad debt provision of £0.555m (2016/2017 - £0.425m). Further amounts of £0.025m and £0.025m are included within short-term and long-term debtors respectively (2016/2017 - £0.050m and £0.050m respectively) in relation to energy efficiency measures, funded by NLC on behalf of North Lanarkshire Leisure, with these amounts repayable by North Lanarkshire Leisure, accruing from energy savings made as a result of these measures. There are also amounts of £0.010m and £0.020m included within short-term and long-term debtors respectively (2016/2017 £0.010m and £0.030m respectively) in relation to a one off loan granted under the Council's Capital Leverage Fund. The Council is charging interest at less than the market rate applicable for similar advances and as such these balances are notionally recognised as soft loans. In line with the Council's accounting policy notional losses on this type of soft loan have not been recognised in the Comprehensive Income and Expenditure Account and accordingly no adjustment has been made to the long term debtor balance stated within the Balance Sheet.

The Council offer a small number of properties at below market rents to assist in the economic regeneration and development of the area and to support key Council objectives, however these are not considered to be of sufficient size to meet the Council's materiality reporting level.

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Liquidity Risk

- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose action is unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above. This includes the setting and approval of the Council's Annual Treasury Management Strategy incorporating Prudential Indicators limiting the Council's maximum and minimum exposures with regard to the maturity structure of its debt. The Council also has in place robust cash flow procedures as required by the Code of Practice, maintaining liquid short term deposits of at least £3.000m if required at short notice.

Re-financing and Maturity Risk

- Re-financing risk – the possibility that the Council might require to renew a financial instrument on maturity at disadvantageous interest rates or terms.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates primarily to managing the exposure to replacing financial instruments as they mature.

The approved prudential indicator limit for the maturity structure of debt is the key parameter used to address this risk. The Council approved Treasury Management Strategy, including the setting and approval of prudential indicators, addresses the main risks and the Treasury Management Team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the re-scheduling of the existing debt; and
- monitoring the maturity profile of short term investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

The maturity analysis of financial liabilities incorporating PWLB Debt, Non PWLB debt and the financial guarantee based on principal outstanding is as follows:

	At 31 March 2017	At 31 March 2018
	£000	£000
Less than one year	174,060	199,797
Between one and two years	27,688	28,828
Between two and seven years	129,239	129,376
Between seven and fifteen years	40,996	25,424
More than fifteen years	252,090	238,697
Total	624,073	622,122

It should be noted that the debt maturity profile above includes principal outstanding for LOBO (Lender's Option Borrower's Option) loans based on their maturity date as opposed to the potential maturity date in the year where options or calls exist. A LOBO is called when the lender exercises its right to amend the interest rate on the loan at which point the Council can accept the revised terms or reject them and repay the loan.

The Council currently has a £35.000m exposure to LOBO loans, all of which have a call date falling within less than one year. The interest rates on the LOBO loans held range from 5.89% to 11.625% and based on the current and the forecast interest rates the likelihood of these loans being called has been assessed as minimal. In the event that the call option were to be exercised, the default position will be the repayment of the LOBO without penalty with the associated treasury risks (refinancing/interest rate/liquidity) managed in line with the borrowing strategy for other maturing debt. The balance of £35.0m comprises £25.0m of vanilla type LOBO's where the lender has the option to impose a higher interest rate on certain dates with the Council having the option to repay

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with the £10m balance structured as an inverse floater rate loan where interest rates moves are based on a cap/floor ceiling structured arrangement linked to a 10 year swap rate.

The maturity analysis for financial liabilities in relation to Finance Lease and PPP arrangements are shown within Notes 24.1 and 25.3 respectively.

All trade and other payables are due to be paid in less than one year and external debtors (net of provision) are not shown in the table above.

Throughout 2017/2018 the Council primarily restricted its maximum investment periods up to approximately three months whilst the uncertainty continued within the financial sector and the flatness of the interest rate yield curve suggesting there was little value in investing longer term.

At the 31 March 2018, the Council as permitted by its investment strategy, as outlined within section 16.1, has a total investment of £1.269m in subordinated debt in relation to two school projects. The first investment taken out in 2015/16 in relation to the Greenfaulds High School as a Design, Build, Finance and Maintain (DBFM) project in partnership with hub South West Scotland Ltd. The new school partially opened in 2016/17 with the addition of a Multi-Use Games Area in 2017/18 completing the final phase in July 2017. The project is now fully operational, with the bridging loan agreement, which was in place during the construction phase now converted to a loan note instrument, with a balance of £0.951m at 31 March 2018 repayable over 25 years on an annuity basis.

In June 2017, the Council entered into a second subordinated debt agreement in relation to Cumbernauld Academy, as a Design, Build, Finance and Maintain (DBFM) project, again in partnership with hub South West Scotland Ltd. The total value of the investment at the 31 March 2018 being £0.317m. It is anticipated that the first phase of this project will be completed in July 2019 at which point the current bridging agreement in place during the construction phase will convert to a loan note instrument. This assumes all the terms of the existing bridging loan agreement will be satisfied and the project completed on schedule.

Due to the size and nature of the investment and the investor relationship between the Council and the 'hubco', both these investments are considered to have a minimum impact upon the credit risk profile for the Council.

Market Risk

- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, prices and foreign exchange rates.

Market Risk – Interest Rates

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

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The risk of interest rate loss is partially mitigated by the government grant payable on financing costs. However the correlation between a 1% movement and the potential change in grant levels is not readily identifiable due to the complexity of the grant allocation methodology adopted within the Local Government Settlement. Therefore the impact on government grants receivable has been excluded from the table below.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	+708
Increase in interest receivable on variable short term investments	-364
Overall Impact on Comprehensive Income and Expenditure Statement	+344
Share of Overall impact debited to the HRA	+107

If all interest rates had been 1% lower with all other variables held constant the financial effect would be:

	£000
Decrease in interest payable on variable rate borrowings	-643
Decrease in interest receivable on variable short term investments	+100
Overall Impact on Comprehensive Income and Expenditure Statement	-543
Share of Overall impact debited to the HRA	-169

In terms of the impact on the fair value of fixed rate borrowings/liabilities this would have no impact upon the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. Per the assumptions and adopting the same methodology as used in 17.3 Fair Value of Assets and Liabilities carried at Amortised Cost, a 1% increase and decrease in the prevailing swap rates and inter authority margins would have the following implications in terms of the fair value. Where a reduction of 1% would result in a rate less than zero being applied, the fair value has been calculated using a negligible redemption rate of 0.001%.

	+1%	-1%
	£000	£000
Total Movements in Fair Value of Fixed Rate Borrowings	-75,701	+98,484

For Loans and receivables it has been assumed that the carrying amount will represent a reasonable approximation to fair value thus the impact on the fair value of investments and subsequent impact on the Movement in Reserves Statement as a result of an increase in the interest rate of 1% has not been included within the table above.

Market Risk – Prices

The Council has an interest in a number of Subsidiary and Associate Companies along with Joint Ventures. Information as to the role of the Council in respect of these interests is provided by way of a separate note within the Accounts (note 37). For each of these interests the Council will account for its share of assets, liabilities, and trading surplus or deficit within the Group Accounts dependant on the specific nature of the relationship in line with proper accounting practice.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it may only acquire shareholdings in return for “open book” arrangements with the company concerned. The Council manages the risk in this area by exerting influence within the limits of its holdings, monitoring factors that might cause a fall in the value of specific shareholdings.

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17. Assets Held for Sale

Assets are recognised as held for sale when their carrying value is likely to be recovered principally through a sale transaction rather than through continued use. Transactions in the year can be summarised as follows:

	2016/2017	2017/2018
	£000	£000
Opening Balance at 1 April	-	-
Assets newly classified as Held for Sale:		
• Property, plant and equipment	-	5,100
Closing Balance at 31 March	-	5,100

18. Inventories

The Council holds stocks of consumable materials such as fuel and catering supplies. The movements in the year can be summarised as follows:

	2016/2017	2017/2018
	£000	£000
Opening Balance at 1 April	1,568	1,447
Purchases	10,029	9,393
Recognised as an expense in the year	(10,147)	(9,309)
Write Off Balances	(3)	-
Closing Balance at 31 March	1,447	1,531

19. Debtors

The Debtors balance consists primarily of debts in respect of Council Tax, External Debtors Accounts and other Sundry Debtors. This can be summarised as follows:

	2016/2017		2017/2018	
	£000	£000	£000	£000
Central Government Bodies		16,025		23,167
Other Local Authorities		1,564		1,267
NHS Bodies		1,172		1,434
Public Corporations and Trading Funds		371		133
Trade Debtors, Other Entities and Individuals		35,409		36,512
Provision for doubtful debt		(3,571)		(6,381)
House Rents Receivable:				
Rents Receivable	7,646		9,241	
Less Provision	(3,312)	4,334	(3,588)	5,653
Arrears in Local Taxation:				
Council Tax	99,216		102,692	
Less Provision	(79,556)	19,660	(82,744)	19,948
NNDR Statutory Addition	4,360		4,462	
Less Provision	(4,166)	194	(4,262)	200
Total Debtors		75,158		81,933

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20. Cash and Cash Equivalents

	31 March 2017 Restated	31 March 2018
	£000	£000
Cash held by the Council	715	571
Bank current accounts / call accounts	21,453	19,836
Money Market Funds	5,846	23,970
Cash and Cash Equivalent Deposits	28,014	44,377
Bank Overdraft	(6,172)	(16,533)
Net Cash and Cash Equivalents	21,842	27,844

21. Creditors

The Creditors balance consists primarily of amounts due in respect of payroll costs, payovers to HMRC and other sundry creditors. This can be summarised as follows:

	2016/2017	2017/2018
	£000	£000
Central Government	(3,559)	(842)
Other local authorities	(2,337)	(2,548)
NHS Bodies	(2,102)	(2,387)
Public Corporations and Trading Companies	(4,536)	(3,338)
Trade Creditors, Other Entities and Individuals	(138,515)	(164,718)
Short-term compensated absences (1)	(18,558)	(14,615)
Total Creditors	(169,607)	(188,448)

- (1) For the notional accrued cost of benefits employees receive as part of their contract of employment, entitlement to which is built up as they work for the Council. The balance relates to holiday entitlement.

22. Provisions

	Balance at 31 March 2016	Additional Provisions Made in 2016/2017	Amounts Used in 2016/2017	Balance at 31 March 2017	Additional Provisions Made in 2017/2018	Amounts Used in 2017/2018	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Current Provisions							
Equal Pay (1)	18,055	402	(12,988)	5,469	5,167	(386)	10,250
Landfill (2)	1,084	-	(144)	940	-	(124)	816
Contract Litigation (3)	1,040	668	(208)	1,500	(95)	(1,405)	-
Financial Guarantee (4)	838	-	(128)	710	-	(123)	587
Total Current Provisions	21,017	1,070	(13,468)	8,619	5,072	(2,038)	11,653

- (1) The Council in closing its accounts for the 2005/2006 financial year recognised the need to fund the ongoing commitments arising from the agreed equal pay compensation framework. The provision is reviewed annually and as at 31 March 2017 totalled £5.469m. The provision was re-assessed as at 31 March 2018 with the decision to increase this by a further £5.167m to reflect our estimate of the employers' pension cost of earlier settlement agreements.
- (2) In 2012/2013, a provision of £2.670m was recognised for the future costs associated with the restoration of Auchinlea landfill site. During 2017/2018 £0.124m of the provision was utilised.
- (3) The Council had received a number of legal claims in respect of contract disputes which have now been settled, with the provision being fully released.
- (4) Refer to Provisions: Financial Guarantee note within Note 16 Financial Instruments

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23. Contingent Assets and Liabilities

Contingent liabilities represent items that at 31 March 2018 are not recognised in the Council's Annual Accounts because there is significant uncertainty at that date as to the necessity of the Council to make payments in respect of them.

A number of legal actions have been brought against the Council in respect of Equal Pay. Notification has also been received of a number of other cases that are not yet subject to Court action but which may result in subsequent litigation. Due to the wide variety and nature of the claims and the uncertainty of any potential liability, no value has been attributed to these claims in the financial statements.

The Council has received a notification of a number of potential legal claims in respect of contract disputes. Due to the wide variety and nature of the claims and the uncertainty of any potential liability, no value has been attributed to these claims in the financial statements.

The Scottish National Child Abuse Inquiry was set up in October 2015 to raise public awareness of the abuse of children in care. Part of the inquiry is to consider the extent to which institutions and bodies with legal responsibility for the care of children failed in their duty to protect children in care in Scotland or children whose care was arranged in Scotland from abuse. The inquiry is ongoing therefore any potential for liability arising against the Council is unknown.

The Council is unaware of any other material contingent asset or liability as at 31 March 2018.

24. Leases

24.1. Council as a Lessee – Finance Leases

The Council's finance lease agreement to manage a specific operational building ended in financial year 2016/2017. The balance held on Property, Plant and Equipment for the remaining overcladding programme is included within the HRA Council Dwellings valuation.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2016/2017	2017/2018
	£000	£000
Finance lease liabilities		
▪ Current	144	156
▪ Non-current	2,399	2,244
Finance costs payable in future years	1,300	1,120
Minimum lease payments	3,843	3,520

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Not later than one year	325	325	144	156
Later than one year and not later than five years	1,299	1,299	688	737
Later than five years	2,219	1,896	1,711	1,507
Total	3,843	3,520	2,543	2,400

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24.2. Council as a Lessee – Operating Leases.

The Council leases various properties as a tenant on a variety of lease terms that are accounted for as operating leases. The rentals payable in 2017/2018 were £3.167m (2016/2017 £2.988m). The Council also leases various vehicles, plant and equipment on lease terms that are typically between one and five years. The rentals payable in 2017/2018 were £3.106m (2016/2017 £3.063m). Rental charges for operating leases have been included in the Comprehensive Income and Expenditure Statement. The future minimum lease payments under non-cancellable leases in future years are as follows:

	Operational Buildings		Vehicles, Plant & Equipment	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Not later than one year	1,307	1,105	2,915	2,513
Later than one year and not later than five years	3,424	3,423	5,114	3,731
Later than five years	3,490	2,931	85	112
Total	8,221	7,459	8,114	6,356

The Council has sub-let a number of these buildings and the minimum lease payments expected to be received from these sub leasing agreements is £0.046m (2016/2017 £0.059m).

The Council has sub-let a number of these vehicles and plant and the minimum lease payments expected to be received from these sub leasing agreements is £0.472m (2016/2017 £0.764m).

24.3. Council as a Lessor – Operating Leases

The Council leases out property under operating leases for the purposes of economic development to provide suitable affordable accommodation for local businesses. These arrangements are accounted for as operating leases. The rental income receivable in 2017/2018 was £1.237m (2016/2017 £1.634 million) and is included in the Comprehensive Income and Expenditure Statement. The rents receivable under non-cancellable leases in future years are shown in the table below.

	Future Rental Income Receivable	
	31 March 2017	31 March 2018
	£000	£000
Within one year	673	880
Later than one year and not later than five years	1,397	1,627
Later than five years and not later than ten years	1,654	1,740
Later than ten years and not later than fifty years	12,046	12,364
Later than 50 years	9,092	9,266
Total	24,862	25,877

25. Public Private Partnerships and Similar Contracts

In June 2005, the Council entered into a Public Private Partnership for the provision of school buildings, maintenance and other facilities. The agreement has provided 17 new purpose-built schools consisting of 3 secondary schools, 7 primary schools, and 7 joint campus primary schools. When the agreement ends on 31 March 2037 responsibility for maintenance and operation transfers back to the Council. However, the Council will only have to budget for routine maintenance for the first five years following expiry of the agreement because the contract contains provisions that require the contractor to ensure that the buildings are in a condition to require no replacement of any significant building element over these five years.

In 2016/2017, a further addition to the Council's school portfolio was the replacement Greenfaulds High School as a Design, Build, Finance and Maintain (DBFM) project in partnership with hub South West Scotland Ltd. The new school partially opened in 2016/17 with the addition of a Multi-Use Games Area in 2017/18 and the opening of the fully functional school adding £3.789m to the overall DBFM liability, as outlined below.

25.1. Property, Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are as follows:

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	2016/2017	2017/2018
	£000	£000
Opening Net Book Value	143,193	170,325
Additions	29,503	3,789
Disposals	-	-
Depreciation charge for the year	(2,371)	(3,684)
Revaluations in year	-	-
Closing Net Book Value	170,325	170,430

25.2. Remaining Payments Under The Agreements

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the provider fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contracts at 31 March 2018 (assuming an adjusted inflation rate of 2.5% and excluding any estimation of availability and performance deductions) are as follows:

	Future payments for services (including lifecycle maintenance)	Repayment of liability	Finance interest	Total
	£000	£000	£000	£000
Payable within one year	9,512	5,168	11,412	26,092
Payable within two to five years	41,401	22,564	46,487	110,452
Payable within six to ten years	57,704	34,302	60,920	152,926
Payable within eleven to fifteen years	70,317	40,366	60,778	171,461
Payable within sixteen to twenty years	66,963	39,689	49,047	155,699
Payable within twenty one to twenty five years	4,294	7,527	787	12,608
Total	250,191	149,616	229,431	629,238

25.3. Liabilities from PPP Arrangements and Similar Contracts

Although the payments to the providers are described as unitary payments, they have been calculated to compensate the provider for the fair value of the services they provide and the capital expenditure incurred plus the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the providers for the capital expenditure (the outstanding finance lease obligation) is as follows:

	2016/2017	2017/2018
	£000	£000
Balance outstanding at the start of the year	(126,637)	(150,797)
Additions during the year	(29,503)	(3,789)
Payments during the year	5,343	4,970
Balance outstanding at year-end	(150,797)	(149,616)
Included in Balance Sheet		
Current	(4,969)	(5,168)
Non-current	(145,828)	(144,448)

26. Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until an employee retires, the Council has to disclose a

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commitment to make the payments at the time that employees earn their future entitlement. The Council participates in two pension schemes:

- The Strathclyde Pension Fund Local Government Pension Scheme is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998. This is a defined benefit scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The Teachers' Pension Scheme is currently administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. However, as the Scheme is not able to identify each body's share of the underlying liabilities on a consistent and reasonable basis, the pension costs are accounted for as if it were a defined contribution scheme.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the Scottish Government requirements to charge to the General Fund the amounts due by statute as described in the accounting policies note.

In 2017/2018, the Council paid £23.185m to the Scottish Public Pensions Agency in respect of teachers' retirement benefits, representing 16.52% of pensionable pay. The figures for 2016/2017 were £22.616m and 17.04%. In addition, the Council is responsible for all pension payments relating to added years it has awarded. In 2017/2018, these amounted to £4.915m (£4.960m for 2016/2017).

26.1. Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year. Consequently the real cost of retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance / Housing Revenue Account via the Movement in Reserves Statement:

	2016/2017	2017/2018
	£000	£000
Comprehensive Income and Expenditure Statement (CIES)		
Included within Net Cost of Service within CIES:		
• Current service cost	53,400	73,580
• Past service cost/(gain) including curtailments	3,789	6,549
• Effect of Settlements	-	-
	57,189	80,129
Included within Financing and Investment Income & Expenditure in CIES:		
• Net interest expense	14,095	16,309
	14,095	16,309
Total Post-employment Benefit charged to Surplus or Deficit on the Provision of Services	71,284	96,438
Other Post-employment Benefits charged to the CIES:		
Re-measurement of the net defined benefit liability	188,630	(352,716)
Total Post-employment Benefits charged to the CIES	259,914	(256,278)
Less Employer's contributions payable to pension scheme	(46,173)	(47,417)
Movement in Pension Reserve	213,741	(303,695)

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26.2. Assets and Liabilities in Relation to Post Employment Benefits

A reconciliation of the Council's share of the present value of Strathclyde Pension Fund's liabilities is as follows:

	2016/2017	2017/2018
	£000	£000
Opening balance at 1 April	(1,904,209)	(2,466,781)
Current service cost	(53,400)	(73,580)
Interest cost	(66,821)	(64,552)
Contributions from scheme participants	(11,414)	(11,300)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	-	1,982
Actuarial gains/losses arising from changes in financial assumptions	(481,519)	103,659
Actuarial gains/losses arising from changes in other experience	(4,206)	210,445
Past service cost including gains/losses on curtailment	(3,789)	(6,549)
Benefits paid	58,577	59,244
Effect of settlements	-	-
Closing Balance at 31 March	(2,466,781)	(2,247,432)

A reconciliation of the Council's share of the fair value of Strathclyde Pension Fund's assets is as follows:

	2016/2017	2017/2018
	£000	£000
Opening balance at 1 April	1,506,942	1,855,773
Interest income	52,726	48,243
Return on assets	297,095	36,630
Contributions from employer	38,947	40,418
Contributions from scheme participants	11,414	11,300
Contributions in respect of Unfunded Benefits	7,226	6,999
Benefits paid	(58,577)	(59,244)
Effect of settlements	-	-
Closing Balance at 31 March	1,855,773	1,940,119

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26.3. Local Government Pension Scheme assets

The Council's share of the Pension Fund's assets at 31 March is as follows:

	31 March 2017	31 March 2018
	£000	£000
Cash and cash equivalents	69,898	196,130
Equity instruments (by industry type)		
• Consumer	175,520	124,595
• Manufacturing	139,310	100,970
• Energy utilities	55,152	25,936
• Financial institutions		83,638
	129,146	
• Health and care	75,479	49,625
• Information technology	106,746	63,954
• Other	-	-
Sub-total equity	681,353	448,718
Bonds (by sector)		
• Corporate	17	60,874
• Government	-	-
• Other	-	-
Sub-total bonds	17	60,874
Property	223,840	175,659
Private equity	153,006	231,836
Other investment funds		
• Equities		
• Bonds	596,654	598,780
• Commodities	104,193	224,622
• Infrastructure	1,248	973
• Other	-	-
	25,163	2,487
Sub-total other investment funds	727,258	826,862
Derivatives	402	40
Total assets	1,855,774	1,940,119

26.4. Reconciliation of Present Value of the Defined Benefit obligation and the Fair Value of Planned Assets to the Balance Sheet

	2016/2017	2017/2018
	£000	£000
Fair Value of Employer Assets	1,855,773	1,940,119
Present Value of Funded Liabilities	(2,316,136)	(2,094,692)
Net (under)/Overfunding in Funded Plans	(460,363)	(154,573)
Present Value of Unfunded Liabilities	(150,645)	(152,740)
Net Asset/(Liability)	(611,008)	(307,313)
Amount in Balance Sheet:		
Liabilities	(611,008)	(307,313)
Assets	-	-
Net Asset/(Liability)	(611,008)	(307,313)

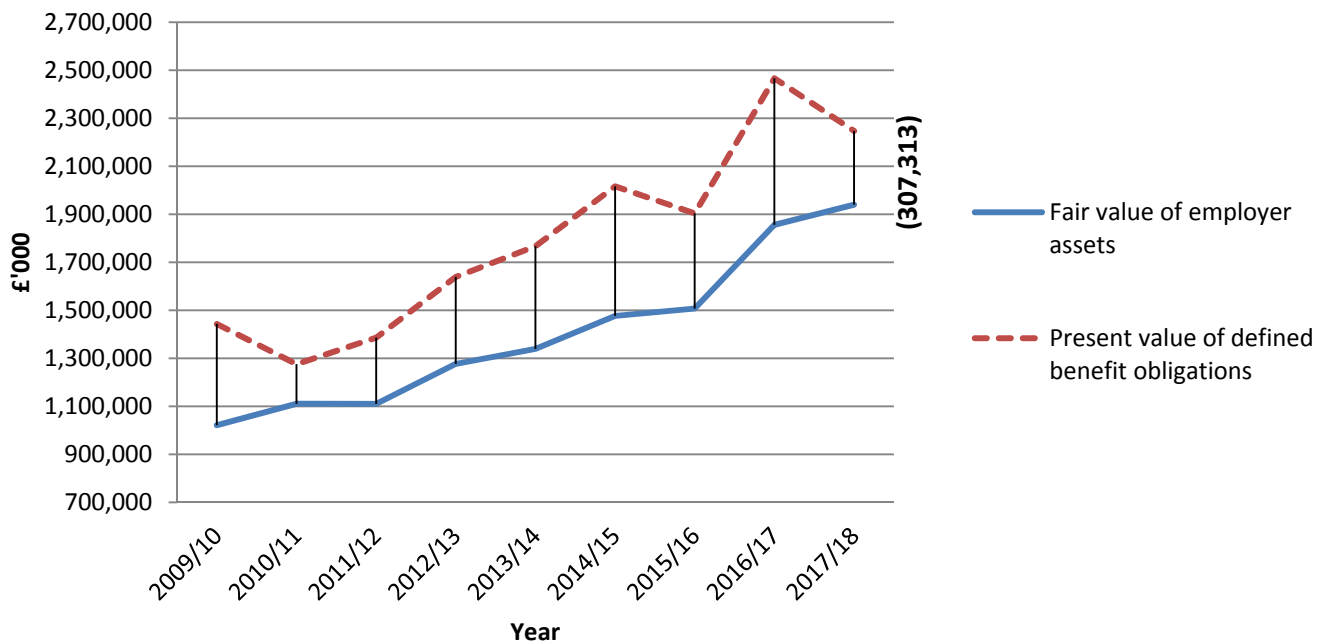
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The present value of unfunded liabilities comprises approximately £36.350m, £93.901m, £22.489m in respect of LGPS, Teachers' and Pre-LGR unfunded pensions. For unfunded liabilities as at 31 March 2018, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of between 37.5% and 50% of the member's pension as at the date of the member's death.

26.5. Fund History

The graph below shows the underlying commitments that the Council has to pay in retirement benefits. The total net liability of £307.313m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.



26.6. Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Strathclyde Pension Fund assets and liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. Estimates for the fund are based on the latest full valuation of the scheme as at 31 March 2017.

	31 March 2017	31 March 2018
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.1	21.4
• Women	23.6	23.7
Longevity at 65 for future pensioners:		
• Men	24.8	23.4
• Women	26.2	25.8
Rate of increase in salaries	4.4%	3.6%
Rate of increase in pensions	2.4%	2.4%
Discount Rate	2.6%	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and that the assumption analysed changes while all the other assumptions

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remain constant. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Approximate Monetary Amount £000	Approximate % Increase to Employer Liability
Rate of increase in salaries (increase by 0.5%)	37,950	2%
Rate of increase in pensions (increase by 0.5%)	163,749	7%
Rate for discounting scheme liabilities (decrease by 0.5%)	205,325	9%

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply to younger or older ages).

Asset and Liability Matching Strategy

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into narrow a range. A large proportion of the assets relate to equities (65%) and bonds (16%). The comparative year's figures are 78% and 6%. The scheme also invests in properties (9%) and cash (10%), with comparative year's figures of 12% and 4%.

Impact on Council's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the long term. The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to March 2019 is £36.413m. The weighted average duration, i.e. the time until payment of all expected future discounted cashflows, of the defined benefit obligation for Fund members is 17.8 years.

The contributions paid by the employer are set by the fund actuary at each triennial valuation (the most recent being as at 31 March 2017), or at any other time as instructed to do so by the administering authority. The contributions payable over the period to 31 March 2019 are set out in the Rates and Adjustments certificate.

The most recent triennial valuation was completed as at March 2017. This shows a funding position of 105% (March 2014 94%). The improvement was due to better than anticipated membership experience and current investment returns, partially offset by a reduction in future expected investment returns. Employer contributions have been set at 19.3% for 2018/2019 to 2020/2021 (19.3% for 2015/2016 to 2017/2018) with the following three years to be set following completion of the next triennial valuation. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities.

27. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement with further explanatory information about the movements included in notes 31 and 32.

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27.1. General Fund Balance

	Balance at 31 March 2017	Transfers Out	Transfers in	Balance at 31 March 2018
	£000	£000	£000	£000
Earmarked General Fund Reserves				
Balances held by Schools under Devolved School Management	4,056	(3,856)	4,890	5,090
Pupil Equity Fund	-	-	3,229	3,229
Change Management Fund	13,975	(5,038)	5,166	14,103
Youth Employment and Apprentices	964	(266)	-	698
City Deal	1,329	(1,234)	1,490	1,585
Essential ICT Investment	510	(510)	-	-
Digitisation	-	-	750	750
LDP	1,416	(38)	-	1,378
Revenue Budget Support	9,750	(9,750)	2,502	2,502
Integration Joint Board Support	3,000	(3,000)	-	-
Scottish Attainment Fund	1,113	(1,113)	138	138
Welfare Reform	1,213	(1,213)	-	-
Dilapidations	750	-	-	750
Roads Summer Works	1,250	(900)	-	350
Other Earmarked Funds	9,397	(6,358)	3,491	6,530
Total Earmarked	48,723	(33,276)	21,656	37,103
Contingency Reserve	8,000	-	-	8,000
Total General Fund Balance	56,723			45,103

27.2. HRA Balance

	Balance at 31 March 2017	Transfers Out	Transfers in	Balance at 31 March 2018
	£000	£000	£000	£000
Earmarked HRA Balance				
Temporary Accommodation	4,617	-	1,323	5,940
Welfare Reform	554	(315)	-	239
Other	754	(386)	130	498
Total Earmarked	5,925	(701)	1,453	6,677
Unallocated	1,119	-	2,855	3,974
Contingency Reserve	1,200	-	-	1,200
Total HRA Balance	8,244			11,851

27.3. Repairs and Renewals Fund

In 2017/2018 the balance on the Repairs and Renewals Fund of £0.533m represents a resource to fund crematorium equipment replacement.

27.4. Capital Receipts Reserve

The Capital Receipts Reserve represents the value of receipts arising from the disposal of non-current assets that can be used to finance capital investment.

	2016/2017	2017/2018
	£000	£000
Opening Balance at 1 April	-	-
Capital receipts received in the year	13,983	15,308
Amount applied to finance new capital investment	(13,983)	(12,343)
Amount transferred to Capital Fund	-	(2,965)
Closing Balance at 31 March	-	-

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28. Unusable Reserves

The total for Unusable Reserves in the Balance Sheet is made up of the following reserves:

	2016/2017	2017/2018
	£000	£000
Revaluation Reserve	287,654	272,623
Capital Adjustment Account	1,155,827	1,236,385
Financial Instruments Adjustment Account	(35,275)	(33,580)
Pensions Reserve	(611,008)	(307,313)
Employee Statutory Adjustment Account	(18,558)	(14,615)
Total Unusable Reserves	778,640	1,153,500

28.1. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2016/2017	2017/2018
	£000	£000
Opening Balance at 1 April	292,529	287,654
Upward revaluation of assets	23,120	6,793
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on Provision of Services	(14,040)	(8,539)
Surplus / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on Provision of Services	9,080	(1,746)
Difference between fair value depreciation and historical cost depreciation	(12,008)	(11,647)
Accumulated gains on assets sold	(1,947)	(1,638)
Closing Balance at 31 March	287,654	272,623

28.2. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 30 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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	2016/2017	2017/2018
	£000	£000
Opening Balance at 1 April	1,130,758	1,155,827
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
<ul style="list-style-type: none"> Charges for depreciation and impairment of non-current assets Net book value of non-current assets written off on disposal or sale 	(98,678) (10,337)	(46,218) (12,692)
Adjusting amounts written out of the Revaluation Reserve	13,954	13,285
Capital financing applied in the year:		
<ul style="list-style-type: none"> Use of Capital Receipts Reserve to finance new capital expenditure Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (Loans Fund repayments) Capital expenditure charged against the General Fund and HRA balances 	13,983 37,210 35,705 33,232	12,343 51,462 34,283 28,095
Closing Balance at 31 March	1,155,827	1,236,385

28.3. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2016/2017	2017/2018
	£000	£000
Balance at 1 April	(36,983)	(35,275)
Premiums / Discounts Annual Write-Off	1,694	1,675
Re-measurement of LOBO loans	14	20
Balance at 31 March	(35,275)	(33,580)

28.4. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in relation to the Local Government Pension Scheme in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2016/2017	2017/2018
	£000	£000
Balance at 1 April	(397,267)	(611,008)
Re-measurement of net defined pension liability	(188,630)	352,716
Reversal of items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(71,284)	(96,438)
Employers' pensions contributions paid to Strathclyde Pension Fund	46,173	47,417
Balance at 31 March	(611,008)	(307,313)

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28.5. Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2016/2017	2017/2018
	£000	£000
Balance at 1 April	(17,744)	(18,558)
Settlement or cancellation of accrual made at the end of the preceding year	17,744	18,558
Amounts accrued at the end of the current year	(18,558)	(14,615)
Balance at 31 March	(18,558)	(14,615)

29. Capital Commitments

At 31 March 2018, the Council was contractually committed to the following significant capital works.

	£000
HRA – New Build Programme	10,968
HRA – Bathrooms	3,483
HRA – Kitchens	265
HRA – Windows and Doors	281
HRA – Roof and Render	2,729
HRA – Major Repairs	32
HRA – Rewires	199
HRA – Tower Strategy	115
School Alterations and Upgrades	6,212
Redevelopment and Office Upgrades	636
Other Projects	146
City Deal	736

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30. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the assets acquired under finance leases and PPP, or similar contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the bottom part of this note.

	2016/2017	2017/2018	2017/2018	2017/2018
	Total	General Services	HRA	Total
	£000	£000	£000	£000
Capital Investment				
Property, Plant and Equipment	144,455	59,271	74,260	133,531
Sources of Finance				
Capital Receipts	(13,983)	(614)	(11,729)	(12,343)
Grants and Other Contributions	(37,210)	(40,715)	(10,747)	(51,462)
Revenue Contributions	(33,232)	(107)	(27,988)	(28,095)
	(84,425)	(41,436)	(50,464)	(91,901)
Net Capital Advance	60,030	17,835	23,796	41,631
PPP Advances	29,503	3,789	-	3,789
General Capital Advances	30,527	14,046	23,796	37,842
Net Capital Advance	60,030	17,835	23,796	41,631
Principal Repayments	(35,705)	(27,105)	(7,178)	(34,283)
Movement on Capital Financing Requirement	24,325	(9,270)	16,618	7,348
Explanation of Movements in the Year				
Increase in underlying need to borrow	60,030	17,835	23,796	41,631
Increase in Capital Financing Requirement	60,030			41,631
Principal Repayments	(35,705)			(34,283)
Total Movement in Capital Financing Requirement	24,325			7,348
Reconciliation to Balance Sheet Movement				
Net Book Value of Property, Plant and Equipment & Investment Assets	2,333,875			2,401,650
Capital Adjustment Account - Adjusted for disposal of Investment Assets.	(1,155,827)			(1,236,385)
Revaluation Reserve	(287,654)			(272,623)
Capital Grants Unapplied Account	-			-
Other Balance Sheet Movements – Transfer of Property, Plant and Equipment to Held for Sale.	-			5,100
Capital Financing Requirement at 31 March	890,394			897,742
Capital Financing Requirement at 1 April	866,069			890,394
Movement during Year	24,325			7,348

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31. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2017/2018	Usable Reserves					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Fund	Capital Grants Unapplied Account	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the CI&E Statement:</i>						
Charges for depreciation and impairment of non-current assets	(58,405)	12,187	-	-	-	46,218
Capital grants and contributions applied	39,928	10,747	-	-	787	(51,462)
Amounts written off as part of gain/loss on disposal	(3,937)	(8,755)	-	-	-	12,692
Movements in the fair value of Investment properties	-	-	-	-	-	-
Statutory provision for the financing of capital investment	27,105	7,178	-	-	-	(34,283)
Capital expenditure funded from current revenue	107	27,988	-	-	-	(28,095)
Adjustments primarily involving the capital receipts reserve or capital fund:						
Transfer of capital receipts credited to CIES as part of gain or loss on disposal	3,579	11,729	(15,308)	-	-	-
Use of capital receipts to finance new capital expenditure	-	-	12,343	-	-	(12,343)
Adjustment primary involving the Financial Instruments Adjustment Account:						
Movements recognised under statutory provisions relating to Financial Instruments	1,166	529	-	-	-	(1,695)
Adjustments primarily relating to the Pensions Reserve:						
Reversal of items relating to retirement benefits charged to the CI&E Statement	(92,186)	(4,252)	-	-	-	96,438
Employer's pensions contributions and direct payments to pensioners payable in the year	45,081	2,336	-	-	-	(47,417)
Adjustment primarily involving the Employee Statutory Adjustment Account:						
Amount by which remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	3,773	170	-	-	-	(3,943)
Total Adjustments	(33,789)	59,857	(2,965)	-	787	(23,890)

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2016/2017 Restated	Usable Reserves					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Fund	Capital Grants Unapplied Account	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the CI&E Statement:</i>						
Charges for depreciation and impairment of non-current assets	(60,251)	(38,427)	-	-	-	98,678
Capital grants and contributions applied	33,246	6,553	-	-	(2589)	(37,210)
Amounts written off as part of gain/loss on disposal	(3,922)	(6,415)	-	-	-	10,337
Movements in the fair value of Investment properties	-	-	-	-	-	-
Statutory provision for the financing of capital investment	28,694	7,011	-	-	-	(35,705)
Capital expenditure funded from current revenue	3,458	29,774	-	-	-	(33,232)
Adjustments primarily involving the capital receipts reserve or capital fund:						
Transfer of capital receipts credited to CIES as part of gain or loss on disposal	4,550	9,433	(13,983)	-	-	-
Use of capital receipts/capital fund to finance new capital expenditure	-	-	13,983	-	-	(13,983)
Adjustment primary involving the Financial Instruments Adjustment Account:						
Movements recognised under statutory provisions relating to Financial Instruments	1,202	506	-	-	-	(1,708)
Adjustments primarily relating to the Pensions Reserve:						
Reversal of items relating to retirement benefits charged to the CI&E Statement	(68,140)	(3,144)	-	-	-	71,284
Employer's pensions contributions and direct payments to pensioners payable in the year	43,880	2,293	-	-	-	(46,173)
Adjustment primarily involving the Employee Statutory Adjustment Account:						
Amount by which remuneration charged to the CI&E on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(803)	(11)	-	-	-	814
Total Adjustments	(15,068)	4,555	-	-	(2,589)	13,102

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32. Transfers to/from Statutory Reserves

This note sets out the amounts set aside from the General Fund statutory reserves to provide financing for future expenditure plans and the amounts transferred back to meet General Fund expenditure in 2017/2018. Figures for 2016/2017 are provided in an additional table for comparison purposes:

2017/2018	Transfers (from) / to Other Statutory Reserves					Transfers to / (from) General Fund
	Repairs & Renewals Fund	Insurance Fund	HRA	Capital Receipts Reserve	Capital Fund	
	£000	£000	£000	£000	£000	£000
Amounts expended on repairs and renewals on Council facilities	67	-	-	-	-	(67)
Contributions to Repairs & Renewals Fund from General Fund	-	-	-	-	-	-
Contributions to Insurance Fund	-	4,783	-	-	-	(4,783)
Amounts expended on premiums and claims settlements	-	(3,374)	-	-	-	3,374
HRA Contribution to General Fund	-	-	(1,645)	-	-	1,645
Amounts expended on principal repayments	-	-	-	-	-	-
Contribution to Capital Fund	-	-	-	2,965	(2,965)	-
Total Adjustments	67	1,409	(1,645)	2,965	(2,965)	169

2016/2017	Transfers (from) / to Other Statutory Reserves					Transfers to / (from) General Fund
	Repairs & Renewals Fund	Insurance Fund	HRA	Capital Receipts Reserve	Capital Fund	
	£000	£000	£000	£000	£000	£000
Amounts expended on repairs and renewals on Council facilities	(817)	-	-	-	-	817
Contributions to Repairs & Renewals Fund from General Fund	60	-	-	-	-	(60)
Contributions to Insurance Fund	-	-	-	-	-	-
Amounts expended on premiums and claims settlements	-	22	-	-	-	(22)
HRA Contribution to General Fund	-	-	(2,353)	-	-	2,353
Amounts expended on principal repayments	-	-	-	-	-	-
Total Adjustments	(757)	22	(2,353)	-	-	3,088

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Notes to the Accounts

33. Reconciliation of 2017/2018 Comprehensive Income and Expenditure Statement to Cash Flow Operating Activities

	£000	£000
Surplus on the Provision of Services		19,532
Non-Cash Transactions		
Items Relating to Loans Fund	348	
Adjustment relating to Provisions	3,034	
Adjustment relating to Capital Items	(2,028)	
Adjustment relating to Non-Domestic Rates	1,548	
Adjustment relating to Pensions Reserve	49,021	
		51,923
Items on an Accruals Basis		
Increase in Inventories	(84)	
Increase in Debtors	(10,204)	
Increase in Creditors	14,060	3,772
Net Cash Inflow from Operating Activities		75,227

34. Reconciliation of Financing Activities to Balance Sheet

	Balance at 31 March 2017	Cash Flow	Non-Cash	Balance at 31 March 2018
Cash and Cash Equivalents	21,842	5,995	7	27,844
	21,842	5,995	7	27,844
Financing Activities:				
Borrowing short-term	180,830	26,799	(683)	206,946
Borrowing long-term	450,599	(28,750)	946	422,795
Finance leases short-term	5,040	(4,968)	5,252	5,324
Finance leases long-term	148,300	-	(1,608)	146,692
	784,769	(6,919)	3,907	781,757
Total cash outflow from financing activities		(6,919)		
Total cash inflow before financing activities		12,914		

Non-Cash include the movement in accrued interest due and receivable and the reclassification of borrowing and leasing liabilities from long-term to short-term (due to be paid in less than 12 months).

35. External Audit Costs

North Lanarkshire Council incurred the following fees relating to external audit inspection:

	2016/2017	2017/2018
	£000	£000
Agreed fee for the year	503	508
Total	503	508

The external audit costs include a fee of £8,600 (£8,500 2016/2017) in relation to the audit of the Council's Charitable Trusts.

36. Statutory Trading Operations

Trading Operations were established following the introduction of the Local Government in Scotland Act 2003 which requires each significant trading operation to break even on a three year rolling programme. Prior to 1st of April 2014, the Council operated 5 Trading Functions, which was reduced to a single operation following LASAAC guidance. The Council's single Trading Operation is required to operate in a commercial environment and balance their budget by generating income from fees and charges to other parts of the authority or other organisations. This statement details the surplus for the first three years of the Council's single Trading Operation.

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The net surplus arising from the ordinary operation of the Trading Operation in 2017/2018 is £0.147m, with no restructuring costs associated with the Council's financial savings programme affecting the operation in this financial year. The financial results for the last three years of the single Trading Operation can be summarised as follows:

		Turnover	Expenditure	(Surplus)/ Deficit
		£000	£000	£000
Trading Operation	2015/2016	(4,463)	4,215	(248)
	2016/2017	(4,401)	4,100	(301)
	2017/2018	(4,488)	4,341	(147)
(Surplus) / Deficit over 3 years		(13,352)	12,656	(696)

The activities, customers and operational objectives of the above Statutory Trading Operation are listed below:

The creation of a single combined Trading Account was approved in January 2014 to monitor and report the commercial trading activity of the Council (Building Cleaning, Waste Management and Fleet Operations).

The Building Cleaning element of the Trading Operation provides a comprehensive cleaning service to external businesses and service partners across approximately 37 building locations, with an overall staffing complement of 230 staff (73.88 FTE). Some of these locations also receive a janitor/cleaning service. The operation delivers cleaning services on behalf of Engie to schools in the Education 2010 project.

The Waste Solutions Trading Operation provides refuse collection and disposal services for approximately 1200 traders which equates to around 21% of the local market. The service is provided by 14 staff (13.5 FTE).

Each trader is offered a multiple of collection frequencies and types. We are working towards the full implementation of the requirements of the Waste (Scotland) Regulations, 2012, and multiple services are now being offered to commercial organisations to ensure they operate within the terms of the legislation.

A full 7 day suite of services is also possible, and the service provides advice on waste reduction and reuse, as a first response rather than recycling.

The Fleet Trading operations provides a comprehensive Fleet Management & Maintenance service to the Council's LLPs (Saltire and Mears) as well as a small number of other external customers, with a staffing complement of 24 (11.34 FTE). The Trading operation has approximately 300 vehicles and Fleet Operations delivers a 7 day per week, 365 day per year service to users.

Each element of the Trading Operation is also fully accredited from Investors in People, and have successfully retained the relevant accreditations.

37. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. Related party transactions have been undertaken at arm's length.

Central and Scottish Government

Central government has effective control over the general operations of the Council providing the statutory framework within which the Council operates as well as providing the majority of funding in the form of grants. Details of government grants received can be found in note 11.

Joint Boards

The Council is represented on a number of joint boards which are 'Section 106' independent public bodies formed by Act of Parliament. These bodies are Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme and Lanarkshire Valuation Joint Board. All local government functions that relate to these bodies have been delegated from the constituent councils that comprise the area of each Board. The members of each Board are elected councillors and appointed by the councils in proportions specified in the legislation.

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The Council has no shares, nor ownership of any of these Boards. Nevertheless, these Boards are included within the Council's Group Accounts under the wider definition of an "associate" as the Council is represented on the Board and participate in policy-making processes.

The Council's share of each Board's net assets is calculated on its respective percentage share of the aggregate contributions made by the constituent councils.

Local government legislation provides that local authorities have an obligation to meet the expenditure of the Joint Boards of which they are a constituent member. As a consequence the added liabilities from the pension deficits are fully incorporated within the Group Accounts.

Funding provided is as follows:

	2016/2017	2017/2018
	£000	£000
Strathclyde Partnership for Transport	5,595	5,484
Strathclyde Concessionary Travel Scheme	575	563
Lanarkshire Valuation Joint Board	1,843	1,813

The debtor and creditor balances at 31 March 2018 are disclosed in the Group Accounts (page 86).

Companies Controlled or Significantly Influenced by the Council

The Council has entered into a number of transactions under joint venture, subsidiary, associate and other external trading arrangements.

	2016/2017		2017/2018	
	Income	Expenditure	Income	Expenditure
	£000	£000	£000	£000
Amey Public Services LLP	(26)	12,576	534	14,284
Culture NL	99	13,262	2,883	12,901
Fusion Assets Ltd	14	1,151	28	589
Mears Scotland LLP	1,158	57,396	1,142	57,535
North Lanarkshire Integration Joint Board	166,687	168,912	158,658	167,578
North Lanarkshire Leisure Ltd	(114)	9,125	45	9,106
North Lanarkshire Municipal Bank Ltd	145	406	145	287
NL Properties	1,102	354	1,255	523
Routes to Work	10	2,808	10	3,209
Saltire Facilities Management Ltd	1	11,858	377	12,970
The Campsies Centre (Cumbernauld) Ltd	68	117	68	1
Town Centre Activities Ltd	94	1,399	155	1,716
Walker Profiles Ltd	-	2,596	-	2,594

Outstanding balances for each of these entities are as follows:

	2016/2017		2017/2018	
	Restated		Debtor	Creditor
	Debtor	Creditor	Debtor	Creditor
	£000	£000	£000	£000
Amey Public Services LLP	430	713	463	1,881
Culture NL	1,777	1,493	1,739	1,312
Fusion Assets	28	-	17	104
Mears Scotland LLP	936	2,185	925	4,176
North Lanarkshire Integration Joint Board	-	2,225	-	11,145
North Lanarkshire Leisure Ltd	273	780	105	782
North Lanarkshire Municipal Bank Ltd	-	-	-	-
NL Properties	1,349	70	1,563	113
Routes to Work	1	-	1	357
Saltire Facilities Management Ltd	32	211	8	-
The Campsies Centre (Cumbernauld) Ltd	18	-	1	-
Town Centre Activities Ltd	115	85	76	151
Walker Profiles Ltd	-	102	1	149

On 16 March 2017 the Council authorised the sale of the Council's 33% share in Saltire Facilities Management Ltd, following a request from representatives of Saltire to purchase the Council's shareholding in October 2016. The sale

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completed on the 5 May 2017 for £1.150m. In concluding the sale, the Council varied the Works Agreement with Saltire to deliver heating and maintenance services, agreeing to continue to deliver services until 2021.

The Council's financial statements show no debtor or creditor balances for North Lanarkshire Municipal Bank Ltd. However, at the 31 March 2018 the bank had £41.103m (£43.304m in 2016/2017) of short-term borrowing invested in the Council.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital.

Company Name	Function
Environmental Key Fund	Provide grants to community organisations undertaking environmental projects.
Scotland Excel	Not-for-profit procurement organisation serving Local Authorities and related organisations across Scotland.
Glasgow and the Clyde Valley Strategic Development Planning Authority	Partnership of authorities working together on strategic development planning matters.
West of Scotland Loan Fund	Partnership of authorities from within the former Strathclyde Regional Council area and was formed to encourage the creation and growth of small businesses within local Council areas.
Dunbartonshire Educational Trust Scheme 1962	Charitable trust providing grants for further/higher education for those who live in the old county area of Dunbarton.
SEEMIS Group Plc	Provides education management information software to local authorities across Scotland.
Stirlingshire Educational Trust	Charitable trust providing grants for education for those who live in the old county area of Stirling.
The Glasgow and Clyde Valley City Deal Cabinet	Determines the Strategic Development priorities for the Clyde Valley Region and to monitor and ensure the delivery of the City Deal Programme.
Business Loans Scotland	Provides pan-Scotland loan funding to businesses.
Continuing Education Gateway/ Gateway Shared Services	Gateway Shared Services is a consortium of 10 Local Authorities in the West of Scotland to further the provision of careers and educational guidance services.
West of Scotland European Forum	Develops positive links between the communities of the region and the institutions of the European Union.

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Housing Revenue Account

The HRA reflects the statutory requirement to account separately for local authority housing provision, as defined in the Housing (Scotland) Act 1987. The Income and Expenditure Statement reports the net cost for the year and shows how these costs were funded from rents and other income.

Income and Expenditure Statement

2016/2017 Restated		2017/2018	2017/2018
£000		£000	£000
120,443	Dwelling Rent Income	124,070	
1,070	Non-Dwelling Rent Income	1,099	
1,053	Other Income	998	
122,566	Total Income		126,167
48,626	Repairs and Maintenance	48,009	
25,557	Supervision and Management	26,364	
22,128	Depreciation	22,346	
16,299	Revaluation of Council Dwellings	(34,533)	
914	Other Expenditure	1,722	
1,543	Increase in Provision for Doubtful Debts	1,729	
115,067	Total Expenditure		65,637
(7,499)	Net Cost of HRA Services per Income and Expenditure Account		(60,530)
250	HRA Service Share of Corporate and Democratic Core	583	
1,043	HRA Share of other amounts included in the whole authority Net Cost of Services but not specifically allocated to specific services	459	
402	Share of Equal Pay	87	
(5,804)	Net Cost of HRA Services		(59,401)
7,011	Interest Payable (Including Amortisation of Premiums)	7,178	
(143)	Interest and Investment Income	(108)	
830	Net Interest on the Net Defined Benefit Liability/Asset	942	
(3,018)	Gains or Losses on disposal of non-current asset	(2,974)	
(6,553)	Recognition of Capital Grant	(10,747)	
(7,678)	(Surplus)/Deficit for the year on HRA Services		(65,110)

1.1. Statement of Movement on the Housing Revenue Account Balance

2016/2017		2017/2018	2017/2018
£000		£000	£000
(10,493)	Balance on the HRA at the end of the previous year		(8,244)
(7,678)	(Surplus) / Deficit for the year on the HRA Income and Expenditure Statement	(65,110)	
7,574	Adjustments between accounting basis and funding basis under regulations (see Note 31)	59,857	
2,353	Transfer to and (from) other statutory reserves (see Note 32)	1,645	(3,608)
(8,244)	Balance on the HRA at the end of the current year		(11,852)

1.2. Housing Stock

The Council's housing stock at 31 March 2018 was 36,315 (36,512 at 31 March 2017) in the following categories:

House Numbers 31 March 2017	Property Types	House Numbers 31 March 2018
317	1 Apartment	310
6,592	2 Apartment	6,615
18,796	3 Apartment	18,708
9,761	4 Apartment	9,651
1,016	5 Apartment	1,001
30	Other	30
36,512	Total	36,315

1.3. Rent Arrears

Current rent arrears outstanding as at 31 March 2018 amounted to £4.116m. This represented 3.62% of rents paid during the year (the comparative figures for the 2016/2017 year were £3.512m and 2.90% respectively).

1.4. Impairment of Debtors

The cumulative provision for bad and doubtful debts at 31 March 2018 amounted to £4.303m (£3.940m as at 31 March 2017).

1.5. Void Rents

The level of income lost from unlet council dwellings during 2017/2018 amounted to £0.846m (2016/2017 £0.831m).

Annual Accounts 2017/2018 Council Tax Income Statement

The Council Tax Income Statement shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

	2016/2017	2017/2018
	£000	£000
Gross Council Tax levied and contributions in lieu	147,990	153,535
Adjustments for prior years Council Tax	(246)	(1,309)
Adjusted for:		
Council Tax Benefits (Net of Government Grants)	-	-
Council Tax Reduction Scheme	(21,962)	(22,238)
Other discounts and reductions	(17,019)	(17,217)
Provision for Non-collection	(4,358)	(4,573)
Net Council Tax Income per the Comprehensive Income and Expenditure Account	104,405	108,198

1. Nature of the Council Tax Charge

The charge for each household is based upon the valuation banding to which the dwelling is allocated by the Assessor. Each dwelling in the Council area is placed into one of 8 valuation bands (A to H). The charge per Council Tax Band is calculated as a proportion of Band D, with lower valued properties paying less, and higher valued properties paying more. These proportions are determined by the Local Government Finance Act 1992.

The Council Tax bill is reduced by 25% where a dwelling has only one occupant or by 10% for long-term empty properties and second homes, and under certain circumstances 50% can be awarded. Properties that have been empty for one year and over may be subject to a 100% levy. The property bandings are adjusted where the property is occupied by disabled persons and total exemptions are available for certain categories of occupants. No prompt payment discounts are offered on any properties.

Charges in respect of water and waste water are the responsibility of Scottish Water. The Council collects total monies and makes a precept payment to the Water Authority.

2. The Calculation of the Council Tax Base

The Valuation Bands for the Council Tax can be analysed as follows:

	No. of Dwellings	No. of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalent
Band A	53,342	1,861	(23)	6,912	313	44,379	6 : 9	29,520
Band B	37,371	942	8	3,794	245	32,382	7 : 9	25,186
Band C	19,435	433	26	1,734	122	17,120	8 : 9	15,218
Band D	16,590	208	(46)	1,107	64	15,257	1	15,257
Band E	16,177	139	64	715	52	15,207	12 : 9	20,275
Band F	8,754	48	62	264	21	8,359	15 : 9	13,932
Band G	2,889	15	42	72	11	2,749	18 : 9	5,498
Band H	132	4	1	4	1	122	22 : 9	298
						Total		125,184
						Provision for non-collection		(4,069)
						Council Tax Base		121,115

3. The Council Tax Charge

The charge for each band for 2017/2018 was as follows:

	£ per Dwelling
Band A	£732.00
Band B	£854.00
Band C	£976.00
Band D	£1,098.00
Band E	£1,442.65
Band F	£1,784.25
Band G	£2,150.25
Band H	£2,690.10

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Non Domestic Rates Income Statement

The Non-Domestic Rates Income Statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool, where it is pooled nationally, and re-distributed back to local authorities.

	2016/2017	2017/2018
	£000	£000
Gross rates levied and contributions in lieu	150,068	140,678
Less:		
Reliefs and other deductions	(27,651)	(28,436)
Payments of interest	-	-
Provision of bad and doubtful debts	(3,673)	(3,367)
Net Non Domestic Rate Income	118,744	108,875
Adjustment to previous years' NNDR	83	(1,274)
Contribution to Non Domestic Rates	118,827	107,601
Distribution from Non Domestic Rate Pool	120,544	114,474
Adjustment for the years prior to the introduction of the pool	-	-
Income credited to the Comprehensive Income and Expenditure Statement	120,544	114,474

1. Net Rateable Value Calculation

National Non Domestic Rates is a property based tax. It is based on the rateable value of a non-domestic (business) property, multiplied by a poundage set nationally by Scottish Ministers, less any relief to which a ratepayer may be eligible.

The poundage rate for Scotland in 2017/2018 is 46.6 pence. Larger businesses in 2017/2018 (rateable value in excess of £51,000) will pay a poundage supplement of 2.6 pence, which contributes towards the cost of the Small Business Bonus Scheme. The Small Business Bonus Scheme will provide a discount of between 25% to 100% to businesses with properties in Scotland with a combined rateable value of £35,000 or less. However, to qualify, each individual property must have a rateable value of less than or equal to £18,000.

Analysis of Rateable Values as at 1 April 2017:

	Number of Subjects	Rateable Value
		£000
Industrial and Freight	2,983	96,539
Commercial Subjects		
Shops (inc. Restaurants)	2,583	64,682
Offices	2,021	37,686
Hotels, Boarding Houses etc.	32	3,261
Others	1,164	26,938
Miscellaneous and Formula Valued Subjects	1,229	61,421
Total	10,012	290,527

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Sundry Accounts Statement

The Council administers 31 Educational and 28 Sundry Trusts and Endowments as trustees. These trust funds do not represent assets available to the Council and as such have been excluded from the Balance Sheet of the Council. The summary of the balances held on these Trusts is detailed below.

The Council successfully transferred 7 of the Charitable Trusts to Office of the Scottish Charity Regulator (OSCR) agreed beneficiary charities in 2015/16, with a further 4 confirmed to be transferred during 2018/19. The aim is to also transfer the remaining Charitable Trust Fund in a similar manner, the timescale for transfer is dependent on identifying suitable beneficiaries for the Trusts and their subsequent approval by OSCR.

The principal Funds are the Lanarkshire Education Trust at £0.239m and the Marshall (Education) Trust at £0.601m, which were established under the Education Endowments (Scotland) Acts 1928 to 1935 to provide opportunities for educational advancement. These Funds are administered by a joint committee with South Lanarkshire Council and the individual funds are subject to separate audit arrangements. However, they have been considered in overall terms in the context of those materiality levels which apply to the Council's Financial Statements.

The market value of all of the Educational Trusts Investments as at 31 March 2018 was £0.832m (£0.809m at 31 March 2017) and is shown at book value on the balance sheet £0.032m (£0.032m 2016/2017).

Summary Income and Expenditure Account

	2016/2017	2017/2018
	£000	£000
Education Trust Funds:		
Income		
Interest on Investments, etc.	20	20
Expenditure		
Grants, Prizes, Awards, etc.	(89)	(84)
Surplus / (Deficit) for the year	(69)	(64)
Other Sundry Trust Funds:		
Income		
Interest on Investments	1	1
Expenditure		
Grants, Prizes, Awards, etc.	-	-
Surplus / (Deficit) for the year	1	1

Balance Sheet at 31 March 2018

2016/2017		2017/2018	2017/2018
£000		£000	£000
32	Investments		
1	Education Trust Funds	32	
	Sundry Trust Funds	1	
33			33
955	Advances to Council Loans Fund		889
58	Current Assets		60
1,046	Net Assets		982
	Education Trust Funds		
32	Capital	32	
919	Revenue	854	
951			886
	Sundry Trust Funds		
1	Capital	1	
94	Revenue	95	
95			96
1,046	Total Reserves		982

Annual Accounts 2017/2018

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing Council and subsidiary services and its share of the results of associates and joint ventures in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016/2017 Restated			2017/2018		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
416,537	(14,338)	402,199	420,227	(28,741)	391,486
222,951	(134,812)	88,139	237,794	(133,993)	103,801
9,191	(2,207)	6,984	12,732	(3,674)	9,058
37,742	(11,453)	26,289	29,265	(8,492)	20,773
12,668	-	12,668	12,486	-	12,486
386,773	(219,437)	167,336	394,416	(217,533)	176,883
14,459	-	14,459	14,306	-	14,306
115,898	(123,397)	(7,499)	66,483	(127,013)	(60,530)
18,916	-	18,916	19,862	-	19,862
24,122	(26,398)	(2,276)	21,854	(16,742)	5,112
1,259,257	(532,042)	727,215	1,229,425	(536,188)	693,237
		Net Cost of Services			
-	(3,646)	(3,646)	-	(2,616)	(2,616)
106,064	(60,608)	45,456	103,354	(55,947)	47,407
		Other Operating Expenditure			
19	(755,480)	(755,461)	1	(756,918)	(756,917)
		Taxation and Non-specific Grant Income			
		13,564 (Surplus) or Deficit on the Provision of Services			(18,889)
		(7,661) Associates and Joint Ventures accounted for on an Equity Basis			(18,546)
		5,903 Group (Surplus) or Deficit			(37,435)
		Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(9,080) (Surplus) or deficit on the revaluation of non current assets			1,746
		201,343 Actuarial (gains) or losses on pension assets and liabilities			(371,646)
		3,389 Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures			(9,756)
		Other Comprehensive Income and Expenditure			(379,656)
		195,652			(379,656)
		201,555 Total Comprehensive Income and Expenditure			(417,091)

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Group Balance Sheet

The Balance Sheet is a snapshot of the value at the reporting date of the assets and liabilities recognised by the Council, its subsidiaries and its share of the net assets or liabilities of its associates and joint ventures. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council and its subsidiaries. The net investment in associates and joint ventures is matched by its share of the reserves of the associates (i.e. Group Reserves).

31 March 2017 Restated £000		31 March 2018 £000	£000
	Property, Plant and Equipment		
877,664	Council Dwellings	941,744	
1,106,954	Other Land and Buildings	1,087,515	
35,689	Vehicles, Plant and Equipment	38,259	
252,847	Infrastructure Assets	258,341	
10,254	Community Assets	10,495	
22,489	Surplus Assets	17,649	
30,090	Assets Under Construction	49,808	2,403,811
66,865	Investment Property		66,643
33,000	Investments in Associates and Joint Ventures		58,641
2,035	Long Term Investments		1,843
2,188	Long Term Debtors		1,398
2,440,075	Long-Term Assets		2,532,336
2,006	Short-Term Investments	2,063	
-	Assets Held for Sale	5,100	
4,528	Inventories	4,815	
76,809	Short-Term Debtors (net of impairment)	81,861	
35,534	Cash and Cash Equivalents	45,313	
118,877	Current Assets		139,152
(181,985)	Short-Term Borrowing	(208,056)	
(174,682)	Short-Term Creditors	(193,945)	
(7,909)	Provisions	(11,066)	
(5,040)	Short-Term Finance Lease Liabilities	(5,324)	
(369,616)	Current Liabilities		(418,391)
(491,300)	Long-Term Borrowing	(461,799)	
(7,173)	Liabilities in Associates and Joint Ventures	(3,683)	
(148,300)	Other Long-Term Liabilities (Finance Leases)	(146,692)	
(629,895)	Other Long-Term Liabilities (Pensions)	(310,336)	
-	Capital Grants Receipts in Advance	-	
(1,276,668)	Long-Term Liabilities		(922,510)
912,668	Net Assets		1,330,587
	Usable Reserves		
56,723	General Fund Reserve	45,103	
8,244	Housing Revenue Account Balance	11,852	
-	Capital Fund	2,965	
4,327	Capital Grants Unapplied Accounts	3,540	
13,709	Insurance Fund	15,118	
466	Repairs and Renewals Fund	533	
83,469	Total Usable Reserves		79,111
778,640	Unusable Reserves		1,153,500
50,559	Group Reserves		97,976
912,668	Total Reserves		1,330,587

The unaudited accounts were issued on 27 June 2018 and the audited accounts were authorised for issue on 26 September 2018.



Paul Hughes, CPFA
Head of Business for Financial Solutions
26 September 2018

Annual Accounts 2017/2018

Movement in Group Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council and its subsidiaries plus its share of the reserves of associates and joint ventures. The Councils' reserves are analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council's share of the reserves of associates and joint ventures is an unusable reserve and cannot be used to fund expenditure or reduce taxation.

Year Ended 31 March 2018	Usable Reserves			Unusable Reserves	Total Reserves of the Council	Council Subsidiaries	Council's Share of Reserves of Associates and Joint Ventures	Total Reserves
	General Fund	Housing Revenue Account	Other Statutory Reserves					
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	56,723	8,244	18,502	778,640	862,109	24,731	26,656	913,496
Movement in Reserves during 2017/2018								
Surplus / (Deficit) on Provision of Services	(42,604)	62,136	-	-	19,532	(643)	18,546	37,435
Other Comprehensive Income and Expenditure	-	-	-	350,970	350,970	18,930	9,756	379,656
Total Comprehensive Income and Expenditure	(42,604)	62,136	-	350,970	370,502	18,287	28,302	417,091
Adjustments between Accounting Basis and Funding Basis under Regulations	30,815	(56,883)	2,178	23,890	-	-	-	-
Net Increase or Decrease before Transfers to Other Statutory Reserves	(11,789)	5,253	2,178	374,860	370,502	18,287	28,302	417,091
Transfers to and from Other Statutory Reserves	169	(1,645)	1,476	-	-	-	-	-
Increase or Decrease in the Year	(11,620)	3,608	3,654	374,860	370,502	18,287	28,302	417,091
Balance at 31 March 2018 Carried Forward	45,103	11,852	22,156	1,153,500	1,232,611	43,018	54,958	1,330,587

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Movement in Group Reserves Statement

Year Ended 31 March 2017 Restated	Usable Reserves			Unusable Reserves	Total Reserves of the Council	Council Subsidiaries	Council's Share of Reserves of Associates and Joint Ventures	Total Reserves
	General Fund	Housing Revenue Account	Other Statutory Reserves					
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	63,664	10,493	16,648	971,292	1,062,097	30,570	22,384	1,115,051
Movement in Reserves during 2016/2017								
Surplus / (Deficit) on Provision of Services	(25,097)	4,659	-	-	(20,438)	6,874	7,661	(5,903)
Other Comprehensive Income and Expenditure	-	-	-	(179,550)	(179,550)	(12,713)	(3,389)	(195,652)
Total Comprehensive Income and Expenditure	(25,097)	4,659	-	(179,550)	(199,988)	(5,839)	4,272	(201,555)
Adjustments between Accounting Basis and Funding Basis under Regulations	15,068	(4,555)	2,589	(13,102)	-	-	-	-
Net Increase or Decrease before Transfers to Other Statutory Reserves	(10,029)	104	2,589	(192,652)	(199,988)	(5,839)	4,272	(201,555)
Transfers to and from Other Statutory Reserves	3,088	(2,353)	(735)	-	-	-	-	-
Increase or Decrease in the Year	(6,941)	(2,249)	1,854	(192,652)	(199,988)	(5,839)	4,272	(201,555)
Balance at 31 March 2017 Carried Forward	56,723	8,244	18,502	778,640	862,109	24,731	26,656	913,496

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Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its subsidiaries during the reporting period.

2016/2017 Restated		2017/2018	2017/2018
£000		£000	£000
58,498	Net Cash Inflow / (Outflow) from Operating Activities		79,059
	INVESTING ACTIVITIES		
	Cash Inflows:		
13,983	Sale of non current assets	12,857	
32,777	Capital grants received	55,728	
4,420	Other capital receipts	295	
51,180			68,880
	Cash Outflows:		
(120,644)	Purchase of non-current assets		(130,902)
(60)	Long-term investment		(346)
(69,524)	Net Cash Inflow / (Outflow) from Investing Activities		(62,368)
	FINANCING ACTIVITIES		
	Cash Inflows:		
198,896	New loans raised	206,500	
198,896			206,500
	Cash Outflows:		
(190,495)	Repayments of amounts borrowed	(208,450)	
(6,122)	Capital payments of finance leases	(4,969)	
(196,617)			(213,419)
2,279	Net Cash Inflow / (Outflow) from Financing Activities		(6,919)
(8,747)	Net Increase / (Decrease) in cash and cash equivalents		9,772
44,272	Cash and Cash Equivalents at the beginning of the year		35,534
(8,747)	Net Increase / (Decrease) in cash and cash equivalents		9,772
9	Increase / (Decrease) Non-cash in cash equivalents		7
35,534	Cash and Cash Equivalents at the end of the year		45,313

Group Comprehensive Income and Expenditure Statement to Cash Flow Operating Activities

The following table reconciles the deficit on provision of services in the Group Comprehensive Income and Expenditure Statement to the Net Outflow from Operative Activities in the Group Cash Flow Statement above.

	£000	£000
Surplus on the Provision of Services		18,889
Non-Cash Transactions		
Items Relating to Loans Fund	348	
Adjustment relating to Provisions	3,034	
Adjustment relating to Capital items	(1,169)	
Adjustment relating to National Non-Domestic Rates	1,548	
Adjustment relating to Pension Reserve	52,087	55,848
Items on an Accruals Basis		
Increase in Inventories	(406)	
Increase in Debtors	(8,700)	
Increase in Creditors	13,428	4,322
Net Cash Inflow from Operating Activities		79,059

Annual Accounts 2017/2018

Notes to the Group Accounts

1. Disclosure of Interest in Other Entities

The Code of Practice on Local Authority Accounting requires local authorities to consider their interests in all types of entities including private companies and joint ventures. The Group Accounts are the financial statements of the Council and its subsidiaries, plus the investments in associates and interests in joint ventures presented as a single economic entity.

The Council has adopted a materiality threshold of £250,000 in considering the basis of incorporation of these entities within the Group Accounting Statements.

2. Group Structure

The Council has interests in subsidiaries, associates and joint ventures. The table below explains the relationship each class of entity has with the Council:

Relationship with the Council

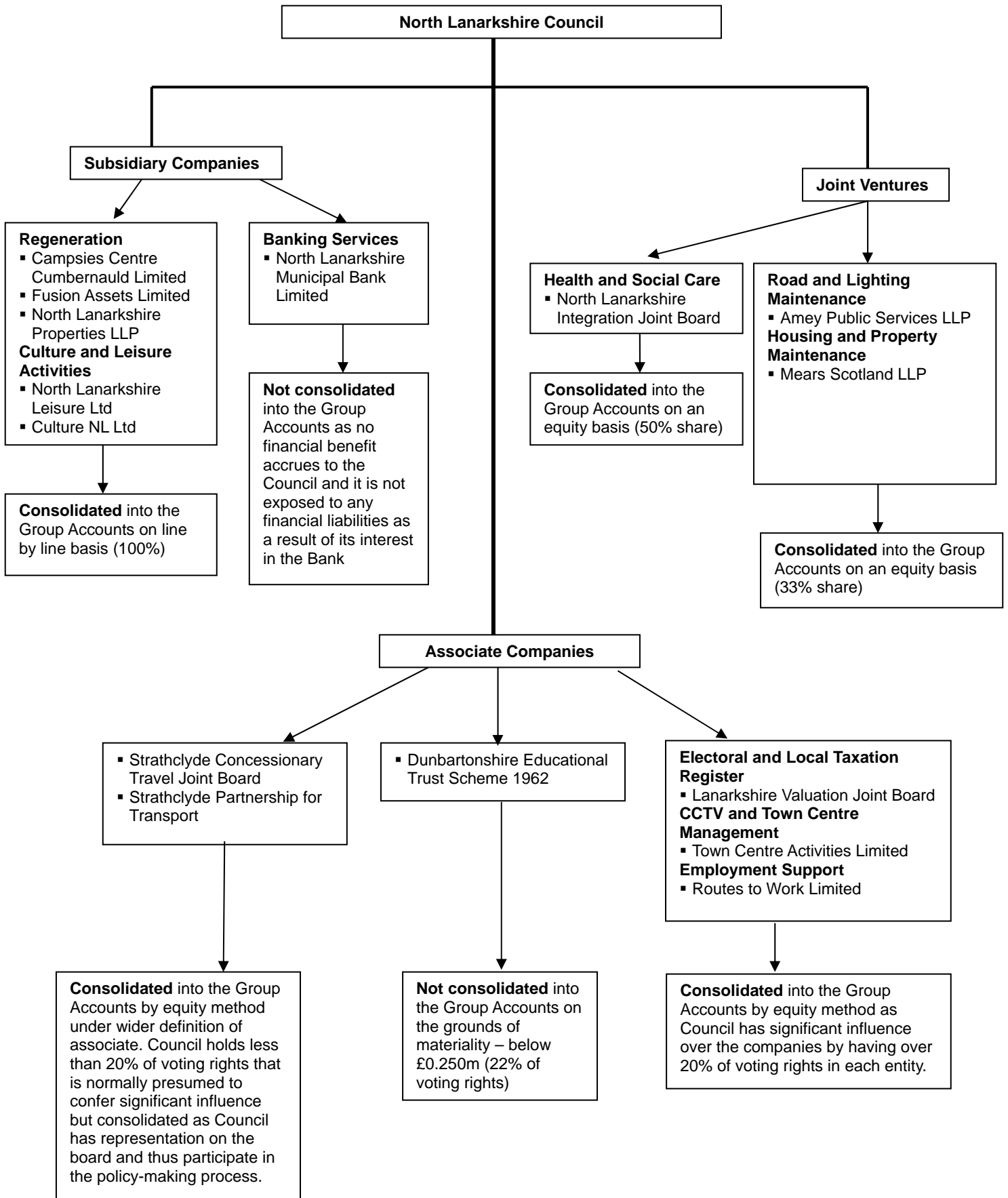
Subsidiary Companies: Entity controlled by the Council. Council has 100% interest in its subsidiaries.

Associate Companies: Entity over which the Council has significant influence. North Lanarkshire Council has significant influence over the financial and operating policies of its associates but has no shares or ownership of any of these organisations which are entirely independent of the Council under law and taxation.

Joint Ventures: Joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. North Lanarkshire Council owns a share in each of its joint venture companies.

The diagram overleaf illustrates the Council's group structure:

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Notes to the Group Accounts



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Notes to the Group Accounts

As illustrated in the diagram, North Lanarkshire Municipal Bank Limited is not consolidated within the Group Accounts. For transparency, the following disclosures are made:

The Directors of the Bank are all elected Members of North Lanarkshire Council. At 31 March 2018, there were 6,099 accounts held within the Bank, with a total of £41.080m on deposit. The Bank has total assets of £41.103m all of which was invested with North Lanarkshire Council.

3. Combining Entities

As detailed in the diagram above, the Council has an interest in a number of subsidiary and associate companies along with joint ventures. The accounting period for most entities is 31 March 2018 with the only exceptions being in respect of Amey Public Services LLP and Mears Scotland LLP which report to 31 December 2018. The reason for this variation in reporting period is due to these companies aligning their own accounting periods with the annual contractual period with the Council.

4. Changes to Group Structure

In 2016/2017, the North Lanarkshire Integration Joint Board, for the first time, was consolidated into the Council's Group Accounts as the Council's share of net assets/liabilities of this entity is material to the fair understanding of the financial position and transactions of the Council. In 2017/18, Saltire Facilities Management Limited is excluded from the Council's Group Accounts after disposal of the Council's shareholding on 5 May 2017 for £1.150m.

5. Principal Place of Business

The principal place of business for each group entity is detailed in the table below. The United Kingdom is the country of incorporation for all entities.

Campsies Centre Cumbernauld Ltd	Civic Centre, Motherwell, ML5 1DC
Fusion Assets Ltd	Chapel Street, Airdrie, ML6 6GX
North Lanarkshire Properties LLP	Civic Centre, Windmillhill Street, Motherwell, ML1 1AB
North Lanarkshire Leisure Ltd	1 Ardgoil Drive, Cumbernauld, G68 9NE
Culture NL	Summerlee, Heritage Way, Coatbridge, ML5 1QD
Amey Public Services LLP	The Sherard Building, Edmund Hally Road, Oxford, OX4 4DQ
Mears Scotland LLP	Ellismuir Way, Tannochside Business Park, Uddingston, G71 5PW
Saltire Facilities Management Ltd	10 James Street, Righead Industrial Estate, Bellshill, ML4 3LU
Strathclyde Concessionary Travel Scheme Joint Board	131 St Vincent Street, Glasgow G2 5JF
Strathclyde Partnership for Transport	131 St Vincent Street, Glasgow G2 5JF
Lanarkshire Valuation Joint Board	North Stand, Cadzow Avenue, Hamilton, ML3 0LU
Routes to Work Limited	168/170 Main Street, Bellshill, Lanarkshire, ML4 1AE
Town Centre Activities Limited	106 Main Street, Coatbridge, ML5 3EL
North Lanarkshire Integration Joint Board	Kirklands Hospital, Fallside Road, Bothwell, Lanarkshire G71 8BB

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Notes to the Group Accounts

6. Reconciliation Statements

The following statements reconcile the Council's Comprehensive Income and Expenditure Statement and Balance Sheet to the Group Comprehensive Income and Expenditure Statement and Balance Sheet.

6.1 Council Comprehensive Income and Expenditure Statement to Group Comprehensive Income and Expenditure Statement

2016/2017 Restated		2017/2018
£000		£000
199,988	Total Comprehensive Income and Expenditure on the Council's Comprehensive Income and Expenditure Statement	(370,502)
	(Surplus)/Deficit arising from other entities included in the Group Accounts	
(6,874)	Subsidiaries	643
(3,007)	Associates	(13,476)
(4,654)	Joint Ventures	(5,070)
	Other Comprehensive (Income) and Expenditure	
12,713	Subsidiaries	(18,930)
3,389	Associates	(9,756)
201,555	Group total Comprehensive Income and Expenditure for the year	(417,091)

6.2 Council Balance Sheet to Group Balance Sheet

31 March 2017 Restated		31 March 2018
£000		£000
862,109	Net Assets on Council Balance Sheet	1,232,611
	Long Term Assets in Group Balance Sheet	
29,016	Investments in Associates	49,541
3,984	Investments in Joint Ventures	9,100
70,120	Subsidiary Non Current Assets	68,965
	Current Assets	
20,430	Subsidiaries	22,687
	Current Liabilities	
(6,231)	Subsidiaries	(6,607)
	Long Term Liabilities	
(3,458)	Associates	(577)
(3,715)	Joint Ventures	(3,106)
(59,587)	Subsidiaries	(42,027)
912,668	Net Assets on Group Balance Sheet	1,330,587
862,109	Total Reserves on Council Balance Sheet	1,232,611
	Group Income and Expenditure and Other Reserves	
270	Joint Ventures	5,994
25,558	Associates	48,964
24,731	Subsidiaries	43,018
912,668	Total Reserves on Group Balance Sheet	1,330,587

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Notes to the Group Accounts

7. Further Details on Consolidation

Further information in respect of Companies consolidated within the Group Accounts above can be summarised as follows:-

7.1 Subsidiaries

The following table has a more detailed breakdown of the figures included for Subsidiary Companies in the Group Comprehensive Income and Expenditure. The figures below also show the adjustments made to the Council's Balance Sheet on consolidating the Council's subsidiaries into the Group Accounts.

	2016/2017 Restated					2017/2018				
	Campsies Centre C'nauld Ltd	Fusion Assets Ltd	North L'shire Leisure Ltd	North L'shire Properties LLP	Culture NL Ltd	Campsies Centre C'nauld Ltd	Fusion Assets Ltd	North L'shire Leisure Ltd	North L'shire Properties LLP	Culture NL Ltd
	£'000	£'000	£'000	£000	£000	£'000	£'000	£'000	£000	£000
Comprehensive Income and Expenditure Statement										
Surplus/ (Deficit) on Provision of Service	220	5,564	(896)	1,137	849	(52)	132	(1,839)	1,240	(124)
Other Comprehensive Income and Expenditure	-	-	(7,731)	(648)	(4,334)	-	-	9,531	1,030	8,369
Balance Sheet										
Non-Current Assets	-	2,566	689	66,865	-	-	2,175	617	66,173	-
Current Assets										
Inventories	-	2,945	57	2,006	79	-	3,148	53	2,006	83
Short-Term Debtors	404	1,358	401	524	(1,036)	139	465	587	(478)	(785)
Cash and Cash Equivalents	2,933	938	865	3,733	5,223	3,097	1,844	1,116	4,968	6,444
Current Liabilities										
Short-Term Creditors	(61)	(221)	(2,058)	(1,312)	(1,424)	(12)	86	(2,628)	(1,134)	(1,692)
Short-Term Borrowing	-	-	-	(1,155)	-	-	-	-	(1,227)	-
Long Term Liabilities										
Long Term Borrowing	-	-	-	(40,701)	-	-	-	-	(39,004)	-
Deferred Income	-	-	-	-	-	-	-	-	-	-
Capital Grants Received in Advance	-	-	-	-	-	-	-	-	-	-
Pensions	-	-	(13,014)	(948)	(4,925)	-	-	(5,113)	(22)	2,112
Reserves										
Income and Expenditure	(3,276)	(6,492)	(749)	(8,094)	-	(3,224)	(6,624)	(556)	(9,715)	-
General Fund	-	-	(1,599)	-	-	-	-	(1,325)	-	-
Pension	-	-	13,014	948	4,925	-	-	5,113	22	(2,112)
Revaluation Reserve	-	-	-	(21,865)	-	-	-	-	(21,588)	-
Other	-	(1,094)	2,394	(1)	(2,842)	-	(1,094)	2,136	(1)	(4,050)

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Notes to the Group Accounts

7.2 Joint Ventures

The table below illustrates the Council's contribution to its Joint Ventures.

	2017/2018		
	Council Payments to Entity	% of Entity's Annual Turnover	Council Share of Net Assets / (Liabilities)
	£000	%	£000
Amey Public Services LLP	14,284	109.48	(1,387)
Mears Scotland LLP	55,695	100.00	(1,719)
NL Integration Joint Board	167,578	30.06	9,100

The following disclosures are required for Amey Public Services LLP, Mears Scotland LLP, NL Integration Joint Board and Saltire Facilities Management Limited because the Council holds more than 20% of the voting rights in the entity.

	2016/2017				2017/2018			
	Amey Public Services LLP	Mears Scotland LLP	NL Integration Joint Board ²	Saltire Facilities Management Ltd.	Amey Public Services LLP	Mears Scotland LLP	NL Integration Joint Board ²	Saltire Facilities Management Ltd.
	£000	£000	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement								
Gross Income	13,846	53,052	554,725	21,172	13,047	55,695	557,413	-
Net Profit/ (Loss) before Taxation	(243)	1,739	7,462	1,531	(3,235)	2,337	10,738	-
Taxation	-	-	-	(307)	-	-	-	-
Net Profit/ (Loss) after Taxation	(243)	1,739	7,462	1,224	(3,235)	2,337	10,738	-
Balance Sheet								
Non-Current Assets	-	190	-	146	-	175	-	-
Current Assets	1,423	9,743	7,462	5,097	1,931	11,141	18,200	-
Liabilities due within one year	(4,181)	(11,961)	-	(4,476)	(4,136)	(11,355)	-	-
Liabilities due after more than one year	-	(5,614)	-	-	-	(5,118)	-	-
Net Pension Asset	-	-	-	-	-	-	-	-
Provision for Liabilities	-	-	-	(7)	(1,956)	-	-	-
Capital and Revenue Reserves	2,758	7,642	(7,462)	(760)	4,161	5,157	(18,200)	-

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Notes to the Group Accounts

7.3 Associates

The table below illustrates the Council's contribution to its Associates and debtor/creditor balances relating to Associates included in the Council's Balance Sheet.

	2017/2018				
	Council Contribution to Running Costs	% of Entity's Annual Running Costs	Council Share of Net Assets/ (Liabilities)	Debtors included in Council Accounts	Creditors Included in Council Accounts
	£000	%	£000	£000	£000
Strathclyde Concessionary Travel Scheme Joint Board	563	13.49	210	-	-
Strathclyde Partnership for Transport	5,484	14.97	48,588	-	-
Lanarkshire Valuation Joint Board	1,813	50.00	(577)	-	-
Routes to Work Limited	3,209	99.81	197	1	357
Town Centre Activities Limited	1,716	90.89	546	76	151

The following disclosures are required for Lanarkshire Valuation Board, Town Centre Activities Limited and Routes to Work Limited because the Council holds more than 20% of the voting rights in the entity.

	2016/2017			2017/2018		
	Town Centre Activities Ltd.	Routes to Work Ltd.	Lanarkshire Valuation Joint Board	Town Centre Activities Ltd.	Routes to Work Ltd.	Lanarkshire Valuation Joint Board
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Gross Income	1,945	3,245	4,127	1,955	3,319	3,948
Net Surplus / (Deficit)	78	(19)	(3,365)	67	104	5,413
Balance Sheet						
Non-Current Assets	563	9	-	456	22	67
Current Assets	1,051	1,431	314	1,188	1,111	338
Liabilities due within one year	(388)	(559)	(326)	(414)	(148)	(62)
Long-Term Liabilities	(28)	-	-	(16)	-	-
Retirement Benefit Asset / (Liabilities)	-	-	(6,869)	-	-	(1,497)
Accumulating Compensated Absences	-	-	12	-	-	22
Capital, Revenue & Pension Reserves	(1,198)	(881)	6,869	(1,214)	(985)	1,132

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Notes to the Group Accounts

7.4 Annual Accounts

The Annual Accounts of the Council's Associates are subject to independent audit and are available from the addresses below.

Strathclyde Concessionary Travel Scheme Joint Board	Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN
Strathclyde Partnership for Transport	Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN
Lanarkshire Valuation Joint Board	Treasurer to Lanarkshire Valuation Joint Board, Council Offices, Almada Street, Hamilton ML3 0AB
Routes to Work Limited	168/170 Main Street, Bellshill, Lanarkshire, ML4 1AE
Town Centre Activities Limited	106 Main Street, Coatbridge, ML5 3EL

8. Interests in Other Entities

There are 15 related companies that have been identified as being relevant for group purposes as illustrated by the flowchart on page 81. Of these only two were considered out with the scope of the group.

North Lanarkshire Municipal Bank Limited is a municipal bank which accepts deposits and invests those funds (with the exception of working balances) with North Lanarkshire Council.

Dunbartonshire Educational Trust Scheme 1962 is a charitable trust which provides grants for further/higher education for those who live in the old county area of Dunbarton. The Council has 22% voting rights on the Board however on the grounds of materiality it has not been consolidated as part of the group.

Annual Accounts 2017/2018 Remuneration Report

Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require disclosures about the remuneration and pension benefits of senior councillors, senior employees and senior employees of Council subsidiary bodies along with any other person whose remuneration is £150,000 or more.

Arrangements for Remuneration

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended most recently by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2017 (SSI 2017/66). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, senior councillors or councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for councillors, the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC was established under the provisions of the Local Governance (Scotland) Act 2004 to advise Scottish Ministers on the remuneration (including pensions), allowances and expenses incurred by local authority councillors in accordance with criteria specified by Scottish Ministers. The Committee was stood down in February 2013.

The maximum salary that can be paid to the Leader of the Council is set out in the Regulations as £39,497. For 2017/2018 the salary for the Leader of North Lanarkshire Council was £38,514. The Regulations permit the Council to remunerate one Provost (£29,048 in 2017/2018).

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The maximum yearly amount the Council could remunerate all of its Senior Councillors for 2017/2018 was £442,244. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The total remuneration paid to senior councillors (excluding the Leader of the Council and Provost) was £429,853 in 2017/2018. The basis of the allocation of Senior Councillor posts was approved by Council on 18 May 2017.

The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

In addition to the senior councillors of the council, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or Vice Convener of a Joint Board such as Strathclyde Partnership for Transport. The Regulations require the remuneration to be paid by the Council of which the Convener or vice Convener is a member. The Council is also required to pay any pension contributions arising from the Convener or vice Convener being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice Convener of a Joint Board.

The salary levels of senior employees are set by reference to national arrangements as well as local decisions on management structures and their associated remuneration levels. The Scottish Joint Negotiating Committee for Local Authorities Services (Chief Officials) sets the salary levels for the Chief Executives of Scottish Local Authorities and also sets out the spinal column salary points for Chief Officers which local authorities can utilise in setting the salary levels for posts within their authority.

The Council reviewed its pay structure for the Chief Executive post and Chief Officers in two reports submitted to the Policy and Resources (Human Resources) Sub Committee on 21 May 2013. The outcome of the report agreed the end of the Performance Related Pay (PRP) scheme at 31 March 2014 whereby an element of chief officer pay was held back pending Performance Review and Development assessment. From 1 April 2014 for Chief Officers the remuneration arrangements introduced a three point scale, with the maximum salary reduced by approximately 2.5%. Those Chief Officers continuing in Service had their existing rates of pay preserved until 31 March 2017. For the Chief Executive post, as a 2.5% salary reduction had already been achieved, the PRP element has been consolidated within the pay arrangements from 1 April 2014 thus applying the nationally agreed single point salary value (inclusive of pay awards up to 1 April 2009, but not 2010). A three point scale similar to that of the Chief Officer arrangements was introduced upon appointment of the new Chief Executive and will apply to any future appointments.

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There are no other benefits included in the remuneration package for senior employees. All information disclosed in the following tables in this Remuneration Report will be subject to audit. The other sections of the Remuneration Report will be reviewed by external audit to ensure that they are consistent with the financial statements.

Trade Unions (Facility Time Publication Requirements) Regulations 2017

In addition to the regulations governing senior employees and councillors, the Trade Union (Facility Time Publication Requirements) Regulations 2017, which apply from 1 April 2017, require public sector employees to collect and publish a range of information on trade union facility time in respect of their employees who are Trade Union Representatives. The following information has been taken from the iTrent reporting system provided by the Employee Service Centre.

Number of employees who were relevant union officials during the relevant period	FTE employee number
62	60.07

Percentage of time spent on facility time – the number of employees who were relevant trade union officials during the year as a percentage of their working hours spent on facility time.

Percentage of time	Number of representatives
0%	-
1-50%	62
51-99%	-
100%	-

Percentage of the total pay bill spent on facility time

Total cost of facility time	17,340
Total pay bill	475,245,730
Percentage of the total pay bill spent on facility time	0.004%

Time spend on paid trade union activities as a percentage of total paid facility time hours – currently unable to report.

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Remuneration Report
General Disclosure by Pay Band

The following table is for actual remuneration, which includes salary and compensation for loss of employment made in the year. Any starters or leavers in the year are recorded in the remuneration band which matches their actual remuneration for the year.

Remuneration Bands (£)	2016/2017			2017/2018		
	Officers	Teachers	Total	Officers	Teachers	Total
50,000 - 54,999	49	197	246	42	159	201
55,000 - 59,999	31	43	74	23	88	111
60,000 - 64,999	23	11	34	9	8	17
65,000 - 69,999	15	6	21	8	6	14
70,000 - 74,999	7	2	9	4	2	6
75,000 - 79,999	10	8	18	-	8	8
80,000 - 84,999	16	3	19	14	2	16
85,000 - 89,999	6	-	6	1	1	2
90,000 - 94,999	5	-	5	2	-	2
95,000 - 99,999	7	-	7	2	-	2
100,000 - 104,999	5	-	5	1	-	1
105,000 - 109,999	1	-	1	-	-	-
110,000 - 114,999	3	1	4	-	-	-
115,000 - 119,999	1	-	1	-	-	-
120,000 - 124,999	-	-	-	3	-	3
125,000 - 129,999	1	-	1	-	-	-
135,000 - 139,999	-	-	-	-	-	-
140,000 - 144,999	1	-	1	1	-	1
145,000 - 149,999	-	-	-	-	-	-
150,000 - 154,999	-	-	-	-	-	-
155,000 - 159,999	-	-	-	-	-	-
160,000 - 164,999	1	-	1	-	-	-
165,000 - 169,999	-	-	-	1	-	1
180,000 - 184,999	-	-	-	-	-	-
190,000 - 194,999	1	-	1	-	-	-
Total	183	271	454	111	274	385

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Remuneration Report

Remuneration

The following tables provide details of the remuneration paid to the Council's senior Councillors and Senior Employees. The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for the loss of employment. It excludes pension contributions made by the Council. Pension contributions made to the person's pension are disclosed as part of the pension benefits disclosure.

a. Remuneration of Senior Councillors

Councillor Name	Responsibility	2016/2017	2017/2018
		Total Remuneration £	Total Remuneration £
James Logue	Leader of the Council	39,297	38,514
Paul Kelly	Depute Leader of the Council	29,474	29,049
James Robertson	Provost (until 4 May 2017)	30,357	3,726
Jean Jones	Provost (from 18 May 2017)	-	26,465
Jean Jones	Depute Provost (until 4 May 2017)	27,037	3,483
Tom Castles	Depute Provost (from 18 May 2017)	-	20,629
Robert Burrows	Convener of Finance & Customer Services (until 4 May 2017)	25,646	3,243
James Coyle	Convener of Planning (until 4 May 2017)	25,646	3,243
Harry Curran	Convener of Planning (from 18 May 2017)	-	20,213
Stephen Grant	Convener of Human Resources (until 4 May 2017)	25,646	3,241
William Shields	Convener of Local Review Body (from 18 May 2017)	-	20,099
William Hogg	Convener of Corporate Services (until 4 May 2017)	25,646	3,243
David Stocks	Leader of Minority Group	25,646	23,936
Andrew Spowart	Convener of Transformation (until 4 May 2017)	25,646	3,241
Thomas Morgan	Convener of Transformation (from 18 May 2017)	-	20,213
Frank McNally	Convener of Education and Youth, Communities & Equalities	25,646	28,563
Nicky Shevlin	Convener of Licensing (until 4 May 2017)	25,646	3,241
Nicky Shevlin	Convener of Regulatory (from 18 May 2017)	-	20,676
John McLaren	Convener of Licensing & Local Area (from 18 May 2017)	-	20,213
Allan Graham	Convener of Enterprise and Housing	25,646	28,563
Michael McPake	Convener of Infrastructure	25,646	28,563
Barry McCulloch	Convener of Housing & Social Work (until 4 May 2017)	25,646	3,241
Patrick O'Rourke	Convener of Scrutiny Panel (until 4 May 2017)	25,646	3,241
Patrick O'Rourke	Convener of Social Work (from 18 May 2017)	-	20,676
Heather McVey	Business Manager - Administration	25,646	28,563
Stephanie Griffin	Convener of Youth & Equalities/Local Review Body (until 4 May 2017)	25,646	998
Brian Wallace	Convener of ALEOs & External Bodies Monitoring (until 4 May 2017)	25,646	3,243
Angela Feeney	Convener of Community Safety Partnership Governance (from 18 May 2017)	-	19,947
Tom Fisher	Convener of Finance and Organisational Business (from 18 May 2017)	-	20,629
Meghan Gallacher	Convener of Audit & Scrutiny Panel (from 18 May 2017)	-	25,276
Louise Roarty	Convener of ALEO's & External Bodies (from 18 May 2017)	-	20,629
Total		510,855	498,800

Notes:

1. Total remuneration disclosed relates to salary, fees and allowances only.
2. Senior Councillor means a Leader of the Council, a Civic Head or a Senior Councillor, all as defined by regulation of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007(3).

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Remuneration Report

3. The remuneration disclosed on the table above reflects amounts for service as Senior Councillors and does not include any remuneration which relates to previous or subsequent appointment with the Council.
4. No Councillor received any remuneration from a subsidiary as a representative of the Council. The council does not have any influence on remunerations awarded by subsidiaries.
5. In an election year Councillors are not paid for the days around the election date.
6. Full year equivalent for Leader of the Council for year 2017/2018 is £39,377.
7. Full year equivalent for Depute Leader for year 2017/2018 is £29,534.
8. Full year equivalent for Provost for year 2017/2018 is £29,534.
9. Full year equivalent for Depute Provost for year 2017/2018 is £24,239.
10. Full year equivalent for Conveners of Community Safety & Partnership Governance, Audit & Scrutiny Panel, Education, Youth & Communities, Infrastructure, Enterprise & Housing and Business Manager for Administration for year 2017/18 is £28,946.
11. Full year equivalent for Conveners of Planning, Regulatory, Transformation, Social Work, ALEO & External Bodies, Organisational Business and Local Review Body for year 2017/18 is £24,239.
12. The Joint Boards have an arrangement to reimburse the Council for the additional costs of that councillor arising from them being a Convener, Vice-Convener or Depute Convener of the Board. The disclosures made in this report are limited to the amounts paid to the Council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the councillor. The following councillors served on Joint Boards during 2017/2018:
 - Councillor A McVey was the Convener of the Lanarkshire Joint Valuation Board from 26/06/17 and the Council was reimbursed £3,247 for 2017/18.

b. Remuneration of Councillors

The Council paid the following salaries, allowances and expenses to all Councillors (including the Senior Councillors above) during the year.

Type of Remuneration	2016/2017	2017/2018
	£	£
Salaries	1,366,120	1,461,098
Expenses	106,545	82,145
Total	1,472,665	1,543,243

Note: The annual return of Councillors' salaries and expenses for 2017/2018 is available for any member of the public to view at the Civic Centre, Motherwell during normal working hours and is also available on the Council's website at www.northlanarkshire.gov.uk. Please follow the links on the Council's website as follows:

<https://www.northlanarkshire.gov.uk/CHttpHandler.ashx?id=21803&p=0>

There was a reduction in Councillors expenses of £24,400 from 2016/17 to 2017/18 mainly due to savings as a result of entering into a new mobile phones contract during the year.

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Remuneration Report

c. Remuneration of Council Senior Employees

Name	Post Title	2016/17	2017/18
		Total remuneration restated	Total remuneration
Gavin Whitefield ²	Chief Executive (until 24 October 2015)	£ 1,227	£ -
Paul Jukes	Chief Executive	162,381	158,376
Kenneth Wilson	Executive Director of Environmental Services (from 24 August 2015 until 31 May 2016)	23,627	-
Desmond Murray	Assistant Chief Executive (Enterprise & Housing Resources) (from 16 May 2016)	107,206 (FYE £122,018)	125,037
Isabelle Boyd	Assistant Chief Executive (Education, Youth and Communities) (from 6 June 2016)	98,569 (FYE £122,018)	125,037
Robert Steenson	Assistant Chief Executive (Infrastructure) (from 1 August 2016)	81,234 (FYE £122,018)	125,037
Paul Hughes	Head of Business for Financial Solutions (Section 95 Officer) (from 1 April 2016)	95,060	96,028
Alison Gordon	Head of Children, Families & Justice Social Work Services (Chief Social Work Officer)	84,243	85,135
Archie Aitken	Head of Business for Legal & Democratic Solutions	84,243	85,135
Ken Adamson	Head of Audit & Inspection	60,246	61,042
Janice Hewitt ³	Chief Officer for Health & Social Care Integration	121,295	124,384
Total		919,331	985,211

1. Total remuneration disclosed relates to salary, fees and allowances.
2. Gavin Whitefield, Former Chief Executive, received a payment of £1,227 in 2016/17 which related to the UK Parliamentary election held in 2015. At this time, only part funding was received from Scottish Government with the remainder received during 2016/17 and passed on.
3. Janice Hewitt, Chief Officer for Health & Social Care Integration, has a restated salary for 2016/17 as she had backpay of £26,638 paid during 2017/18, of which £19,058 related to 2016/17. The backpay was paid to move the employee to the correct paygrade.

Annual Accounts 2017/2018 Remuneration Report

d. Remuneration of Council's Subsidiary Bodies Senior Employees

Name	Post Title	2016/17	2017/18
		Total remuneration	Total remuneration
David Baird	General Manager, North Lanarkshire Properties	£ 51,435	£ 53,188
Murray Collins	Managing Director, Fusion Assets	69,594	65,325
Jillian Ferrie	Chief Executive, Culture NL	61,836	63,967
Blane Dodds	Chief Executive, North Lanarkshire Leisure (until 6 April 2016)	133,145	-
Emma Walker	Chief Executive, North Lanarkshire Leisure (from 7 April 2016)	78,978	78,776
Total		394,988	261,256

1. The Campsies Centre Cumbernauld Ltd does not have any employees and their directors do not receive any remuneration.
2. Total remuneration is defined as all salary payments including any performance related pay elements, compensation for loss of employment. For Blane Dodds, former Chief Executive of North Lanarkshire Leisure, a payment of £128,152 in 2016/17 is included that related to compensation for loss of office. The costs included in compensation for loss of office are those termination benefits which include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.
3. The Council has no influence over the remuneration provided by subsidiaries.

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Remuneration Report

Pension Benefits

The term *pension benefits* covers in-year pension contributions for the employee or councillor by the Council and the named person's accrued pension benefits at the reporting date.

All Senior Councillors and senior employees shown in tables a), b) and c) below are members of the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2014.

For most people, for service up to 31 March 2009, the annual pension is calculated by dividing their final pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. Pensions payable are increased annually in line with changes in the Consumer Price Index (CPI). The lump sum, which is automatically paid when the person retires for service up to 31 March 2009, is three times his or her annual pension and is tax-free. There is no automatic lump sum for service after 31 March 2009.

From 1 April 2015, the LGPS moved to a career average pension scheme at a rate of 1/49th of the amount of pensionable pay received in the scheme that year.

A member's contribution depends on his or her full-time equivalent pay and is payable in the financial year ended 31 March 2018 at the rate on the following bands of pay:

Band	Range	Contribution Rate
1	On earnings up to and including £20,700	5.50%
2	On earnings above £20,701 and up to £25,300	7.25%
3	On earnings above £25,301 and up to £34,700	8.50%
4	On earnings above £34,701 and up to £46,300	9.50%
5	On earnings above £46,301	12.00%

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Remuneration Report

The pension entitlements for Senior Councillors, Senior Employees of the Council and Subsidiary Bodies for the year to 31 March 2018 are shown in the tables below, together with the contribution made by the Council or the Subsidiary Body during the year.

Pension Benefits of Senior Councillors

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

Councillor Name	In-year pension contributions		Accrued pension benefits		
	For year to 31 March 2017 £	For year to 31 March 2018 £	As at 31 March 2017 £000	Movement In Year £000	As at 31 March 2018 £000
James Logue	7,832	7,433	Pension 5	1	6
			Lump Sum 2	-	2
Paul Kelly	5,874	5,606	Pension 3	1	4
			Lump Sum 1	1	2
James Robertson	5,689	719	Pension 5	-	5
			Lump Sum 2	-	2
Tom Castles	-	-	Pension -	-	-
			Lump Sum -	-	-
Robert Burrows	4,998	3,423	Pension 5	-	5
			Lump Sum 2	-	2
James Coyle	4,950	626	Pension 5	-	5
			Lump Sum 2	-	2
Harry Curran	3,357	4,401	Pension 4	-	4
			Lump Sum 1	-	1
Stephen Grant	4,950	625	Pension 4	-	4
			Lump Sum 1	-	1
William Shields	1,206	4,504	Pension 3	1	4
			Lump Sum 1	-	1
William Hogg	4,950	626	Pension 5	-	5
			Lump Sum 2	-	2
Thomas Morgan	-	4,401	Pension 2	-	2
			Lump Sum -	-	-
David Stocks	4,950	4,620	Pension 2	-	2
			Lump Sum -	-	-
John McLaren	3,357	4,401	Pension 2	-	2
			Lump Sum -	-	-
Andrew Spowart	5,111	625	Pension 2	-	2
			Lump Sum -	-	-
Frank McNally	5,111	5,513	Pension 2	1	3
			Lump Sum -	-	-
Nicky Shevlin	5,111	4,616	Pension 3	1	4
			Lump Sum 1	-	1
Allan Graham	5,111	5,513	Pension 2	1	3
			Lump Sum -	-	-
Michael McPake	5,111	5,513	Pension 2	1	3
			Lump Sum -	-	-
Barry McCulloch	5,111	625	Pension 7	-	7
			Lump Sum 2	-	2
Heather McVey	5,111	5,513	Pension 2	1	3
			Lump Sum -	-	-
Stephanie Griffin	5,111	625	Pension 2	-	2
			Lump Sum -	-	-
Patrick O'Rourke	5,111	4,616	Pension 1	1	2
			Lump Sum -	-	-
Brian Wallace	5,111	-	Pension 1	(1)	-
			Lump Sum -	-	-
Angela Feeney	-	2,070	Pension -	-	-
			Lump Sum -	-	-
Tom Fisher	-	3,981	Pension -	-	-
			Lump Sum -	-	-
Meghan Gallacher	-	4,878	Pension -	1	1
			Lump Sum -	-	-
Louise Roarty	-	116	Pension -	-	-
			Lump Sum -	-	-
Total	103,223	85,589	86	10	96

Annual Accounts 2017/2018 Remuneration Report

b) Pension Benefits of Council Senior Employees

Name	In-year pension contributions		Accrued pension benefits		
	For year to 31 March 2017	For year 31 March 2018	As at 31 March 2017	Movement in Year	As at 31 March 2018
	£	£	£000	£000	£000
Paul Jukes	31,230	32,600	Pension 62	6	68
			Lump Sum 124	4	128
Kenneth Wilson	3,664	-	Pension -	-	-
			Lump Sum -	-	-
Desmond Murray	22,331	24,045	Pension 31	3	34
			Lump Sum 44	1	45
Isabelle Boyd	21,924	24,045	Pension 7	2	9
			Lump Sum -	-	-
Robert Steenson	14,839	24,045	Pension -	53	53
			Lump Sum -	102	102
Paul Hughes	18,294	18,476	Pension 45	3	48
			Lump Sum 95	1	96
Alison Gordon	16,207	16,380	Pension 19	2	21
			Lump Sum 23	-	23
Archie Aitken	16,207	16,380	Pension 30	2	32
			Lump Sum 55	1	56
Ken Adamson	11,629	11,745	Pension 22	2	24
			Lump Sum 41	-	41
Janice Hewitt	19,675	27,484	Pension 38	11	49
			Lump Sum 73	16	89
Total	176,000	195,200	709	209	918

c) Pension Benefits of Council's Subsidiary Bodies Senior Employees

Name	In-year pension contributions		Accrued pension benefits		
	For year to 31 March 2017	For year 31 March 2018	As at 31 March 2017	Movement in Year	As at 31 March 2018
	£	£	£000	£000	£000
David Baird	9,891	10,224	Pension 19	2	21
			Lump Sum 35	1	36
Murray Collins	11,764	16,777	Pension -	-	-
			Lump Sum -	-	-
Jillian Ferrie	12,261	14,144	Pension 22	2	24
			Lump Sum 41	1	42
Blane Dodds	-	-	Pension 23	(23)	-
			Lump Sum 33	(33)	-
Emma Walker	15,320	14,700	Pension 19	2	21
			Lump Sum 23	1	24
Total	49,236	55,845	215	(47)	168

Annual Accounts 2017/2018

Remuneration Report

Exit Packages

Exit Packages that have been agreed by the Council in the year are disclosed in the table below in bands of £20,000 up to £100,000 and bands of £50,000 thereafter.

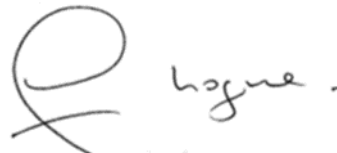
The packages included in the bands are those that have been agreed by the authority, i.e. those packages for which the authority is demonstrably committed. The agreement may be legal, contractual or constructive at the end of the financial year in question.

The cost included in the exit packages will be those termination benefits which include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of compensatory added years (CAY) lump sum, ex gratia payments and other departure costs. Note that there were no compulsory redundancies during 2017/2018.

Banding	Total number of exit packages agreed in year		Total cost of exit packages in each band	
	2016/2017	2017/2018	2016/2017	2017/2018
	No.	No.	£000	£000
£0-£20,000	49	28	628	400
£20,001-£40,000	51	30	1,480	872
£40,001-£60,000	40	23	2,023	1,095
£60,001-£80,000	23	4	1,589	280
£80,001-£100,000	13	1	1,161	94
£100,001-£150,000	20	7	2,415	886
£150,001-£200,000	3	5	489	909
£200,001-£250,000	2	1	435	215
£250,001-£300,000	-	1	-	250
£300,001-£350,000	-	-	-	-
	201	100	10,220	5,001



Des Murray
Chief Executive



Councillor J Logue
Council Leader

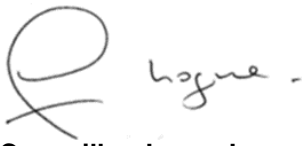
Annual Accounts 2017/2018 Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Head of Business for Financial Solutions has been designated as that officer within North Lanarkshire Council
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003)
- approve the Annual Accounts for signature

Signed on behalf of North Lanarkshire Council



Councillor James Logue
Council Leader

The Head of Business for Financial Solutions Responsibilities

The Head of Business for Financial Solutions is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts the Head of Business for Financial Solutions has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with legislation
- complied with the Code of Practice on Local Authority Accounting in the United Kingdom (in so far as it is compatible with legislation)

The Head of Business for Financial Solutions has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Statement of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the Council and its Group as at 31 March 2018, and its income and expenditure for the year ended 31 March 2018.



Paul Hughes, CPFA
Head of Business for Financial Solutions

Annual Accounts 2017/2018

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2017-18

Scope of responsibility

North Lanarkshire Council recognises that it is responsible for ensuring a sound system of governance is in place and is committed to high standards of corporate governance consistent with the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework' and has an integrated framework that brings together legislative requirements, governance principles, and management processes. The governance arrangements are based on the key aspects of:

- Openness in decision making, management arrangements, and in dealing with the public.
- Integrity in ensuring high standards of conduct, propriety, and probity in running the Council's business and managing public funds.
- Accountability in ensuring that the Council, its members and officers are responsible for their decisions and actions, and are subject to appropriate internal and external scrutiny.
- Inclusiveness in communicating and engaging with all sections of the community and encouraging active participation.

The Council's corporate governance arrangements are designed to ensure that business is conducted in accordance with the law and that public money is safeguarded, properly accounted for, and used efficiently and effectively. Elected Members and senior officers are responsible for implementing the governance arrangements and the framework is assessed on an annual basis to ensure ongoing effectiveness and compliance.

This statement also covers the organisations consolidated into the Council's Group Accounts, a list of which is included elsewhere in the Financial Statements.

The Council's governance framework

The Council's governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled. It also describes the way in which the Council engages with, accounts to and leads the community. It enables the Council to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The Council is responsible for reviewing and monitoring each element of the framework and providing evidence of compliance.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The Council's wider governance arrangements include:

- identifying and setting out the Council's priorities in the Business Plan to 2020 and in other policy statements agreed by the Council;
- monitoring of the achievement of objectives by the Council and senior officers;
- a systematic approach to managing strategic and operational performance at both officer and elected member levels which includes target setting and regular reporting to allow performance against the business plan to be assessed;
- clearly setting out the remits, functions and powers of committees and sub committees in a scheme of administration and allocating delegated powers to officers;
- Financial Regulations that specify relevant procedures and controls over budgeting, income, expenditure and financial performance;
- comprehensive budget and expenditure monitoring systems;
- clearly defined capital expenditure guidelines;
- a Monitoring Officer to ensure compliance with laws and regulations;

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- an Audit and Scrutiny Panel whose activities and core functions comply with relevant CIPFA standards for audit committees; and
- highlighting expected standards of behaviour in Codes of Conduct for elected members, chief officers and employees.

An additional element of the governance framework and a key part of the system of internal control is the Council's risk management arrangements which are designed to identify, assess, prioritise and mitigate risks to the achievement of the Council's priorities.

While these arrangements are designed to enable the Council to perform well, to manage risk effectively and to minimise any potential impacts on service delivery and the achievement of planned outcomes, it should be noted that corporate governance arrangements cannot eliminate all risk of failure to implement policies and achieve objectives and that any system of internal control provides reasonable, but not absolute, assurance.

Determining the authority's purpose, its vision for the local area and intended outcomes for the community

In December 2016 the Council's Business Plan to 2020 was approved by Elected Members. The priorities and supporting delivery model ensure an outcome focussed and integrated approach to service delivery through the five priorities:



The complexities and scale of change and challenge facing the Council are well documented with reducing budgets, growing demand for services and the need to continually improve efficiency and find innovative ways to protect frontline resources. To facilitate a corporate approach to addressing these, each member of the Core Corporate Management Team (Chief Executive and the four Assistant Chief Executives) leads on a priority and has been instrumental in developing and driving the supporting framework and programme of work which is outlined in the Business Plan.



Figure 1 - Improvement and Accountability Framework

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Reviewing the Council's performance management arrangements has facilitated a corporate focus on planning, performance, and improvement activities through the development of the Improvement and Accountability Framework. This was developed in line with the new approach to auditing Best Value, the statutory Public Performance Reporting Direction, and the 2016 CIPFA Good Governance principles. Completion of the planned work in line with the performance cycle reported to the Audit and Scrutiny Panel in April 2018, will ensure a focus on evidence that can demonstrate improvement.

Review of effectiveness

The Council's Head of Audit and Inspection has reviewed the effectiveness of the Council's governance arrangements and reported the results to the Audit and Scrutiny Panel.

The Internal Audit Section operates in accordance with the Public Sector Internal Audit Standards. The Section undertakes an annual work programme based on an agreed audit strategy and formal assessments of risk that are reviewed regularly. During 2017-18, the Head of Audit and Inspection reported directly to the Chief Executive with free access to elected members, and reported to the Audit and Scrutiny Panel in his own name.

A small number of audit assignments were reported during 2017-2018 which offered only 'limited assurance'. These included three reports on different aspects of the Council's new payroll and HR systems, reported to the Audit and Scrutiny Panel in October 2017, which identified significant weaknesses in a number of areas. In response to the issues identified, Internal Audit undertook early follow-up work to provide assurance as to the adequacy and effectiveness of management's responses to the earlier Internal Audit reports. The result of this follow-up work, which was reported to the Audit and Scrutiny Panel in April 2018, showed significant improvement in the robustness of relevant controls. Internal Audit will continue to monitor closely implementation of all agreed actions.

The Head of Audit and Inspection has provided an assurance statement on the effectiveness of the Council's system of governance, risk management and internal control, which was informed by:

- the results of the annual programme of work undertaken by Internal Audit;
- assessment of risk completed during the preparation of the 2017-18 and 2018-19 annual audit plans;
- his wider knowledge of the Council's corporate governance, risk management and performance management arrangements;
- the contents of certified assurances in relation to the general control environment provided by Assistant Chief Executives and those ALEOs and other related bodies whose financial transactions are consolidated into the Council's annual accounts;
- the result of reports received during 2017-2018 from Audit Scotland, the Council's appointed external auditors; and
- reports by other external review and statutory inspection agencies.

The Head of Audit and Inspection has concluded that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control systems in the year to 31 March 2018 but has qualified this opinion by highlighting the following issue.

Whilst good progress has been made and the Council continues to develop its Improvement and Accountability Framework, the Head of Audit and Inspection has highlighted the need to ensure that planned actions designed to further improve the Council's performance management arrangements are successfully implemented in 2018-19.

In accordance with recognised good practice, the Head of Business for Finance Solutions, the Council's chief financial officer, has provided the Chief Executive with a statement of the effectiveness of the Council's internal financial control system for the year ended 31 March 2018. It is the Head of Business for Finance Solutions' opinion that reasonable assurance can be placed upon its effectiveness and that the Council's financial arrangements conform to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in local government (2016).

Each of the Council's four Assistant Chief Executives also reviewed the governance arrangements for the areas under his/her control and certified their effectiveness to the Chief Executive. Similar arrangements are also in place for those arms-length organisations and other related bodies contained within the Group.

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The Council's Corporate Management Team has also considered the effectiveness of the Council's corporate governance arrangements and those matters which they consider require to be highlighted in this statement.

Current and future developments

In last year's Annual Governance statement, it was reported that the Head of Audit and Inspection had raised four significant issues in his 2016-17 Internal Audit Annual Report which had led to a qualified annual Internal Audit opinion. The matters highlighted were:

- The adequacy and effectiveness of the Council's project management arrangements;
- Contract management arrangements relating to corporate property;
- The Council's approach to transformational change; and
- The transitional nature of the Council's current performance management arrangements.

Internal Audit continued to monitor and review these issues during 2017-18 to assess whether management had addressed the concerns and updates on progress made in relation to each of these four issues is offered below.

Significant progress was made during 2017-18 in developing and rolling-out a new corporate approach to project management designed to ensure consistent and effective arrangements are in place across the Council. This exercise has also involved a significant training element to ensure all relevant staff are fully aware of their respective roles and responsibilities and the Council's procedures and expectations. The new project management methodology is now live and is being applied to all projects from 1 April 2018.

The Head of Audit and Inspection reported in October 2017 on follow-up work in relation to issues surrounding contract management previously identified as part of a wider investigation into allegations of fraud and corruption within the Council's corporate property function. The results of that follow-up work provided assurance that the significant management actions being progressed were appropriate and were being effectively implemented. Internal Audit has continued to meet regularly with management to monitor progress during 2017-18 and are satisfied that the control environment within this area has been significantly enhanced.

The Council's governance arrangements surrounding transformational change have also been developed significantly over the last 12 months and the Audit and Scrutiny Panel received a report in April 2018 from senior management on the corporate risk relating to strategic change which detailed a number of key developments in relevant governance arrangements and which reflected that this issue is now being managed on a more formal, structured and consistent basis.

The final issue raised last year related to the transitional nature of performance management arrangements in 2016-17 and the need to ensure that the proposed Improvement and Accountability Framework was successfully implemented. In a report to the Panel in February 2018, Internal Audit commented that the Council has in place and continues to seek to develop further a corporate framework for performance management and public performance reporting which is generally sound.

In their report, Internal Audit recommended that management need to give consideration to developing a formal performance reporting calendar clearly setting out at the start of the year what information is to be reported, when and to where and to ensure that the format, content and frequency of performance reports is periodically reviewed to ensure that they meet the needs and expectations of key stakeholders.

Management has set out detailed plans for further improvements including a detailed reporting calendar, and an in-depth review and challenge process which will take place shortly designed to ensure that the Council's performance management arrangements fully enable the Council to demonstrate short-term performance and the effective use of resources whilst also linking to the longer-term outputs and planned outcomes contained within the Council's Business Plan and Ambition reports and supporting effective ongoing challenge and scrutiny.

Previous years' statements have commented on the Council's risk management arrangements. During 2017-18 considerable work has been undertaken to ensure that these arrangements are adequate and effective. Management is satisfied that risk management continues to improve and is increasingly becoming embedded across the Council. In addition to risk management featuring at service and corporate management team meetings, updates, including detailed narrative in respect of the management of key corporate risks, are now also regularly provided to elected members on the Audit and Scrutiny Panel.

During 2017-18 work has continued to implement a structure and workforce model that reflects the financial settlement and enable further financial savings to be made. New and returning Elected Members in May 2017

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were presented with the challenging local government environment which is recognised as being unlike anything that has gone before and one that will continue to evolve at a pace.

The Council continues to face considerable challenges but remains focussed on the strategic priorities set out in the Business Plan. During 2017-18 Ambition reports were published setting the longer term vision and direction of the Council. A number of programmes of work aligned to the priorities are planned or underway including:

- Increasing economic regeneration.
- Digitising Council services.
- Integrating health and social care services.
- Creating a workforce for the future.
- Transforming our assets.
- Reviewing our approach to policy and practice across the Council.
- Reviewing housing management.
- Developing a delivery model which allows children and young people to access full educational provision to meet their individual needs.
- Developing a delivery model which supports parents and carers and builds resilient communities.

Key corporate projects have been progressed during 2017-18:

- The *NL Homes delivery plan*, which (in line with the Local Housing Strategy 2016-21) aims to increase the supply of affordable homes, facilitate and support delivery of new private housing, bring empty homes back into use, regenerate town centre areas, and identify opportunities to bring vacant properties back into use for residential accommodation.
- The *integration of health and social care* continued to develop, creating opportunities to help residents improve their own health and wellbeing and improve the quality and consistency of adult health and social care - especially for people with long-term conditions and disabilities, many of whom are elderly.
- The *Scottish Attainment Challenge*, which aims to close the poverty-related attainment gap by ensuring every child has the same opportunity to succeed.
- *City Deal*, which brings with it many opportunities in terms of economic growth and improved outcomes for communities. Benefits include investment in infrastructure, such as roads, technology, housing, and transport. There are also a number of challenges in that the project requires partnership working with a wide range of public and private partners and has complex governance arrangements.
- *Digital transformation*, which aims to move the Council to delivering services online. This will involve shifting the way that people interact with the Council towards more accessible online methods and delivering more efficient transactional activities. A key priority will be to ensure the changes in service delivery, systems, and processes are supported and attitudes across the Council and communities are managed.

To support the Council's governance arrangements a number of policies and plans have been developed:

- The Strategic Commissioning Plan, *Achieving Integration*, which highlights the priorities for action for health and social care. This is supported by a range of work streams outlining how the intentions of the Commissioning Plan will be delivered.
- The Local Outcome Improvement Plan which sets out the focus for the North Lanarkshire Partnership (NLP) to improve outcomes and tackle inequalities, particularly in communities that experience the poorest outcomes.
- The North Lanarkshire Children's Services Plan 2017-20 which has set out four clear priorities.
- The North Lanarkshire Community Justice Outcome Improvement Plan 2017-20.

A long-term financial plan (2018-19 to 2022-23) was approved in September 2017; this outlines assumptions underlying the longer term financial outlook and presents a range of scenarios which the Council may face as a result of the challenges. The plan also aims to ensure links between the long-term plan and the medium and immediate planning timeframes are maintained. It also identifies the principles to be adopted in the budget strategy in constructing future revenue budgets and aims to support delivery of the corporate priorities.

Moving forward, the delivery of local public services has never been more in the spotlight and strong and effective leadership is essential to ensure the right balance between the day-to-day business, achieving efficiencies, driving service improvements and managing and delivering large scale transformational change.

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In this respect, the Council has embarked on an ambitious programme that aims to take advantage of the opportunities that are before us and ensure the Council and partners have one common focus - improving life for people in North Lanarkshire's communities

The extract from the Council's work programme detailed above clearly shows that, in terms of performance and governance arrangements, the programme of work is clearly aligned with the Council priorities. The focus is now on improving the evidence base and progressing the Corporate Improvement plan which has been implemented following the self-evaluation exercise carried out by the CMT during 2017-18. Monitoring and reporting will be progressed as part of the 2018-19 performance arrangements.

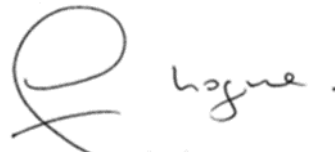
Management will continue to monitor implementation of all planned actions which have the potential to impact upon the adequacy and effectiveness of the Council's corporate governance arrangements.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of North Lanarkshire Council and its Group systems of governance. The annual review process has demonstrated sufficient evidence that the Council's corporate governance arrangements have operated effectively and the Council and its group companies comply with the relevant corporate governance principles in all significant respects.

A handwritten signature in black ink, appearing to read "Des Murray".

**Des Murray
Chief Executive**

A handwritten signature in black ink, appearing to read "Logue".

**Councillor James Logue
Council Leader**



Annual Accounts 2017/2018 Independent Auditor's Report

Independent auditor's report to the members of North Lanarkshire Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of North Lanarkshire Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council-only and group Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, Cash Flow Statements, the council-only Housing Revenue Account, Council Tax Income Statement, Non Domestic Rates Income Statement, Sundry Accounts Statement and notes to the financial statements, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

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

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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Independent Auditor's Report

- the Head of Business for Financial Solutions has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Head of Business for Financial Solutions and the Audit and Scrutiny Panel for the financial statements

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

In preparing the financial statements, the Head of Business for Financial Solutions is responsible for assessing the council'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 deemed inappropriate.

The Audit and Scrutiny Panel is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether

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there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

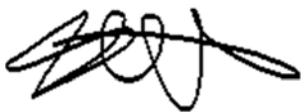
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
-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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.



Brian Howarth ACMA CGMA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

September 2018

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Glossary of Terms

Whilst much of the terminology used in this report is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses (Pensions)

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Associates

These are entities (other than a subsidiary or a joint venture) in which the Council has a participating interest or over whose operating and financial policies the Council is able to exercise significant influence.

Capital Adjustment Account

The Capital Adjustment Account represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital Financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, capital receipts and grants, and revenue funding.

Capital Receipt

The proceeds from the disposal of land or other non-current assets.

Capital Receipts Reserve

The Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years after setting aside the statutory amounts for the repayment of external loans.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are municipal parks.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

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Glossary of Terms

Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extinguishment

Extinguishment relates to financial liabilities and occurs when the Council's legal obligations end, either through the cancellation or expiry of the obligations or through payment being made to settle the amount owed by the Council.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account is a technical accounting presentation and is not available for distribution.

Heritage Asset

A tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

Infrastructure Assets

Non-current assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Inventories

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion

Joint Venture

An entity in which the Council has an interest on a long term basis and is jointly controlled by the Council and one or more entities under a contractual or other binding agreement.

Liability

A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Non Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

National Non Domestic Rates Pool

All non domestic rates collected by local authorities are remitted to the national pool and thereafter distributed to councils by the Scottish Government.

Operating Lease

A lease where the ownership of the non-current asset remains with the lessor.

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Glossary of Terms

Past Service Cost (Pensions)

For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Reserve

This represents the difference between accounting for pension costs in line with UK Accounting Standards and the funding of pension costs from taxation in line with statutory requirements and is equal to the change in the pension liability, i.e. the commitment to provide retirement benefits.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain to very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and above to Councils at interest rates only marginally higher than those at which the Government can borrow itself.

Rateable Value

The annual assumed rental of a hereditament, which is used for national non-domestic rates purposes.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Capital Adjustment Account and Revaluation Reserve cannot be used to meet current expenditure.

Subsidiary

An entity which the Council wholly or partly controls.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects.

This information can be made available in a range of languages and formats, including large print, braille, audio, electronic and accessible formats.

如果你需要用其他语言或者其他格式表示这些信息，请与我们联系以便讨论你的要求。

Jezeli potrzebujesz tą informację w innym języku lub formacie, proszę, skontaktuj się z nami, żeby przedyskutować Twoją potrzebę.

اگر آپ کو دوسری زبان میں یہ معلومات درکار ہو تو براہ مہربانی ہم سے مندرجہ ذیل پتہ پر رابطہ کریں

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