NORTH LANARKSHIRE COUNCIL

ANNUAL ACCOUNTS

2018/19

LIVE
LEARN
WORK
INVEST
VISIT

Front cover image : Hamilton Road, Motherwell

Photograph: Daniel Cusack, Corporate Finance, North Lanarkshire Council

Annual Accounts 2018/19
Contents

Introduction

North Lanarkshire is Scotland's fourth largest local authority area. It is ideally situated in the heart of Scotland with first-rate connectivity to the rest of Scotland, the UK and the world. As the fifth most densely populated council area, North Lanarkshire is divided into 21 wards which are represented by 77 elected members.

The Council is the main provider of services to the growing population of 339,960 residents and those who come to learn, work, invest and visit.

Background

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 2019. 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.

Both IFRS9 *Financial Instruments* and IFRS15 *Revenue Recognition from Contracts with Customers* have been adopted for financial year 2018/19. Neither have had a material impact on the financial position or reporting requirements of the Council.

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 have 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 £743.885m, and other corporate charges totalling £46.489m. These were funded by Taxation and Non-Specific Grant Income (including Council Tax, General Revenue Grant and Non Domestic Rates) of £762.606m. This resulted in an accounting deficit on the provision of services for the year of £27.768m.

Other net income not related to the provision of services totalling £167.459m was also accounted for, resulting in the Total Comprehensive Income and Expenditure for the year showing a surplus of £139.691m, a decrease of £230.811m from 2017/18, 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 £2.812m 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 £0.731m (page 16).

The net General Fund deficit for the year has been added to the surplus of £45.103m brought forward from 2017/18 resulting in an overall surplus of £44.372m (page 16) to be carried forward into 2019/20. This balance is represented by the carry forward of £31.008m of committed resources into 2019/20. A further £5.364m 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 the Council 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 in the Movement in Reserves Statement (page 16), with the Housing Revenue Account financial statements detailed on page 74. 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 2019 of £1.075m which has been added to the balance brought forward to enable a cumulative surplus of £12.927m to be carried forward within the Council's Usable Reserves. Of this surplus, some £8.007m has already been approved for specific purposes including temporary accommodation (£6.135m). Considering the approved £1.200m contingency reserve this leaves a current unallocated balance of £3.720m.

The opening 2018/19 equal pay provision included £0.150m in relation to the Housing Revenue Account. During the year a total of £0.217m claims were settled. Based on the number of outstanding claims as well as an estimate of employer pension contributions for those claims, the provision in respect of the Housing Revenue Account has been increased in total by £0.532 m and is included in the Comprehensive Income and Expenditure Statement. The revised provision relating to the Housing Revenue Account totals £0.465m.

Capital Account

Details of Capital Expenditure and Capital Financing are shown on page 66. Total gross expenditure for Housing and Composite Services amounted to £161.693m. This was funded as summarised below:

	£m
Sale of Council Assets	2.997
Contributions from Revenue Budgets	29.824
Capital Grants and Other Income	42.006
Loans Fund Advances	86.866
	161.693

The 2018/2019 loans fund advance of £86.866m was funded primarily from long term borrowing from the Public Works Loan Board (PWLB) and local authority loans, supported by a combination of internal cash balances/reserves and short term borrowing. Financial year 2018/19 was the first year of the Council's approved 5 year composite capital programme covering financial years 2018/19 to 2022/23.

Cash Flow Statement

The Council's cash and cash equivalent balance (detailed on page 18) increased by £30.061m during 2018/19. This represents a net cash inflow from operating activities of £77.995m, a net cash outflow in investing activities of £113.735m and a cash inflow from financing activities of £65.787m with a further non cash adjustment of £0.014m 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 2018/19 were approved by the Council on 26 February 2018. 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 2018/19 the approach to borrowing was in line with the approved strategy, the Council taking advantage of long term and temporary (short-term) borrowing available at attractive rates supplemented by internal cash balances, these resources being used to meet the principal repayments, daily revenue account requirements and the capital financing requirement. 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 IAS19 calculation (pages 56 to 61) for employers participating in the Strathclyde Pension Fund is based on a snapshot valuation as at 31 March 2019. 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 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 latest funding position as at 31 March 2017 is 105% compared to the previous triennial review positon at March 2014 of 94%. The improvement is explained as being 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 £496.406m 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 2019 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 increase in net liability of £189.093m reflects an increase of £116.425m in the estimated fair value of the fund's assets, as well as an increase of £305.518m 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.

Following the Council restructure, the changes to the Committee structure and Scheme of Administration, the performance reporting of ALEOs is now the responsibility of the relevant Service Committee. During 2018/19 the Council's oversight and management of ALEOs arrangements were broadly unchanged.

The previously approved ALEO review programme, covering the period 2016/17 to 2018/19 which aimed 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, is largely complete with the reviews of Routes to Work Ltd and North Lanarkshire Municipal Bank Ltd due to report in September 2019. During financial year 2018/19, the Council continued to progress with the actions from the earlier phases of the review programme. Key points to note are:

- The Council took the decision to merge North Lanarkshire Leisure Ltd and CultureNL Ltd with CultureNL as the retained entity. Work continued to ensure the integration takes place and all necessary due diligence requirements are adhered to. The written resolution changing the name of CultureNL Ltd to 'Culture and Leisure North Lanarkshire Ltd,' to reflect the wider remit and responsibility, has been approved with the formal transfer taken place on 21 June 2019;
- Fusion Assets Ltd and North Lanarkshire Properties Ltd were found to be delivering against the Council's expectations with a small number of improvement actions identified in each case which have now been addressed. However, in recognising the Council's wider ambitions for longer-term economic growth and The Plan for North Lanarkshire, further work will be undertaken to examine capacity and scope within the existing delivery vehicles to contribute effectively to the Council's ambitions and operate at the scale and pace of change required.;
- 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. During 2018/19 work continued to deliver the review outcomes and dissolution of the company, which is now anticipated to be finalised in 2019/20;

- Follow-up work to the review of Town Centre Activities Ltd confirmed that the charity's public space CCTV monitoring and town centre functions could be significantly impacted by the Council's town centre and housing re-provisioning ambitions, while development of Shopmobility was limited through the service operating outwith wider support services for older people and those with mobility needs. The Council therefore decided in September that in-house delivery of CCTV and town centre services provided greater opportunities for alignment with the Council's vision and ambitions, while the long term sustainability and development of Shopmobility would be more likely secured through a partnership approach with the voluntary sector. The relevant service transfers back to the Council took place on 29 March 2019. Shopmobility will transfer to The Health and Wellness Hub (a Scottish Charitable Incorporated Organisation) from 1 July 2019 following development work between the Council, TCA Ltd, VANL and the Community Capacity Building and Carers' Support Group. This identified potential opportunities to develop and expand the service through its co-location within a wider package of support services;
- The Year 8 Best Value Service Reviews of the Council's strategic partnership arrangements with MEARS Scotland LLP and Amey Public Services LLP both concluded in 2018/19. Council approved in May 2018 that the 10 year partnership with MEARS should continue to its scheduled end date of January 2021. Thereafter, in November 2018, Council noted the findings of the Amey review and identified the potential to extend this partnership for a further period of up to 3 years subject to satisfactory market testing of rates. The outcome of the market testing of the Amey strategic partnership's Schedule of Rates is due to be reported to Council later in the year.

With ALEO review activity complete, the Council will shift its emphasis in 2019/20 to focus on working with the ALEOs to identify where they can support The Plan for North Lanarkshire and the shared ambitions and develop appropriate performance monitoring and reporting arrangements within the Strategic Performance Framework.

Further detailed information on the Group performance, along with the summarised group financial statements, is available on pages 78 to 90. After consolidation the Group balance sheet shows net assets of £1,465.094m as at 31 March 2019, an increase of £92.792m on the single entity position, representing the Council's share of the net assets of these entities.

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.

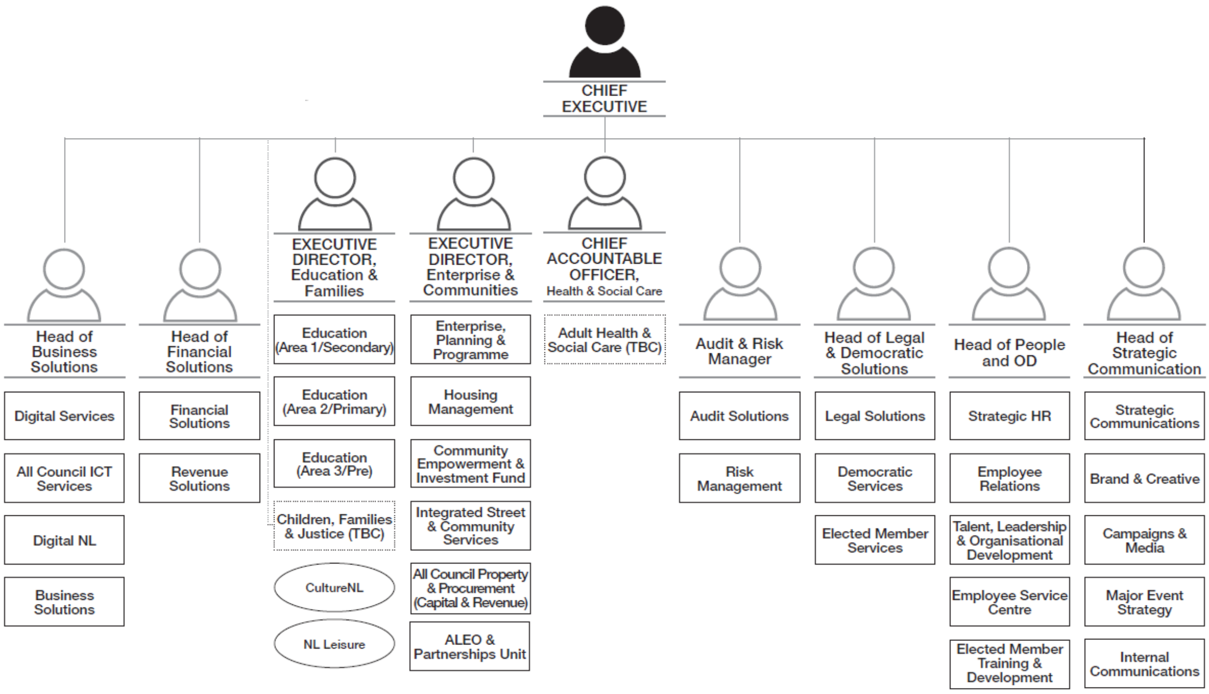
The total opening 2018/19 provision value of £10.250m comprised of £10.100m in relation to General Fund and £0.150m for HRA. Total claims paid out during 2018/19 equated to £3.317m in total. Following further review and quantification of likely values of claims in relation to previous non-claimants, and providing for the employers pension cost of those claims, the provision has been increased by £0.532m, all of which relates to HRA. The existing level of provision was also assessed and concluded to be a reasonable level to cover the expected pension cost for previously settled claims. Note 22 on page 53 provides the detail of the revised provision for Equal Pay of £7.465m.

Review of the Year

Council Structure

Des Murray was appointed as the Chief Executive of the Council in June 2018, formally taking up post in September 2018 after a transitional period with the former Chief Executive. Since taking up post, the new Chief Executive has implemented a new Council structure effective from 1 January 2019, however financial reporting remained under the old structure until 1 April 2019. The *We ASPIRE – A Shared Ambition for North Lanarkshire* report was approved by Policy & Resources Committee on 27 September 2018 and introduced a change to the Senior Management structure with a reduction to 2 Executive Directors for Education and Families and Enterprise and Communities in addition to the post of Chief Accountable Officer (Adult Health and Social Care). A number of divisions were also redirected to report directly to the Chief Executive.

The diagram shown overleaf illustrates the Council's functional structure.



Budget Setting and Monitoring

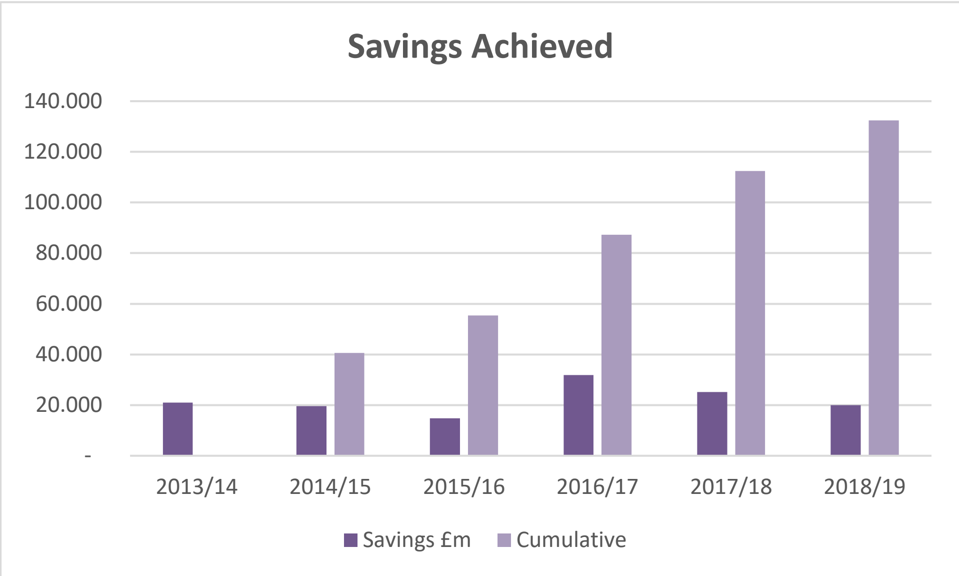
Councils are required, under Section 93 of the Local Government Finance Act 1992, to set a balanced budget each year. The starting point for determining the revenue budget is the base budget from the previous year, updated to take account of the financial planning implications identified through updates to the medium term financial plan, including assumptions in relation to: Employee and Other Cost Pressures; Strategic Priorities; and Directed Expenditure. 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 its General Fund Revenue Budget of £756.720m, including £20.017m of savings, on 23 February 2018. The 2018/19 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 surplus of £0.344m 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 2/2019), in the table below.

	Budget 2018/19 £m	Actual 2018/19 £m	(Under)/ Overspend £m
Education, Youth and Communities	413.201	410.213	(2.988)
Infrastructure	137.525	137.516	(0.009)
Chief Executive	31.832	30.159	(1.673)
Enterprise and Housing Resources	29.938	29.297	(0.641)
Social Work (Non-Integrated)	10.597	10.597	-
Social Work (Integrated)	168.631	168.631	-
HRA	0.000	(2.323)	(2.323)
Financing Costs & Other Budgetary Issues	(50.944)	(55.536)	(4.592)
Total Expenditure (Provisional Outturn)	**740.780**	**728.554**	**(12.226)**
Council Tax Income			**(0.446)**
(Surplus)/Deficit (Provisional Outturn)			**(12.672)**
Use of Earmarked Reserves			20.873
HRA Equal Pay Top Up			0.532
Other Departmental Movements & Use of Reserves			(1.867)
Draw Down from Capital Fund			(2.965)
Council Tax Income			0.373
SC21 re-profiling			(4.618)
Movement on General Fund and HRA Services			**(0.344)**

The movement from the provisional outturn position reported in May is primarily due to the re-profiling of Schools and Centres 21 (SC21) programme expenditure resulting in £4.618m underutilised loan charges in addition to slight differences in the anticipated use of Earmarked Reserves due to timing.

Financial Planning

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, rising cost pressures and complies with its statutory requirement to set a balanced budget whilst meeting the needs of local residents. A total of £132.430m budget savings have been achieved in the past six years.



For 2018/19, Services have achieved total savings of £15.586m against the approved target of £20.017m (78%) with the shortfall of £4.431m also fully achieved through alternative savings and management action. Of the total shortfall, £3.236m of the original approved savings are in place for achievement in 2019/20 with alternative savings/plans in place to achieve the small remaining balance of £1.195m during 2019/20.

The Council remains committed to long term financial planning and approved the Medium Term Financial Plan on 21 September 2017 covering financial years 2018/19 to 2022/23 with an update provided to committee in September 2018. 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 Financial Outlook update reports presented following the Scottish Budget announcement and confirmation of the Local Government Finance Settlement. In line with the new Strategic Policy Framework an overarching Financial Strategy has been developed, clearly setting out the framework for future decision making on the allocation of all available resources to ensure it is fully integrated with the principles of We Aspire and the Council Plan objectives and programme actions. This will include further development of the Council's strategic approach to budget setting and the identification of savings. It is recognised that the Medium Term Financial Plan will be key to the Financial Strategy and must ensure full alignment with strategic priorities, capital planning programmes and forecast changes in external factors.

The Council holds reserves as a contingency against unforeseen events as well as to ensure stability of cash flow management. The level of contingency remains at £8m as approved as part of the 2018/19 budget setting and this level continues to be considered appropriate.

Council Tax

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.

2017/18 saw the removal of the Council Tax freeze which commenced in 2008/09 allowing Local Authorities the opportunity to increase Council Tax by a maximum of 3%. It was agreed that the full 3% increase would be applied in 2018/19 generating potential additional income of £3.974m.

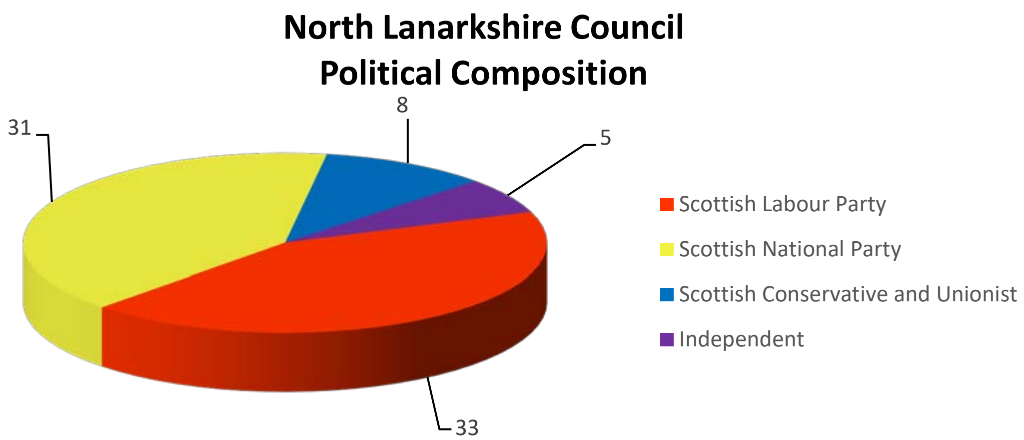
The Council Tax Income Statement for the year is provided on page 75 and provides the details of the calculation of the Council's Council Tax base and the charge per dwelling for each Council Tax Band.

Treasury Management

The Council's Treasury Management team is responsible for ensuring 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' is fully funded, 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 2018/19 this has resulted in a saving of £2.314m for the General Fund. In addition to this, the re-profiling of the SC21 financing has resulted in a further £4.618m saving.

Political Composition

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



Since the elections in May 2018, the Council is has been under the leadership of a minority Labour administration with Councillor James Logue appointed as Leader of the Council and Councillor Paul Kelly as the Depute Leader of the Council. In addition, Councillor Jean Jones is the appointed Provost and First Citizen of North Lanarkshire, and Councillor Tom Castles is 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 2018/19 to take account of Scottish Government redeterminations.

Revenue monitoring reports to the Finance and Organisational Business Sub-Committee/Finance and Resources 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 assisting with the financial planning for funding 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 2018/19, the Council was allocated £619.890m of general funding as follows:

- General Revenue Grant Funding (£497.346m): 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) (£104.339m): Collected locally but pooled centrally, the Council's share is determined by a distribution from the National Pool.

The Council also receives additional grants through the Local Government Finance Settlement for specific purposes including: Pupil Equity Fund (£8.835m); Criminal Justice Social Work (£6.018m); and Early Years Expansion (£3.247m). In addition, the Council receives grants out-with the settlement and these are disclosed within the accounts (Note 11, page 36).

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.

Capital Programme and Strategic Capital Delivery Group

The Council approved a new Composite 5 Year Capital Programme 2018/2019 to 2022/2023 at Policy and Resources Committee on 21 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 corporate objectives. 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 7 June 2018, allowing the Group to makes recommendations on and amendments to the approved 5 year Capital Programme, as required, with any amendments reported to Committees in line with agreed limits.

Capital Strategy

Following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017, there is a requirement for Councils to produce a Capital Strategy. The Capital Strategy to 2022/23 (the Strategy) represents a refresh of the Capital Investment Strategy 2005/18, further developing the previous approach in light of the new Prudential Code requirements.

The objective and aim of the Strategy is to ensure the Council takes capital expenditure and investment decisions in line with the Council's priorities, service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

The Strategy forms part of the Council's integrated approach to corporate resource planning which is included in the Council's overarching Financial Strategy, aligning with other Corporate Policies and Plans informing the capital investment process. It is a means of developing capital investment proposals up to 2022/23 based on available resources aligned to The Plan for North Lanarkshire, Best Value and Efficiency, the Financial Regulations, the Corporate Asset Management Plan, and the Medium Term Financial Plan established within the overarching Financial Strategy.

Strategy and Performance

During the course of 2018/19 the Council's business plan was superseded by The Plan for North Lanarkshire as the strategic plan not just for the Council but also for partners, stakeholders and most importantly for each of the unique communities and the people who live, learn, work, invest and visit within North Lanarkshire.

To deliver the shared ambition of inclusive growth and prosperity, work will be focused on 5 complementary priorities.

1. Improve economic opportunities and outcomes
2. Support all children and young people to realise their potential
3. Improve the health and wellbeing of our communities
4. Enhance participation capacity and empowerment across our communities
5. Improve North Lanarkshire's resource base

The Plan focusses on 25 Ambition Statements and is supported by a Programme of Work which provides a focus for activities and resources along with three supporting frameworks. The Strategic Policy Framework has been developed to regularly monitor and evaluate the range of supporting strategies, policies and plans to ensure work is continually aligned to facilitate delivery of the shared ambition. The Strategic Performance Framework has been created at three levels to enable monitoring of the Programme of Work. Level 1 is a suite of 28 Health Check indicators that collectively provide the North Lanarkshire Context. Level 2 comprises a suite of indicators and information to enable assessment of progress towards improving the priorities and ambitions. Finally, Level 3 comprises performance indicators that allow the quality, efficiency and effectiveness of day to day operations to be assessed.

The final Framework is the Strategic Self-Evaluation Framework which provides a regular schedule of self-evaluation which allows an assessment of the overall success of The Plan and supporting Programme of Work and facilitate a fully aligned approach to improvement.

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 Executives and Senior Managers (SOLACE), and uses a suite of performance measures which can be compared across all councils in Scotland. The 2018/19 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.

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.

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

Potential risks highlighted within the Corporate Risk Register currently include:

- Information Security and Information 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;
- Managing 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;
- Engagement and Consultation with Communities– 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;
- Financial Sustainability – 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.

The Council is currently refreshing its Corporate Risk Register to ensure that it fully reflects the objectives and ambitions contained within The Plan for North Lanarkshire, and the associated Programme of Work. Service risk registers are also subject to periodic monitoring and review.

The Plan for North Lanarkshire and the Programme of Work

The ambition statements in The Plan for North Lanarkshire were approved by Policy & Strategy committee in February 2019. Collectively the statements support the shared ambition which underpins the intentions of *We Aspire*. The Programme of Work sets out the requirements for the immediate future and the longer term changes envisaged in the role and shape of future public services in North Lanarkshire and its communities. The programmes of work are all appropriately focused on and aligned to achieve the shared ambition in the short, medium and long term.

As approved through the *We Aspire* report, a new integrated community programme (and associated fund) will leverage combined resources and expertise from all services and partners. The intent is to integrate all planning and investment activity, working in partnership across communities, to design how future services and assets will be delivered to support our shared ambition for North Lanarkshire. The *We As*pire report also references that this approach will support the development of a fully integrated plan to be created for each town and the surrounding communities. This will aim to bring together all development planning activity, enterprise, investment, and capital programme delivery to support the regeneration of our towns, communities (and their shared facilities), and homes.

Strategic Policy Framework Review

During 2018/19 a comprehensive review of all Council strategies, policies and plans was carried out. This review identified that across all Services there were 37 high level strategies and 44 high level policies and plans (excluding HR plans and Service operational plans). A mapping exercise to assess the strategic fit against the Council's business plan revealed that across the 81 documents there was duplications/overlap and gaps. Following consultation with Service Management Teams a *We Aspire – Strategic Policy Framework* was developed to resolve the highlighted issues. In the first instance the number of strategies and policies/plans has been reduced to 27 and review guidance has been developed to encourage standardisation across Services and ensure strategies, policies and plans are developed in an approved, relevant and consultative manner. The revised 27 strategies, polices and plans have been included in a programme for review and with expected reporting dates to Committee.

Community Investment Fund (CIF)

The development of the CIF will support the Council's aspiration to make North Lanarkshire the place to Live, Learn, Work, Invest and Visit, with a shared ambition for inclusive growth and prosperity for all. Investment linked to CIF will be targeted towards tackling the barriers to growth by unlocking the potential in the most deprived areas, breaking the cycle of poverty and opening up opportunities to create more equal communities.

The new investment, over and above the Council's core capital programme, will accelerate the delivery of ambitious plans for the community hub / integrated campus model and service delivery underpinned by community involvement and partnership whilst supporting the generation of future budget savings and supporting economic regeneration activity throughout North Lanarkshire.

The Council's approved budget for 2019/20 recognised the establishment of the CIF by confirming the commitment to set aside 1% of Council Tax increases from 2020/21 and setting aside £0.696m in revenue resources during 2019/20 to provide for initial capital investment of £14.000m.

Accounts Commission – Best Value Assurance Report

During 2018/19 the Council was subject to a statutory Best Value Audit prepared by Audit Scotland. The Council should demonstrate Best Value by showing continuous improvement in how services are delivered, with the pace and depth of the improvements indicating how well the Council will meet its priorities in the future.

In May 2019 Accounts Commission published their report acknowledging the progress that the Council had made since the previous Best Value report in 2008. It also recognised that the Council's vision for communities and businesses across North Lanarkshire is realistic, ambitious and achievable.

The Best Value Assurance Report highlights that:

- The Plan for North Lanarkshire is ambitious and clear and that realising this vision will lead to significant regeneration and change in North Lanarkshire, given it is an area with some acute socio-economic challenges.
- The new management and service restructure, effective working between elected members and officers, and performance management framework aligned with the Council's priorities outlined in its Plan for North Lanarkshire should be fully implemented.
- Integrating workforce planning across the organisation and developing workforce plans for all services, involving working with staff, should be progressed, to reflect the expected scale and pace of change inherent in the Council's objectives.
- Good progress has been made in services across the Council's priority areas, particularly in housing services and educational attainment.
- The Council's investment in digital in terms of transforming services as well as upskilling staff and communities and the benefits that will bring, has been recognised.
- Given the financial challenges facing the Council, robust financial management is evident.
- The Council works with partners and communities and that its new community engagement strategy across North Lanarkshire Partnership will be an essential element for partners to take forward the ambitions of their vision. The Council's integrated approach to working collaboratively with partners is acknowledged, and recommends that locality plans are completed, to fulfil their obligations under the Community Empowerment Act.
- The Council should better understand and learn from service user satisfaction information and ensure that good service performance information is easily accessible and communicated to people.

Club 365

The pioneering holiday programme providing free meals and activities to pupils was expanded to include weekend. Club 365 is for primary pupils who are entitled to free school meals and is aimed at tackling weekend and holiday hunger. As well as tasty meals, pupils also get to enjoy arts and crafts activities, multi-sports games and activities.

Looking Ahead

2019/20 Budget

The Council approved a composite General Fund Revenue budget of £780.729m for 2019/20 at a special meeting of the Council on the 21 February 2019. This included the use of £4.729m from General Fund reserves. At the same meeting the Council also approved a one-year savings target of £13.830m in addition to the savings from action previously identified of £13.236m, resulting in total savings for the year of £27.066m to support the overall budgeted financial position. In setting the 2019/20 budget, the Council decided to increase the rate of Council Tax by 3%, lower than the maximum allowable increase of 4.79% set by the Scottish Government. As previously highlighted £36.372m (including £5.364m surplus allocation) of the cumulative General Fund Surplus carried forward to 2019/20 is earmarked to fund specific future commitments:

2019/20 Earmarked Funds	**£m**	**£m**
Balances held by Schools under Devolved School Management	2.695	
Pupil Equity Fund	2.036	
Change Management Fund	5.364	
City Deal	1.491	
Family Firm	0.492	
Digitisation	9.900	
Revenue Budget Support	4.729	
Scottish Attainment Challenge	0.155	
Dilapidations	0.750	
One Off Costs of Budget Savings/Restructure Costs	3.550	
Business Gateway Contract	1.222	
ESF Match Funding	0.697	
Other Earmarked Funds	3.291	36.372
Contingency Reserve		**8.000**
General Fund Surplus as at 31 March 2019		**44.372**

Revenue Resources Budget Strategy

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. However, the Council recognises that setting a one year budget based around short term savings options is becoming increasingly difficult. Single year financial settlements from Scottish Government and resulting one year budgets have limited the Council's ability to plan ahead and have resulted in an approach to developing options which are focussed on the savings required annually to close the budget gap. Preparation of a budget covering a longer term will facilitate effective future planning but will require a radically different approach to the current revenue budget process.

In setting the budget for 2019/20, all services were allocated a "target" based on the anticipated budget gap and came forward with a number of savings options which were then presented to political groups for consideration. Recent approaches to budget setting have been successful in that they have resulted in robust budgets and savings plans which have been delivered by the Council. In addition, improvements to the process in recent years have resulted in elected member involvement at an earlier stage and closer working between political groups and Council officers.

Audit Scotland has commented positively on financial management arrangements already in place within North Lanarkshire Council. However, the scale and pace of change within the Council provides an ideal opportunity to develop more strategic, longer term approach to revenue budgeting whilst giving assurances over deliverability of the Plan for North Lanarkshire. In December 2018, the Scottish Government committed to providing three year local government funding settlements from 2020/21. This will assist the Council to develop plans over an extended period with more confidence over future funding levels.

The key principles for the Revenue Resources Budget Strategy were approved by the Policy and Strategy Committee on 6 June 2019. These principles will help strengthen the existing arrangements and build upon achievements of previous budget processes. The Revenue Resources Budget Strategy will be developed during 2019/20 with the aim of producing a three year Revenue Budget for the period 2020/21 to 2022/23.

DigitalNL

The full business case for DigitalNL was approved by the Policy & Strategy Committee in March 2019. The DigitalNL Programme presents a significant opportunity for the Council to use technological advancement such as ultra-fast broadband, artificial intelligence and next generation smart devices to redesign services around the needs of our communities and businesses. The Council will take forward the following complementary and interdependent projects:

1. Digital Economy and Place – stimulating economic growth through digital investment
2. Digital Council Transformation – establishing NL as a smart digital council

This is a Transformation Programme which supports the delivery of the Plan for North Lanarkshire. DigitalNL will achieve three key aspirations: the digitisation of Council services, upskilling staff and residents, and stimulating economic growth. This will mean significant changes in the way the Council delivers services, connects with communities and enables businesses. Digital NL will play a key role in developing community hubs which the Council plans to deliver integrated services from, replacing non-viable assets with accessible multi-purpose buildings and delivering a range of facilities and supports unique to, and meeting the needs of, each community.

The Council will support technological innovation and find new ways to deliver services at the lowest possible cost and in ways that are designed around outcomes and people, not around internal structures. This will change the existing ways of working and adopt new digital technologies providing digital services at a time and place that suits customers.

Housing Investment

The Council has approved an ambitious five year investment plan of £253m to deliver significant improvements to Council homes, benefiting tenants by cutting energy costs and making their homes more comfortable to live in. The investment will cover the replacement of all kitchen and bathrooms by 2021 and the delivery of more energy efficient heating. The programme reaffirms the Councils commitment to maintaining the Scottish Housing Quality Standard and sets out the Council's long term investment plans for housing stock:

- £21m for the improvement of energy efficiency in homes including replacing older boilers, radiators and pipework and move towards carbon technologies. In addition the investment will cover the roll out of a window and door replacement programme, fitting modern double glazed energy efficient systems.
- £14m allocated to major repairs and re-roofing.
- £0.5m set aside for security entry systems and lead pipe removal.

Meanwhile the Tower Strategy refurbishment and investment continues. With the programme of inspection and repairs currently being progressed to take forward all identified areas reflecting on the age, construction and condition of the towers in addition to approved plans to install sprinkler systems in all towers to further enhance safety.

Ravenscraig Infrastructure Access Project

Glasgow City Region cabinet approved revised plans for the Ravenscraig Infrastructure Access (RIA) project allowing City Deal funding to be reprioritised to support it. City Deal funding will now be focussed on the RIA project as part of the wider Pan Lanarkshire Orbital Corridor which will see new and upgraded roads from the M74 at Motherwell, through Ravenscraig to the M8 at Eurocentral, and onward past Airdrie on a new link road to the A73 south of Cumbernauld. As a result it is expected to create 6,500 jobs and generate £360m per year for the local economy.

Key Challenges and Pressures Facing Local Government

It is important that the Council recognises the key challenges and pressures facing public services and specifically Local Government. These challenges and pressures include:

- Continuing to provide priority services against a backdrop of reducing core funding
- Potential impact of Brexit
- Potential changes to the funding landscape due to local tax reform
- Implementation of legislative and policy changes
- Changing prioritisation of Central Government
- Fairer Scotland Duty
- Delivering transformation and digital services
- Environmental Management services
- Support for those not in work
- Demographic changes
- Continuing to ensure the Council develops the workforce for the future
- Inflationary pressures
- Expansion of Early Learning and Childcare

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 103 to 107 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.

Elaine Kemp CPFA	**Des Murray**	**Councillor James Logue**
Head of Financial Solutions	**Chief Executive**	**Council Leader**

Annual Accounts 2018/19
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.

2017/18 Restated Gross Expenditure £000	2017/18 Restated Gross Income £000	2017/18 Restated Net Expenditure £000		Note	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
420,199	(28,741)	391,458	Education, Youth and Communities		429,058	(33,259)	395,799
234,559	(132,985)	101,574	Infrastructure		226,337	(119,424)	106,913
12,731	(3,674)	9,057	Chief Executive		11,601	(2,107)	9,494
29,233	(8,492)	20,741	Enterprise & Housing Resources		31,997	(10,878)	21,119
180,064	-	180,064	Social Work (Non-Integrated)		180,685	-	180,685
226,628	(217,533)	9,095	Social Work (Integrated)		242,639	(234,016)	8,623
14,306	-	14,306	Joint Boards		13,785	-	13,785
63,334	(126,167)	(62,833)	Housing Revenue Account		103,675	(132,028)	(28,353)
20,437	-	20,437	Non Service-Specific Costs		35,820	-	35,820
1,201,491	**(517,592)**	**683,899**	**Net Cost of Services**		**1,275,597**	**(531,712)**	**743,885**
-	(2,616)	(2,616)	Other Operating Expenditure	8	-	(614)	(614)
106,328	(49,217)	57,111	Financing and Investment Income and Expenditure	9	100,870	(53,767)	47,103
-	(757,926)	(757,926)	Taxation and Non-specific Grant Income	10,11	-	(762,606)	(762,606)
		(19,532)	**(Surplus) or Deficit on the Provision of Services**				**27,768**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		1,746	(Surplus) or deficit on the revaluation of non current assets	28			(289,860)
		(352,716)	Re-measurement of the net defined benefit liability	26			122,401
		(350,970)	**Other Comprehensive Income and Expenditure**				**(167,459)**
		(370,502)	**Total Comprehensive Income and Expenditure**				**(139,691)**

Annual Accounts 2018/19
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 2018			31 March 2019	
£000		Note	£000	£000
	Property, Plant and Equipment	13,14		
941,744	Council Dwellings		1,005,069	
1,087,516	Other Land and Buildings		1,379,824	
37,639	Vehicles, Plant and Equipment		42,519	
258,340	Infrastructure Assets		265,120	
10,496	Community Assets		10,955	
17,648	Surplus Assets		16,885	
48,267	Assets Under Construction		57,710	2,778,082
1,868	Long Term Debtors	15		2,539
1,212	Long Term Investments	16		1,316
2,404,730	**Long-Term Assets**			**2,781,937**
57	Short Term Investments	16	63	
5,100	Assets Held for Sale	17	-	
1,531	Inventories	18	1,395	
81,933	Short-Term Debtors (net of impairment)	19	83,051	
27,844	Cash and Cash Equivalents	20	57,905	
116,465	**Current Assets**			**142,414**
(206,829)	Short-Term Borrowing	16	(220,579)	
(188,448)	Short-Term Creditors	21	(200,022)	
(11,183)	Short-Term Provisions	22	(8,033)	
(5,324)	Short-Term Finance Lease Liabilities	16,24,25	(5,627)	
(411,784)	**Current Liabilities**			**(434,261)**
(422,325)	Long-Term Borrowing	16	(479,958)	
(470)	Long-Term Provisions	22	(358)	
(146,692)	Other Long-Term Liabilities (Finance Leases)	16,24,25	(141,066)	
(307,313)	Other Long-Term Liabilities (Pensions)	26	(496,406)	
(876,800)	**Long-Term Liabilities**			**(1,117,788)**
1,232,611	**Net Assets**			**1,372,302**
	Usable Reserves			
45,103	General Fund Reserve		44,372	
11,852	Housing Revenue Account Balance		12,927	
3,540	Capital Grants Unapplied Accounts		9,329	
2,965	Capital Fund		4,506	
15,118	Insurance Fund		16,674	
533	Repairs and Renewals Fund	27	599	
79,111	**Total Usable Reserves**			**88,407**
1,153,500	**Unusable Reserves**	28		**1,283,895**
1,232,611	**Total Reserves**			**1,372,302**

The unaudited accounts were issued on 27 June 2019 and the audited accounts were authorised for issue on 25th September 2019.

EKemp

Elaine Kemp, CPFA
Head of Financial Solutions
25 September 2019

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 2019

	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 2018	**45,103**	**11,852**	**2,965**	**533**	**15,118**	**-**	**3,540**	**1,153,500**	**1,232,611**
Movement in Reserves during 2018/19									
Surplus / (Deficit) on Provision of Services	(49,287)	21,519	-	-	-	-	-	-	(27,768)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	167,459	167,459
Total Comprehensive Income and Expenditure	**(49,287)**	**21,519**	**-**	**-**	**-**	**-**	**-**	**167,459**	**139,691**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 31)	44,401	(17,632)	-	-	-	4,506	5,789	(37,064)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	**(4,886)**	**3,887**	**-**	**-**	**-**	**4,506**	**5,789**	**130,395**	**139,691**
Transfers to and from Other Statutory Reserves (Note 32)	4,155	(2,812)	1,541	66	1,556	(4,506)	-	-	-
Increase / (Decrease) in the Year	**(731)**	**1,075**	**1,541**	**66**	**1,556**	**-**	**5,789**	**130,395**	**139,691**
Balance at 31 March 2019 Carried Forward	**44,372**	**12,927**	**4,506**	**599**	**16,674**	**-**	**9,329**	**1,283,895**	**1,372,302**

Restated Comparative Figures for 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 2017/18									
Surplus / (Deficit) on Provision of Services	(46,153)	65,685	-	-	-	-	-	-	19,532
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	350,970	350,970
Total Comprehensive Income and Expenditure	**(46,153)**	**65,685**	**-**	**-**	**-**	**-**	**-**	**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 / (Decrease) before Transfers to Other Statutory Reserves	**(12,364)**	**5,828**	**-**	**-**	**-**	**2,965**	**(787)**	**374,860**	**370,502**
Transfers to and from Other Statutory Reserves (Note 32)	744	(2,220)	2,965	67	1,409	(2,965)	-	-	-
Increase / (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**

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.

2017/18			2018/19	
£000		Note	£000	£000
	OPERATING ACTIVITIES			
	Cash Inflows:			
61,694	Rents (after rebates)		67,323	
108,001	Council Tax receipts		113,418	
485,511	Revenue Support Grant		496,237	
104,110	DWP grants for Housing Benefits		103,653	
116,022	Non Domestic Rates Receipts		108,820	
33,666	Other government grants		43,713	
34,700	Cash received for goods and services		20,224	
61,053	Other operating cash receipts		62,538	
162	Interest received		329	
1,004,919				1,016,255
	Cash Outflows:			
(487,564)	Cash paid to and on behalf of employees		(494,114)	
(345,726)	Other operating cash payments		(352,136)	
(47,977)	Housing Benefit paid out		(43,650)	
(13,162)	Precepts paid		(13,557)	
(35,263)	Interest Paid		(34,803)	
(929,692)				(938,260)
75,227	**Net Cash Inflow / (Outflow) from Operating Activities**	33		**77,995**
	INVESTING ACTIVITIES			
	Cash Inflows:			
12,344	Sale of non-current assets		7,503	
55,728	Capital grants received		47,856	
295	Other capital cash receipts		1,601	
-	Proceeds from Investments redeemed		8	
68,367				**56,968**
	Cash Outflows:			
(130,334)	Purchase of non-current assets			(170,596)
(346)	Long- term Investments			-
-	Investment in Subsidiary			(107)
(62,313)	**Net Cash Inflow / (Outflow) from Investing Activities**			**(113,735)**
12,914	**Net Cash Inflow / (Outflow) before Financing Activities**	34		**(35,740)**
	FINANCING ACTIVITIES			
	Cash Inflows:			
206,500	New Loans Raised			397,998
	Cash Outflows:			
(208,450)	Repayments of amounts borrowed		(326,887)	
(4,969)	Capital payments of finance leases		(5,324)	
(213,419)				(332,211)
(6,919)	**Net Cash Inflow / (Outflow) from Financing Activities**	34		**65,787**
5,995	**Net Increase / (Decrease) in cash and cash equivalents**	34		**30,047**
21,842	**Cash and Cash Equivalents at the beginning of the year**	34		**27,844**
7	Increase / (Decrease) Non-cash in cash equivalents	34		14
27,844	**Cash and Cash Equivalents at the end of the year**	34		**57,905**

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014; Section 12 of the Local Government in Scotland Act 2003 requires these to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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, 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 where 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;
- 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
- 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 and 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.

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 (IFRS13)
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 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 2019.

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	No depreciation on 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.

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.

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

IAS17 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 the impairment of its financial assets measured at amortised cost and those measured at fair value through other comprehensive income, the Council adopts the requirements of IFRS9 Financial Instruments in assessing expected credit losses and accounting for impairment. One of the objectives of this standard is the principle of applying impairment to financial assets which are part of a business model that includes contractual cashflows. Impairment losses are calculated to reflect the expectation that the future cashflows might not take place because the borrower could default on the obligations.

The level of credit risk is assessed to identify the credit losses particularly where risk has increased significantly since initial recognition. Credit loss in relation to a financial instrument represents cash shortfalls measured by the difference between the net present value of all contractual cashflows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cashflows the Council expects to receive discounted at the original effective interest rate. Losses are measured in one of three ways:

- Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument;
- 12-month expected credit losses: the portion of lifetime expected credit losses that represent the losses that result from default events that are possible within the next financial year;
- Cumulative changes in lifetime expected credit losses since initial recognition: the change in lifetime credit losses (positive or negative) over those that were included in the estimated cashflows on initial recognition.

The Council also consider impairment allowances for instruments which are not financial assets i.e. loan commitments and financial guarantees.

The Council has adopted the simplified approach for trade receivables and house rent receivables under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition and the possibility that the appropriate measure should be 12-month expected credit losses.

During 2018/19 the Council has assessed the impact of adopting the full accounting treatment for expected credit losses, and on the grounds of materiality, has decided not to recognise expected credit losses on financial assets excluding trade receivables which were subject to a separate assessment in the Comprehensive Income and Expenditure Account and accordingly has not adjusted the carrying amount per the Balance Sheet which represents the gross amortised cost of the financial asset.

For Trade Receivables the Council carried out a lifetime credit loss assessment in 2018/19 and has accounted for impairment losses within the Comprehensive Income and Expenditure Account and accordingly has adjusted the carrying amount for short term debtors amount in the Balance Sheet.

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.

Where the Council considers 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 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.

Subject to the exception below, 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.

For Soft Loans made to a Subsidiary, the Council in respect of notional losses associated with these soft loans, i.e. the write down to fair value, has accounted for the loss but has not taken it to the Surplus or Deficit on the Provision of Services but treated this as an additional investment by the Council in its subsidiary. The difference between the loan amount and the fair value of the loan has been included within long term investments in the Council's single entity financial statements.

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

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.

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.

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 and Financial Assets are carried at amortised cost in the Balance Sheet unless otherwise stated. In the event the Financial Asset does not meet the criteria to be shown at amortised cost, it will be shown as fair value through profit and loss or if a qualifying asset, as fair value through other comprehensive income. Fair Value at amortised cost, ignoring impairment, 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.

In accordance with IFRS9 Financial Instruments, in 2018/19, the Council adopted fair value at amortised cost where cashflows were solely payments of principal and interest and the Council’s business model was to collect those cashflows.

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 and financial assets.

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 32 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 reserve 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.

Pension Reserve

The Pension Reserve arises from the IAS9 *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 2019.

The Council applies IAS19 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 (annual leave only) 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 Public Pensions Agency
- 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, 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 2.4%. 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 IAS17 *Financial Instruments: Recognition and Measurement* and IFRIC 12 *Service Concession Arrangements*;
- 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.

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 HMRC while the majority of VAT paid is recoverable from HMRC. 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 HMRC.

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.

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.

	2017/18 Restated				2018/19	
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 2.2)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 2.2)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
363,336	28,122	391,458	Education, Youth and Communities	378,157	17,642	395,799
85,518	16,056	101,574	Infrastructure	88,510	18,403	106,913
8,875	182	9,057	Chief Executive	8,164	1,330	9,494
17,689	3,052	20,741	Enterprise & Housing Resources	15,682	5,437	21,119
178,793	1,271	180,064	Social Work (Non-Integrated)	178,762	1,923	180,685
(210)	9,305	9,095	Social Work (Integrated)	(3,076)	11,699	8,623
14,306	-	14,306	Joint Boards	13,785	-	13,785
(15,796)	(47,037)	(62,833)	Housing Revenue Account	(14,996)	(13,357)	(28,353)
18,971	1,466	20,437	Non Service-Specific Costs	11,311	24,509	35,820
671,482	**12,417**	**683,899**	**Net Cost of Services**	**676,299**	**67,586**	**743,885**
(663,938)	(38,485)	(703,431)	Other Income and Expenditure	(675,299)	(40,818)	(716,117)
6,536	**(26,068)**	**(19,532)**	**(Surplus) or Deficit on the Provision of Services**	**1,000**	**26,768**	**27,768**
(64,967)			**Opening General Fund and HRA Balance**	**(56,955)**		
6,536			Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	1,000		
1,476			Transfers to/(from) other statutory reserves	(1,343)		
(56,955)			**Closing General Fund and HRA Balance at 31 March***	**(57,298)**		

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

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

2018/19	Adjustments for Capital Purposes[1]	Net Change for the Pensions Adjustments[2]	Other Differences[3]	Total Adjustments
Education, Youth and Communities	9,719	7,865	58	17,642
Infrastructure	8,860	8,905	638	18,403
Chief Executives	(619)	1,836	114	1,331
Enterprise & Housing Resources	2,136	3,154	147	5,437
Social Work (Non-Integrated)	1,923	-	-	1,923
Social Work (Integrated)	-	11,139	560	11,699
Joint Boards	-	-	-	-
HRA	(13,434)	-	77	(13,357)
Other segments	-	24,509	-	24,509
Net Cost of Services	**8,585**	**57,408**	**1,594**	**67,587**
Other Income and Expenditure	(48,409)	9,284	(1,693)	(40,818)
Surplus or Deficit	**(39,824)**	**66,692**	**(99)**	**26,769**

2017/18	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 (Non-Integrated)	1,293	16	(38)	1,271
Social Work (Integrated)	-	10,595	(1,290)	9,305
Joint Boards	-	-	-	-
HRA	(46,867)	-	(170)	(47,037)
Other segments	-	1,466	-	1,466
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)**

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 IAS19 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:

- **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 IFRS16 Leases with effect from 1 April 2020. Implementation was previously expected to take effect from 1 April 2019, however, following decisions taken at the meeting of the government's Financial Reporting Advisory Board (FRAB) on 22 November 2018 to defer implementation for the majority of rest of the public sector, CIPFA/LASAAC has agreed to delay implementation until 1 April 2020 to avoid additional work load from Whole of Government Accounts data collection processes. The Council will continue to review 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £3.833m for every year that useful lives had to be reduced.
Fair Value Measurement	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. 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). 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.	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 16.2.
Provisions	The Council has a total provision of £7.465m for the settlement of Equal Pay claims, based on the number of claims received.	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.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which 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.	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 £2.366m.
Arrears	At 31 March 2019, the Council had a balance of sundry debtors of £59.612m. A review of balances suggested that an allowance for doubtful debts of £6.055m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £0.606m to be set aside as an allowance.

6. Events After the Balance Sheet Date

The Head of Financial Solutions issued the unaudited Statement of Accounts on 27 June 2019.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgement (McCloud judgement) that the transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. Specifically, the Supreme Court found that those too far away from retirement age to qualify for 'transitional protection' have been unfairly discriminated against.

This means that the government has accepted that there will be a potential increase in scheme liabilities, and this will be informed in due course by the Employment Tribunal consideration of remedies. There is an expectation that the effect of this judgement will apply across public sector pension schemes. The Supreme Court decision is viewed as a post balance sheet event that requires recognition, and appropriate adjustment.

Consequently, North Lanarkshire Council obtained actuarial estimates for the potential effect of this ruling, and these have now been included within the overall pension scheme liabilities.

There have been no other 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

The figures for 2017/18 have been restated to reflect a change in presentation as a result of a change of internal reporting arrangements, along with a number of minor adjustments. Details of these restatements set out in the table below. It should be noted that these restatements do not have an impact on the Surplus or Deficit on the Provision of Services, nor on the closing General Fund and HRA Balance as at 31st March 2018.

Restatement	Reason	Amount £000	Statements Affected
Reclassification of Council contribution to Integration Joint Board from Integrated to Non-Integrated	Reclassification to reflect amended internal reporting arrangements	167,578	Comprehensive Income and Expenditure Statement (CIES)
Grant income restated in relation to: Pupil Equity Fund, 1140 Hours Early Years, Skills Development Scotland and Scottish Employment Recruitment Incentives.	Grants omitted from note 11 in error	10,863	Note 11 - Grant Income
Removal of cost to increase provision for doubtful debt from service expenditure and addition of impairment of financial assets within Financing and Investment Income and Expenditure	In line with changes required due to implementation of IFRS9	5,234	CIES, HRA Statement Also reflected in Note 2 - Expenditure and Funding Analysis (EFA), and Note 9 - Financing and Investment Income and Expenditure
Increases in Financial Asset at Amortised Cost for Principal Amount, Carrying Amount and Fair Value Amount	Reclassified balance omitted from note 16.2 in error	1,483	Note 16.2 within Financial Instruments section
Revised treatment of accrual of Discretionary Housing Payment income from service income to General Revenue Grant	Income incorrectly shown within service income	1,008	CIES, EFA, Note 10 - Taxation and Non-Specific Grant Incomes, Note 11 - Grant Income
Reclassification of the cost of unlet properties as reduced income (previously in expenditure) within HRA	Inconsistent treatment between HRA statement and CIES	846	CIES
Reclassification of capital grants from contributions credited to CIES applied to capital financing to Net transfer to Capital Grants Unapplied Account	Incorrect treatment of Capital Grants unapplied	787	Note 28.2 - Capital Adjustment Account
Recognition of HRA share of contribution to Insurance Fund	To properly reflect contribution made by HRA to insurance fund	575	CIES, Movement in Reserves Statement (MIRS), HRA Statement Also reflected in Note 2, EFA, and Note 32 - Transfers to/from Statutory Reserves

7.2. Group Accounts Restatement

Following a review of the Group consolidation process a number of amendments were made to restate the 2017/18 Group Financial Statements. The restatements reflect the final 2017/18 audited accounts of the Group Entities along-with the impact of the restated single entity Related Party Note. This has resulted in a net increase to the Group Balance Sheet of £0.770m, increasing the uplift to the single entity position for 2017/18 to £98.746m; the Group Comprehensive Income and Expenditure Statement surplus has increased by £0.786m; the Group Cash

Flow Statement cash position has reduced by £2.586m. The various adjustments have been reflected in the Group Movement in Reserves Statement and associated notes to the Group Accounts.

8. Other Operating Expenditure

	2017/18	2018/19
	£000	£000
(Gains) or losses on disposal of non-current assets	(2,616)	(614)
Total	**(2,616)**	**(614)**

9. Financing and Investment Income and Expenditure

	2017/18		2018/19	
	Expenditure	Income	Expenditure	Income
	£000	£000	£000	£000
Interest Payable and similar charges	36,350	-	35,828	-
Pensions interest income on plan assets	-	(48,243)	-	(52,398)
Pension interest cost on defined benefit obligation	64,552	-	61,468	-
Interest receivable and similar income		(515)		(800)
Surpluses on Trading Undertaking not included in Net Cost of Services	192	(336)	214	(452)
Financial Guarantee	-	(123)		(117)
Impairment of Financial Assets	5,234		3,360	
Total	**106,328**	**(49,217)**	**100,870**	**(53,767)**

10. Taxation and Non-Specific Grant Incomes

	2017/18	2018/19
	£000	£000
Income from Council Tax	(108,198)	(113,126)
Distribution from Non-Domestic Rates pool	(114,474)	(104,339)
General Revenue Grant	(484,579)	(497,346)
Recognised capital grants and contributions	(50,675)	(47,795)
Total	**(757,926)**	**(762,606)**

11. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement

	2017/18 Restated	2018/19
	£000	£000
Credited to Comprehensive Income and Expenditure Statement		
General Revenue Grant	484,579	497,346
Distribution from Non-Domestic Rates pool	114,474	104,339
Capital - Scottish Government General Grant	33,326	29,763
Capital - Scottish Government Other Grants	14,622	16,023
Capital – Other Grants	2,628	2,009
Total	**649,629**	**649,480**
Credited to Services		
Housing Benefit	108,075	99,297
Pupil Equity Fund	8,872	8,835
Scottish Attainment Challenge	6,169	6,811
Offenders / Criminal Justice Grant	6,691	6,619
1140 Hours Early Years	1,297	5,296
Home Energy Efficiency Programme	1,423	3,393
Scotland's Schools for the Future	2,547	2,630
European Social Fund	2,159	2,116
Education Maintenance Allowance	1,212	1,195
Vacant and Derelict Land Fund	659	947
Skills Development Scotland	537	915
Physical Education, Physical Activity & Sport	780	810
City Deal	131	770
CPP/RTW European Funding	1,049	586
Funding for Winter 2018	-	438
Gaelic Education	448	414
Youth Music Initiative	400	401
Syrian Vulnerable Persons Relocation Scheme	315	279
Fleet	188	178
Opportunities For All	248	174
Scottish Employment Recruitment Incentives	158	165
Protective Services	-	111
Air Quality	73	111
Vehicle Emission Testing	153	103
Other Miscellaneous Grants and Contributions	293	541
Total	**143,877**	**143,135**

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 2018/19 the Council collected and paid over £50.366m (2017/18 £48.853m) and received £1.153m (2017/18 £1.153m) for providing this service.

13. Property, Plant and Equipment

13.1. Movement on Balances in 2018/19

	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 2018	**941,744**	**1,230 ,448**	**62,471**	**416,030**	**10,496**	**17,742**	**48,267**	**2,727,198**
Additions in year	66,475	21,664	11,028	16,551	459	-	45,516	**161,693**
Disposals in year	(257)	(924)	-	-	-	(744)	-	**(1,925)**
Revaluation and impairment adjustments to revaluation reserve	-	290,585	-	-	-	-	-	**290,585**
Revaluation and impairments adjustments to CIES	-	(82,458)	-	-	-	-	-	**(82,458)**
Transfer to/ from AUC	20,696	9,390	1,046	4,941	-	-	(36,073)	**-**
Transfer to assets held for sale		-	-	-	-	-	-	**-**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2019	**1,028,658**	**1,468,705**	**74,545**	**437,522**	**10,955**	**16,998**	**57,710**	**3,095,093**
Depreciation								
At 1 April 2018	**-**	**142,934**	**24,832**	**157,689**	**-**	**93**	**-**	**325,548**
Depreciation charge for the year	23,589	54,739	7,194	14,713	-	20	-	**100,255**
Revaluation and impairment adjustments to revaluation reserve	-	(109,381)	-	-	-	-	-	**(109,381)**
Revaluation and impairments adjustments to CIES	-	725	-	-	-	-	-	**725**
On disposals	-	(136)	-	-	-	-	-	**(136)**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2019	**23,589**	**88,881**	**32,026**	**172,402**	**-**	**113**	**-**	**317,011**
Net Book Value								
At 31 March 2019	**1,005,069**	**1,379,824**	**42,519**	**265,120**	**10,955**	**16,885**	**57,710**	**2,778,082**
At 31 March 2018	**941,744**	**1,087,516**	**37,639**	**258,340**	**10,496**	**17,648**	**48,267**	**2,401,650**
Nature of Asset Holding at 31 March 2019								
Owned	1,005,069	1,151,817	42,519	265,120	10,955	16,885	57,710	2,550,075
Finance Lease	-	-	-	-	-	-	-	-
PPP	-	228,007	-	-	-	-	-	228,007

13.2. Movement on Balances in 2017/18

	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 Restated								
Owned	941,744	917,046	37,639	258,340	10,496	17,648	48,267	2,231,180
Finance Lease	-	-	-	-	-	-	-	-
PPP	-	170,470	-	-	-	-	-	170,470

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 Solutions, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

	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	-	83,480	40,036	265,120	10,955	-	57,710	**457,301**
Valued at current value plus additions less depreciation as at:								
31 March 2019	1,005,069	994,053	-	-	-	-	-	**1,999,122**
31 March 2018	-	9,190	252	-	-	7,717	-	**17,159**
31 March 2017	-	84,664	1,985	-	-	7,215	-	**93,864**
31 March 2016	-	159,607	246	-	-	375	-	**160,228**
31 March 2015	-	48,830	-	-	-	1,578	-	**50,408**
Total Value as at 31 March 2019	**1,005,069**	**1,379,824**	**42,519**	**265,120**	**10,955**	**16,885**	**57,710**	**2,778,082**

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

Year 1	**2018/19**	**Education Properties**
Year 2	2019/20	Social Work, Office Buildings, Depots and Industrial Properties
Year 3	2020/21	Leisure Properties
Year 4	2021/22	Leisure Properties and Open Spaces
Year 5	2022/23	Council Dwellings, Planning and Development Properties, Car Parks and Miscellaneous

2018/19 was the first year of the Council’s rolling five year revaluation programme and will restart in 2019/20 with Social Work, Office Buildings, Depots and Industrial 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 Infrastructure Assets 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	1	296
Museum Exhibits	1	9
Paintings	12	109
Sculptures	1	39
Total	**15**	**453**

As well as the recognised Heritage Assets, the 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.

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

	2017/18	2018/19
	£000	£000
Balance at the start of the year	**2,188**	**1,868**
Recorded debt	(190)	862
Bad debt provision	(130)	(191)
Balance at the end of the year	**1,868**	**2,539**

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

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 2018	At 31 March 2019	At 31 March 2018	At 31 March 2019
Financial Liabilities	£000	£000	£000	£000
Borrowings at amortised cost :				
- Principal Sum Borrowed	422,325	479,958	199,797	213,275
- Accrued Interest	-	-	4,426	4,718
- EIR Adjustments	-	-	2,606	2,586
Total Borrowings	422,325	479,958	206,829	220,579
- Provisions :Financial Guarantees	470	359	117	111
Other Long-term Liabilities at amortised cost:				
- Finance Leases	2,244	2,078	156	166
- PPP and similar arrangements	144,448	138,988	5,168	5,461
Total Other Long-term Liabilities	146,692	141,066	5,324	5,627
*Creditors	-	-	164,718	173,519
Bank Overdraft	-	-	16,533	6,250
Total Financial Liabilities	**569,487**	**621,383**	**393,521**	**406,086**
Financial Assets:				
At fair value through profit & loss :				
- Principal Sum Invested	-	-	23,963	32,761
- Accrued Interest	-	-	7	14
At amortised cost :				
- Principal Sum Invested	1,212	1,208	19,841	30,807
- Accrued Interest	-	-	52	58
**Debtors	-	-	36,512	44,903
Interest in Subsidiaries Associates and Joint Ventures.	-	108	-	-
Total Financial Assets	**1,212**	**1,316**	**80,375**	**108,543**

For the year ended 31 March 2019 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. The amounts which relate to long term liabilities shown within the current category comprise Public Work Loans Board debt of £26.776m of principal, and accrued PWLB interest of £3.354m. This category also includes market loan debt of £6.000m, accrued market loan interest of £0.906m and a cumulative effective interest rate adjustment of £2.586m. The amount which relates to the long term financial assets shown within current category is £0.063m in relation to subordinated debt investments under ‘hubco’ arrangements as described later in the section below.

The Financial Assets current category, shown at amortised cost, held for a period of less than one year, include the bank current accounts / call accounts with no adjustment having been made to the amortised cost to reflect expected credit losses. This is based on an analysis of the type of assets held which are considered to have a low risk of default with reference to historic default data published by credit rating agencies. The financial asset are held on a short term basis, primarily overnight, thus reducing the impact of any longer term potential adverse changes in economic and business conditions that may reduce the ability of the borrower to fulfil the obligations. At the balance sheet date, based on the credit ratings of the financial institutions, in which the funds are held, it is recognised that the borrower has a strong capacity to meet the contractual cashflow obligations in the near future. As there has been no significant increase in credit risk since initial recognition an assessment of potential 12 month credit loss was carried out and based on the aforementioned assumptions and materiality no adjustment for credit losses has been made.

For Financial assets held at fair value through profit & loss, a calculation of expected credit loss is not required as the value stated, by its very nature, will include an adjustment for credit loss allowances. Financial assets classified as fair value through profit and loss represent funds held in Money Market Funds with the fair value deemed to be a close approximation to the principal sum invested due to the margins in which these funds operate and therefore the amount shown has not been adjusted for a gain or loss on the principal sum invested.

Financial Assets measured at amortised cost or fair value through profit and loss shown are shown current and included within Cash and Cash Equivalents (Note 20).

The Financial Assets held at amortised cost 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 £1.271m outstanding shown as £1.208m long-term and £0.063m 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 balance shown has not been adjusted to reflect a 12 month credit loss allowance as due to the nature of the investment and the Council's interest in the underlying asset there is a low risk of default with any adjustment, after assessment, having been deemed to be immaterial. This assessment taking in to account the level of income for the 'hubco' being relatively stable with the revenue to meet the commitments primarily due under a long term contract with the Council. The assessment considered the probability of no default, probability of default up to 6 months and probability of default up to one year with an estimation of a loss given default and the probability of each combination of events occurring for the cashflows due.

Within the Council's Balance Sheet, long term investments also includes an investment of £0.108m, which represents the difference between the loan amount and the fair value of a soft loan granted of £0.804m during 2018/19 to one of its subsidiaries North Lanarkshire Leisure Limited. The fair value of the loan estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument and organisation with a similar credit rating. In this case the Council's 2017/18 average loans fund rate of 3.62% plus a risk margin of 0.50% was deemed an acceptable approach. The loss has not been taken to the Surplus or Deficit on the Provision of Services but is treated as an additional investment by the Council and shown at historic cost under a group accounts exemption. The balance shown has not been adjusted to reflect a credit loss allowance as following an assessment as to the likelihood of default as a result of any adverse changes in economic and business conditions the potential credit loss has been treated as immaterial. The assessment considered the probability of no default, probability of default up to 6 months and probability of default up to one year with an estimation of a loss given default and the probability of each combination of events occurring for the cashflows due.

* 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 and is shown net.

The Council adopt the simplified approach for trade/rents receivables under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition and the possibility that appropriate measure should be 12-month expected credit losses. To arrive at the expected credit loss for trade receivables an analysis was carried out by examining previous repayment patterns considering the different time horizons over which the debt remained unpaid but did not default , adopting this approach to measure the probability of default. Despite changing the measurement basis there was no material difference between the previous bad debt provisions and the amount arrived at using the expected credit loss approach.

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 2018				31 March 2019			
	Financial Liabilities	**Financial Assets**			**Financial Liabilities**	**Financial Assets**		
	Measured at amortised cost	Measured at amortised cost	Measured at FV through Profit and Loss	**Total**	Measured at amortised cost	Measured at amortised cost	Measured at FV through Profit and Loss	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expenses	(24,998)	-	-	(24,998)	(24,309)	-	-	(24,309)
PPP Unitary Charge Interest	(11,172)	-	-	(11,172)	(11,349)	-	-	(11,349)
Finance Lease Interest	(180)	-	-	(180)	(170)	-	-	(170)
Impairment of Financial Assets	(5,234)	-	-	(5,234)	(3,360)	-	-	(3,360)
Total Expense	**(41,584)**	**-**	**-**	**(41,584)**	**(39,188)**	**-**	**-**	**(39,188)**
Interest Income	-	408	107	515	-	617	183	800
Financial Guarantee Premium		123	-	123		117	-	117
Total Income	**-**	**531**	**107**	**638**	**-**	**734**	**183**	**917**
Net (Loss) / Gain for the year	**(41,584)**	**531**	**107**	**(40,946)**	**(39,188)**	**734**	**183**	**(38,271)**

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

The impairment of financial assets relates to the loss on trade receivables/rents receivables written off in the year whilst as stated above the Council has made no adjustments to reflect expected credit losses based on materiality and an assessment of likelihood of default for its other financial assets measured at amortised cost . Therefore the table above includes the loss recognised in the Comprehensive Income and Expenditure Statement in respect of lifetime credit losses.

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	Restated 31 March 2018 Principal Amount	Carrying Amount	Fair Value Amount	31 March 2019 Principal Amount	Carrying Amount	Fair Value Amount
Financial Liabilities		£000	£000	£000	£000	£000	£000
PWLB Debt	2	360,648	363,894	480,966	419,012	422,365	537,703
Non PWLB Debt	2	261,474	265,260	318,479	274,221	278,172	323,048
Financial Guarantee	-	587	587	587	470	470	470
Finance Leases	2	2,400	2,400	3,133	2,244	2,244	2,931
PPP & similar arrangements	2	149,616	149,616	182,461	144,449	144,449	253,091
*Creditors	-	164,718	164,718	164,718	173,519	173,519	173,519
Bank Overdraft	-	16,533	16,533	16,533	6,250	6,250	6,250
Total Financial Liabilities		**955,976**	**963,008**	**1,166,877**	**1,020,165**	**1,027,469**	**1,297,012**
Financial Assets							
At Amortised Cost	1	21,053	21,105	21,105	32,014	32,072	32,072
At Fair Value through Profit and Loss	-	23,963	23,970	23,970	32,761	32,775	32,775
**Debtors	-	36,512	36,512	36,512	44,903	44,903	44,903
Total Financial Assets		**81,528**	**81,587**	**81,587**	**109,678**	**109,750**	**109,750**

* 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.

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 31 March 2019.

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 2019 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 2019.

The fair values have been estimated by calculating the net present value of the remaining contractual cashflow at 31 March 2019 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 2019.
- 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 fair value through profit and loss, these represent funds held in Money Market Funds which are carried in the balance sheet at fair value. These funds being invested in low volatility NAV funds.
- The financial assets shown at amortised cost as current, 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 financial assets shown at amortised cost and original cost and 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 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 2018/19 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 2018/19 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 2018/19 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.

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 2018			31 March 2019		
	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	4,225	9,699	6,552	7,019	6,141	8,521
Three to six months	1,313	-	544	2,200	-	686
Six to twelve months	1,365	-	844	2,046	-	3,659
More than one year	2,338	-	4,799	2,224	-	4,792
Debt Outstanding	**9,241**	**9,699**	**12,739**	**13,489**	**6,141**	**17,658**
Expected Credit Losses	(3,588)	-	(5,840)	(5,051)	-	(3,427)
Total Debtors	**5,653**	**9,699**	**6,899**	**8,438**	**6,141**	**14,231**

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.

Loss allowances on trade receivables have been calculated with reference to the Council's historic experience of default, multiplied by 110% for non-Housing Benefit debt, and 115% for Housing Benefit debt to adjust for current and forecast economic conditions. The breakdown of expected credit losses in relation to external debtor accounts is shown in the table below.

	31 March 2019						
	External Debtor Accounts Due (Excluding Housing Benefits)	Range of Allowances Set Aside	Loss Allowance (Excluding Housing Benefit)	External Debtor Accounts Due (Housing Benefits)	Range of Allowances Set Aside	Loss Allowance (Housing Benefit)	Total Loss Allowance
	£000	%	£000	£000	%	£000	£000
Less than three months	8,305	0.0 - 4.2	91	322	46.9 - 52.2	159	250
Three to six months	332	6.3	21	310	54.1	168	189
Six to twelve months	3,093	9.6	297	575	58.5	337	634
More than one year	2,180	13.6	297	2,541	64.9	1,647	1,944
Subtotal	**13,910**		**706**	**3,748**		**2,311**	**3,017**
Increase for current and forecast economic conditions			**71**			**339**	**410**
Total Expected Credit Loss			**777**			**2,650**	**3,427**

Excluded from this analysis are House Rents receivable of £13.489m. It was not possible to gather supportable information without undue effort therefore the previous bad debt provision approach has been used to calculate a proxy for Expected Credit Losses of £5.051m. Furthermore, there is an element of Housing Benefit overpayments that is not collected through the trade debtors system and associated processes equating to £2.223m. Again it was not possible to gather supportable information without undue effort therefore the previous bad debt provision approach has been used to calculate a proxy for Expected Credit Losses of £1.881m. The previous robust approach to bad debt provision was based on providing for 50% of debts aged 6 to 12 months, and 100% of debt over 12 months old, adjusting for other known factors both historical and forward looking including repayment agreements, known anomalies, defaults etc.

Based on the outcomes of the 2018/19 calculation for expected credit losses and the close proximity that these had to the previous approach to bad debt, the Council chose to use the previous approach as a proxy for expected credit losses. This resulted in expected credit losses in 2017/18 of £3.151m against external debtor accounts of £13.319m and £3.588m against house rents receivable of £9.241m.

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 £0.470m.

The financial guarantee was assessed under IFRS9 Financial Instruments and has been valued at the amount initially recognised (i.e. fair value) less any cumulative amount of income /amortisation recognised. This valuation recognised as higher than the alternative measurement basis available based on the IFRS9 Expected Credit Loss Allowance with the higher value the recognised provision.

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 £0.359m and a short term debtor of £0.111m within the Balance Sheet to reflect this arrangement.

Soft Loans

The Council has recognised an amount receivable of £1.578m within Long-Term Debtors (2017/18 – £1.354m), 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 £2.324m of amounts recoverable (2017/18 - £1.908m) adjusted to reflect an expected credit loss allowance of £0.747m (2017/18 - £0.555m). The expected credit loss calculation is based on an assessment of likelihood of default and no default based on past historical default levels and other information available including the property subject to the charging order being on the market for sale at the balance sheet date or alternatively where the balance outstanding exceeds the value of the property subject to the charging order.

A further amount of £0.025m is included within short-term debtors (2017/18 - £0.025m long term and £0.025m short term) 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 £0.010m included within short-term and long-term debtors respectively (2017/18 £0.010m and £0.020m respectively) in relation to a one off loan granted under the Council's Capital Leverage Fund. On the grounds of materiality due to the size and nature of these loans and assessment of likelihood of default the Council has made no adjustment for expected credit losses. 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 and short-term debtor balance stated within the Balance Sheet.

During 2018/19 the Council advanced a soft loan of £0.804m to one its subsidiaries, North Lanarkshire Leisure Ltd and adjusted the amount advanced by £0.108m to reflect the notional loss with an amount credited for notional interest due in 2018/19 of £0.030m within the Comprehensive Income and Expenditure Account. As stated previously the notional loss of £0.108m, representing the difference between the loan amount and the fair value of the soft loan granted is shown within the long term investments on the Balance Sheet. The fair value of the loan estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument and organisation with a similar credit rating. In this case the Councils 2017/18 average loans fund rate of 3.62% plus a risk margin of 0.50% was deemed an acceptable approach. This notional loss has not been taken to the Surplus or Deficit on the Provision of Services but is treated as an additional investment by the Council in its subsidiary in accordance with IFRS9 Financial Instruments. It is shown at historic cost under a group accounts exemption. Following these accounting adjustments the Council has recognised an amount of £0.133m and £0.593m within its short term and long term debtors.

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.

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 based on principal outstanding is as follows:

	At 31 March 2018	At 31 March 2019
	£000	£000
Less than one year	199,797	213,274
Between one and two years	28,828	41,357
Between two and seven years	129,376	110,148
Between seven and fifteen years	25,424	69,757
More than fifteen years	238,697	258,697
Total	**622,122**	**693,233**

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 £29.000m 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 £29.0m comprises £19.0m 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 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 expected credit losses) are not shown in the table above.

At the 31 March 2019, the Council as permitted by its investment strategy, as outlined within section 16.1, has a total investment of £1.271m 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 with a balance due of £0.942m at 31 March 2019 which includes accrued interest due of £0.047m with the balance of £0.895m repayable on an annuity basis over 25 years from the initial recognition date.

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 2019 being £0.329m. 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.

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	+510
Increase in interest receivable on variable short term investments	-427
Overall Impact on Comprehensive Income and Expenditure Statement	**+ 83**
Share of Overall impact debited to the HRA	**+ 27**

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	-504
Decrease in interest receivable on variable short term investments	+248
Overall Impact on Comprehensive Income and Expenditure Statement	**-256**
Share of Overall impact debited to the HRA	**- 85**

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 16.2 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	-79,242	+101,582

For Financial assets shown at amortised cost 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.

Transition to IFRS9 Financial Instruments

The Council adopted the IFRS9 Financial instruments accounting with effect from 1 April 2018. The main change included the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets. The tables below demonstrates that there has been no requirement to add an additional line in the movement in reserve statement as a result of the re-measurement and reclassification.

The impact of the changes is as follows:

	31 March 2018 IAS39	Re-classification	Re-measurement	1 April 2018 IFRS9
	£000	£000	£000	£000
Financial Assets				
Available for Sale :				
- Principal Sum Invested	23,963	(23,963)	-	-
- Accrued Interest	7	(7)	-	-
Loans and Receivables				
- Principal Sum Invested	21,053	(21,053)	-	-
- Accrued Interest	52	(52)	-	-
At Fair Value through Profit and Loss				
- Principal Sum Invested	-	23,963	-	23,963
- Accrued Interest	-	7	-	7
At Amortised cost				
- Principal Sum Invested	-	21,053	-	21,053
- Accrued Interest	-	52	-	52
Trade Receivables				
- Bad Debt Provision	(3,151)	-	3,151	-
- Expected Credit Loss	-	-	(3,151)	(3,151)
House Rent Receivables				
- Bad Debt Provision	(3,588)		3,588	-
- Expected Credit Loss	-		(3,588)	(3,588)
Summary IFRS9 Impact Financial Assets	**38,336**	**-**	**-**	**38,336**

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:

	2017/18	2018/19
	£000	£000
Opening Balance at 1 April	**-**	**5,100**
Assets newly classified as Held for Sale:		
• Property, plant and equipment	5,100	-
Assets declassified as Held for Sale		
• Assets Disposed	-	(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:

	2017/18	2018/19
	£000	£000
Opening Balance at 1 April	**1,447**	**1,531**
Purchases	9,393	10,566
Recognised as an expense in the year	(9,309)	(10,701)
Write Off Balances	-	(1)
Closing Balance at 31 March	**1,531**	**1,395**

19. Short-Term Debtors

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

		2017/18		2018/19	
		£000	£000	£000	£000
Central Government Bodies			23,167		11,964
Other Local Authorities			1,267		693
NHS Bodies			1,434		2,051
Public Corporations and Trading Funds			133		1
Trade Debtors, Other Entities and Individuals			36,512		44,903
Provision for Expected Credit Losses			(6,381)		(6,055)
House Rents Receivable:					
	Rents Receivable	9,241		13,489	
	Less Expected Credit Losses	(3,588)	5,653	(5,051)	8,438
Arrears in Local Taxation:					
	Council Tax	102,692		107,623	
	Less Provision	(82,744)	19,948	(86,827)	20,796
	NNDR Statutory Addition	4,462		4,607	
	Less Provision	(4,262)	200	(4,347)	260
Total Debtors			**81,933**		**83,051**

20. Cash and Cash Equivalents

	31 March 2018	31 March 2019
	£000	£000
Cash held by the Council	571	579
Bank current accounts / call accounts	19,836	30,801
Money Market Funds	23,970	32,775
Cash and Cash Equivalent Deposits	**44,377**	**64,155**
Bank Overdraft	(16,533)	(6,250)
Net Cash and Cash Equivalents	**27,844**	**57,905**

21. Short-Term Creditors

The Short-Term 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:

	2017/18	2018/19
	£000	£000
Central Government	(842)	(4,805)
Other local authorities	(2,548)	(723)
NHS Bodies	(2,387)	(857)
Public Corporations and Trading Companies	(3,338)	(3,908)
Trade Creditors, Other Entities and Individuals	(164,718)	(173,520)
Short-term compensated absences (1)	(14,615)	(16,209)
Total Creditors	**(188,448)**	**(200,022)**

(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 2017	Additional Provisions Made in 2017/18	Amounts Used in 2017/18	Balance at 31 March 2018	Additional Provisions Made in 2018/19	Amounts Used in 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Current Provisions							
Equal Pay (1)	5,469	5,167	(386)	10,250	532	(3,317)	7,465
Landfill (2)	940	-	(124)	816	-	(360)	456
Contract Litigation (3)	1,500	(95)	(1,405)	-	-	-	-
Financial Guarantee (4)	710	-	(123)	587	-	(117)	470
Total Current Provisions	**8,619**	**5,072**	**(2,038)**	**11,653**	**532**	**(3,794)**	**8,391**

(1) 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.

(2) In 2012/13, a provision of £2.670m was recognised for the future costs associated with the restoration of Auchinlea landfill site. During 2018/19 £0.360m 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

23. Contingent Assets and Liabilities

Contingent liabilities represent items that at 31 March 2019 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 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.

In January 2018, the UK Government published its response to the indexation and equalisation of Guaranteed Minimum Pension (GMP) in public sector pension schemes. The UK Government has concluded that there should be an extension to the current interim solution so that it applies to those who reach State Pension age on or before 5 April 2021. There remains uncertainty around the long term solution, and in the event that any additional liability arises in due course, it would be expected that this will be treated as a past service cost and included in the actuarial assessment of the pension scheme liabilities.

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 2019.

24. Leases

24.1. Council as a Lessee – Finance Leases

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:

	2017/18	2018/19
	£000	£000
Finance lease liabilities		
▪ Current	156	166
▪ Non-current	2,244	2,078
Finance costs payable in future years	1,120	950
Minimum lease payments	**3,520**	**3,194**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
Not later than one year	325	325	156	166
Later than one year and not later than five years	1,299	1,299	737	789
Later than five years	1,896	1,570	1,507	1,289
Total	**3,520**	**3,194**	**2,400**	**2,244**

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 2018/19 were £2.904m (2017/18 £3.167m). The Council also leases various vehicles, plant and equipment on lease terms that are typically between one and five years. The rentals payable in 2018/19 were £2.765m (2017/18 £3,106m). 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 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
Not later than one year	1,105	1,105	2,513	1,834
Later than one year and not later than five years	3,423	2,805	3,731	2,005
Later than five years	2,931	2,397	112	53
Total	**7,459**	**6,307**	**6,356**	**3,892**

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 (2017/18 £0.046m).

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 £0.489m (2017/18 £0.472m).

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 2018/19 was £1.362m (2017/18 £1.237 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 2018	31 March 2019
	£000	£000
Within one year	880	881
Later than one year and not later than five years	1,627	1,587
Later than five years and not later than ten years	1,740	1,695
Later than ten years and not later than fifty years	12,364	12,328
Later than 50 years	9,266	8,968
Total	**25,877**	**25,459**

25. Public Private Partnerships and Similar Contracts

In June 2005, the Council entered into a Public Private Partnership for the provision and maintenance of school and community buildings. 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 2016/17, 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:

	2017/18 Restated	2018/19
	£000	£000
Opening Net Book Value	**170,325**	**170,470**
Additions	3,789	-
Disposals	-	-
Depreciation charge for the year	(3,644)	(4,889)
Revaluations in year	-	62,426
Closing Net Book Value	**170,470**	**228,007**

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 2019 (assuming an adjusted inflation rate of 1.94% 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	9,612	5,461	11,483	26,556
Payable within two to five years	43,275	22,927	46,225	112,427
Payable within six to ten years	57,468	36,639	61,578	155,685
Payable within eleven to fifteen years	75,211	40,449	58,922	174,582
Payable within sixteen to twenty years	50,835	33,463	37,691	121,989
Payable within twenty one to twenty five years	3,081	5,510	429	9,020
Total	**239,482**	**144,449**	**216,328**	**600,259**

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:

	2017/18	2018/19
	£000	£000
Balance outstanding at the start of the year	**(150,797)**	**(149,616)**
Additions during the year	(3,789)	-
Payments during the year	4,970	5,167
Balance outstanding at year-end	**(149,616)**	**(144,449)**
Included in Balance Sheet		
Current	(5,168)	(5,461)
Non-current	(144,448)	(138,988)

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 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 2018/19, the Council paid £24.344m to the Scottish Public Pensions Agency in respect of teachers' retirement benefits, representing 16.36% of pensionable pay. The figures for 2017/18 were £23.185m and 16.52%. In addition, the Council is responsible for all pension payments relating to added years it has awarded. In 2018/19, these amounted to £4.993m (£4.915m for 2017/18).

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:

	2017/18	2018/19
	£000	£000
Comprehensive Income and Expenditure Statement (CIES)		
Included within Net Cost of Service within CIES:		
• Current service cost	73,580	76,499
• Past service cost/(gain) including curtailments	6,549	29,617
• Effect of Settlements	-	-
	80,129	**106,116**
Included within Financing and Investment Income & Expenditure in CIES:		
• Net interest expense	16,309	9,070
	16,309	**9,070**
Total Post-employment Benefit charged to Surplus or Deficit on the Provision of Services	**96,438**	**115,186**
Other Post-employment Benefits charged to the CIES: Re-measurement of the net defined benefit liability	(352,716)	122,401
Total Post-employment Benefits charged to the CIES	**(256,278)**	**237,587**
Less Employer's contributions payable to pension scheme	(47,417)	(48,494)
Movement in Pension Reserve	**(303,695)**	**189,093**

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:

	2017/18	2018/19
	£000	£000
Opening balance at 1 April	**(2,466,781)**	**(2,247,432)**
Current service cost	(73,580)	(76,499)
Interest cost	(64,552)	(61,468)
Contributions from scheme participants	(11,300)	(11,526)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	1,982	-
Actuarial gains/losses arising from changes in financial assumptions	103,659	(178,955)
Actuarial gains/losses arising from changes in other experience	210,445	(6,372)
Past service cost including gains/losses on curtailment	(6,549)	(29,617)
Benefits paid	59,244	58,919
Effect of settlements	-	-
Closing Balance at 31 March	**(2,247,432)**	**(2,552,950)**

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

	2017/18	2018/19
	£000	£000
Opening balance at 1 April	**1,855,773**	**1,940,119**
Interest income	48,243	52,398
Return on assets	36,630	62,926
Contributions from employer	40,418	41,229
Contributions from scheme participants	11,300	11,526
Contributions in respect of Unfunded Benefits	6,999	7,265
Benefits paid	(59,244)	(58,919)
Effect of settlements	-	-
Closing Balance at 31 March	**1,940,119**	**2,056,544**

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 2018	31 March 2019
	£000	£000
Cash and cash equivalents	**196,130**	**207,900**
Equity instruments (by industry type)		
• Consumer	124,595	132,072
• Manufacturing	100,970	107,029
• Energy utilities	25,936	27,492
• Financial institutions	83,638	88,657
• Health and care	49,625	52,602
• Information technology	63,954	67,792
• Other	-	-
Sub-total equity	**448,718**	**475,644**
Bonds (by sector)		
• Corporate	60,874	64,528
• Government	-	-
• Other	-	-
Sub-total bonds	**60,874**	**64,528**
Property	**175,659**	**186,200**
Private equity	**231,836**	**245,748**
Other investment funds		
• Equities	598,780	634,713
• Bonds	224,622	238,102
• Commodities	973	1,031
• Infrastructure	-	-
• Other	2,487	2,636
Sub-total other investment funds	**826,862**	**876,482**
Derivatives	**40**	**42**
Total assets	**1,940,119**	**2,056,544**

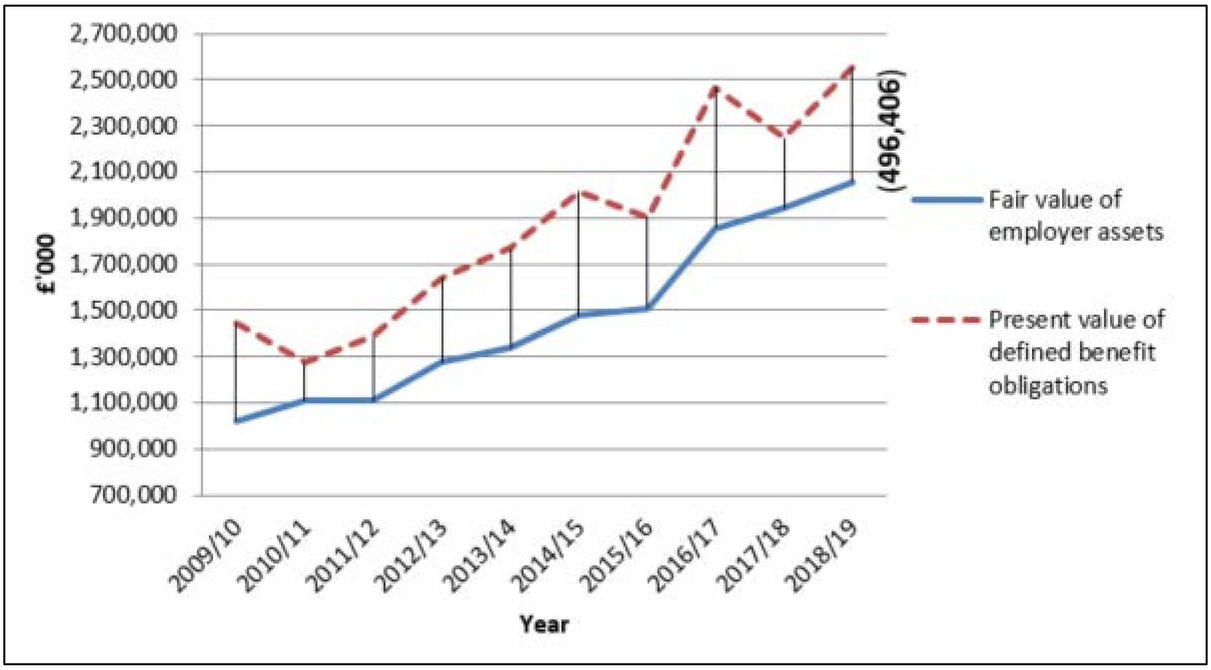
26.4. Reconciliation of Present Value of the Defined Benefit obligation and the Fair Value of Planned Assets to the Balance Sheet

	2017/18	2018/19
	£000	£000
Fair Value of Employer Assets	1,940,119	2,056,544
Present Value of Funded Liabilities	(2,094,692)	(2,391,615)
Net (under)/Overfunding in Funded Plans	**(154,573)**	**(335,071)**
Present Value of Unfunded Liabilities	(152,740)	(161,335)
Net Asset/(Liability)	**(307,313)**	**(496,406)**
Amount in Balance Sheet:		
Liabilities	(307,313)	(496,406)
Assets	-	-
Net Asset/(Liability)	**(307,313)**	**(496,406)**

The present value of unfunded liabilities comprises approximately £41.723m, £97.790m and £21.822m in respect of LGPS, Teachers' and Pre-LGR unfunded pensions. For unfunded liabilities as at 31 March 2019, 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 £496.406m 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 2018	31 March 2019
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.4	21.4
• Women	23.7	23.7
Longevity at 65 for future pensioners:		
• Men	23.4	23.4
• Women	25.8	25.8
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.4%	2.5%
Discount Rate	2.7%	2.4%

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 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%)	41,861	2%
Rate of increase in pensions (increase by 0.5%)	190,839	7%
Rate for discounting scheme liabilities (decrease by 0.5%)	237,673	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 at 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 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 in too narrow a range. A large proportion of the assets relate to equities (66%) and bonds (15%). The comparative year's figures are 65% and 16%. The scheme also invests in properties (9%) and cash (10%), with comparative year's figures of 9% and 10%.

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 2020 is £37.256m. 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 2018/19 to 2020/21 (19.3% for 2015/16 to 2017/18) 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.

27.1. General Fund Balance

	Balance at 31 March 2018	Transfers Out	Transfers in	Balance at 31 March 2019
	£000	£000	£000	£000
Earmarked General Fund Reserves				
Balances held by Schools under Devolved School Management	5,090	(5,075)	2,680	2,695
One Off Costs of Budget Savings/Restructure Costs	-	-	3,550	3,550
Pupil Equity Fund	3,229	(3,229)	2,036	2,036
Change Management Fund	14,103	(8,739)	-	5,364
Youth Employment and Apprentices	698	(698)	-	-
City Deal	1585	(993)	899	1491
Family Firm	520	(28)	-	492
Digitisation	750	(750)	9,900	9,900
LDP	1,378	(1,378)	-	-
Revenue Budget Support	2,502	(2,502)	4,729	4,729
Scottish Attainment Fund	138	(138)	155	155
Dilapidations	750	-	-	750
Business Gateway Contract	892	(58)	388	1,222
ESF Match Funding	1,302	(605)	-	697
Roads Summer Works	350	(350)	-	-
Other Earmarked Funds	3,816	(5,980)	5,455	3,291
Total Earmarked	**37,103**	**(30,523)**	**29,792**	**36,372**
Contingency Reserve	**8,000**	-	-	**8,000**
Total General Fund Balance	**45,103**			**44,372**

27.2. HRA Balance

	Balance at 31 March 2018	Transfers Out	Transfers in	Balance at 31 March 2019
	£000	£000	£000	£000
Earmarked HRA Balance				
Temporary Accommodation	5,940	-	195	6,135
Welfare Reform	239	(265)	1153	1,127
Other	498	(465)	712	745
Total Earmarked	**6,677**	**(730)**	**2060**	**8,007**
Unallocated	**3,974**	(692)	438	**3,720**
Contingency Reserve	**1,200**	-	-	**1,200**
Total HRA Balance	**11,851**			**12,927**

27.3. Capital Grants Unapplied Account

The Capital Grants Unapplied Account is used to hold grant received but not yet utilised.

	2017/18	2018/19
	£000	£000
Opening Balance at 1 April	**4,327**	**3,540**
Capital grants received in the year but unapplied	2,362	7,892
Capital grants received in previous years now applied	(3,149)	(2,103)
Closing Balance at 31 March	**3,540**	**9,329**

27.4. Repairs and Renewals Fund

The Repairs and Renewals Fund represents a resource to fund crematorium equipment replacement.

	2017/18	2018/19
	£000	£000
Opening Balance at 1 April	**466**	**533**
Transfers in year (see note 32)	67	66
Closing Balance at 31 March	**533**	**599**

27.5. 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.

	2017/18	2018/19
	£000	£000
Opening Balance at 1 April	**-**	**-**
Capital receipts received in the year	15,308	7,503
Amount applied to finance new capital investment	(12,343)	(2,997)
Amount transferred to Capital Fund	(2,965)	(4,506)
Closing Balance at 31 March	-	-

28. Unusable Reserves

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

	2017/18	2018/19
	£000	£000
Revaluation Reserve	272,623	566,876
Capital Adjustment Account	1,236,385	1,261,521
Financial Instruments Adjustment Account	(33,580)	(31,887)
Pensions Reserve	(307,313)	(496,406)
Employee Statutory Adjustment Account	(14,615)	(16,209)
Total Unusable Reserves	**1,153,500**	**1,283,895**

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.

	2017/18	2018/19
	£000	£000
Opening Balance at 1 April	**287,654**	**272,623**
Upward revaluation of assets	6,793	296,319
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on Provision of Services	(8,539)	(6,459)
Surplus / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on Provision of Services	**(1,746)**	**289,860**
Difference between fair value depreciation and historical cost depreciation	(11,647)	6,464
Accumulated gains on assets sold	(1,638)	(2,071)
Closing Balance at 31 March	**272,623**	**566,876**

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.

	2017/18 Restated	2018/19
	£000	£000
Opening Balance at 1 April	**1,155,827**	**1,236,385**
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	(46,218)	(73,331)
• Net book value of non-current assets written off on disposal or sale	(12,692)	(6,889)
Adjusting amounts written out of the Revaluation Reserve	13,285	(4,393)
Net transfer to Capital Grants Unapplied Account	787	(5,789)
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	12,343	2,997
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	50,675	47,795
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (Loans Fund repayments)	34,283	34,922
• Capital expenditure charged against the General Fund and HRA balances	28,095	29,824
Closing Balance at 31 March	**1,236,385**	**1,261,521**

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	**(35,275)**	**(33,580)**
Premiums / Discounts Annual Write-Off	1,675	1,675
Re-measurement of LOBO loans	20	18
Balance at 31 March	**(33,580)**	**(31,887)**

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	**(611,008)**	**(307,313)**
Re-measurement of net defined pension liability	352,716	(122,401)
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	(96,438)	(115,186)
Employers' pensions contributions paid to Strathclyde Pension Fund	47,417	48,494
Balance at 31 March	**(307,313)**	**(496,406)**

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	**(18,558)**	**(14,615)**
Settlement or cancellation of accrual made at the end of the preceding year	18,558	14,615
Amounts accrued at the end of the current year	(14,615)	(16,209)
Balance at 31 March	**(14,615)**	**(16,209)**

29. Capital Commitments

At 31 March 2019, the Council was contractually committed to the following significant capital works.

	£000
HRA – New Build Programme	10,218
HRA – Heating	12,752
HRA – Lead Piping	1,500
HRA – Bathrooms	7,000
HRA – Kitchens	3,018
HRA – Windows and Doors	6,628
HRA – Roof and Render	10,931
HRA – Tower Strategy	12,913
HRA – Other	1,705
School Alterations and Upgrades	3,900
Redevelopment and Office Upgrades	1,136
Other Projects	839
City Deal	255
VDLF	4,149
Digital NL	5,200
Road Operations-LED Lighting	3,500
Road Operations- Roads	2,950

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.

	2017/18	2018/19	2018/19	2018/19
	Total	General Services	HRA	Total
	£000	£000	£000	£000
Capital Investment				
Property, Plant and Equipment	133,531	82,517	79,176	161,693
Sources of Finance				
Capital Receipts	(12,343)	(2,686)	(311)	(2,997)
Grants and Other Contributions	(51,462)	(35,601)	(6,405)	(42,006)
Revenue Contributions	(28,095)	(638)	(29,186)	(29,824)
	(91,900)	**(38,925)**	**(35,902)**	**(74,827)**
Net Capital Advance	**41,631**	**43,592**	**43,274**	**86,866**
PPP Advances	3,789	-	-	-
General Capital Advances	37,842	43,592	43,274	86,866
Net Capital Advance	**41,631**	**43,592**	**43,274**	**86,866**
Principal Repayments	**(34,283)**	**(27,027)**	**(7,895)**	**(34,922)**
Movement on Capital Financing Requirement	**7,348**	16,565	35,379	**51,944**
Explanation of Movements in the Year				
Increase in underlying need to borrow	41,631	43,592	43,274	86,866
Increase in Capital Financing Requirement	**41,631**			**86,866**
Principal Repayments	(34,283)			(34,922)
Total Movement in Capital Financing Requirement	**7,348**			**51,944**
Reconciliation to Balance Sheet Movement				
Net Book Value of Property, Plant and Equipment	2,401,650			2,778,082
Capital Adjustment Account	(1,236,385)			(1,261,520)
Revaluation Reserve	(272,623)			(566,876)
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	**897,742**			**949,686**
Capital Financing Requirement at 1 April	**890,394**			**897,742**
Movement during Year	**7,348**			**51,944**

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.

2018/19	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:						
Reversal of items debited or credited to the CI&E Statement:						
Charges for depreciation and impairment of non-current assets	(49,685)	(23,646)	-	-	-	73,331
Capital grants and contributions applied	41,391	6,404	-	-	(5,789)	(42,006)
Amounts written off as part of gain/loss on disposal	(6,632)	(257)	-	-	-	6,889
Movements in the fair value of Investment properties	-	-	-	-	-	-
Statutory provision for the financing of capital investment	27,027	7,895	-	-	-	(34,922)
Capital expenditure funded from current revenue	638	29,186	-	-	-	(29,824)
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	7,192	311	(7,503)	-	-	-
Use of capital receipts to finance new capital expenditure	-	-	2,997	-	-	(2,997)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Movements recognised under statutory provisions relating to Financial Instruments	1,165	528	-	-	-	(1,693)
Adjustments primarily relating to the Pensions Reserve:						
Reversal of items relating to retirement benefits charged to the CI&E Statement	(109,953)	(5,233)	-	-	-	115,186
Employer's pensions contributions and direct payments to pensioners payable in the year	45,973	2,521	-	-	-	(48,494)
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	(1,517)	(77)	-	-	-	1,594
Total Adjustments	**(44,401)**	**17,632**	**(4,506)**	**-**	**(5,789)**	**37,064**

2017/18 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:						
Reversal of items debited or credited to the CI&E Statement:						
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/capital fund 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)**

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 2018/19. Figures for 2017/18 are provided in an additional table for comparison purposes:

2018/19	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	66	-	-		-	(66)
Contributions to Repairs & Renewals Fund from General Fund	-	-	-		-	-
Contributions to Insurance Fund	-	4,220	(1,847)		-	(2,373)
Amounts expended on premiums and claims settlements	-	(2,664)	1,089		-	1,575
HRA Contribution to General Fund	-	-	(2,054)		-	2,054
Amounts expended on principal repayments	-	-	-		(2,965)	2,965
Contribution to Capital Fund	-	-	-	(4,506)	4,506	-
Total Adjustments	**66**	**1,556**	**(2,812)**	**(4,506)**	**1,541**	**4,155**

2017/18 Restated	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	(1,784)		-	(2,999)
Amounts expended on premiums and claims settlements	-	(3,374)	1,209		-	2,165
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**	**(2,220)**	**2,965**	**(2,965)**	**744**

33. Reconciliation of 2018/19 Comprehensive Income and Expenditure Statement to Cash Flow Operating Activities

	£000	£000
Deficit on the Provision of Services		**(27,768)**
Non-Cash Transactions		
Items Relating to Loans Fund	247	
Adjustment relating to Provisions	(3,260)	
Adjustment relating to Capital Items	31,442	
Adjustment relating to Non-Domestic Rates	4,481	
Adjustment relating to Pensions Reserve	66,692	
		99,602
Items on an Accruals Basis		
Increase in Inventories	136	
Increase in Debtors	(5,490)	
Increase in Creditors	11,515	6,161
Net Cash Inflow from Operating Activities		**77,995**

34. Reconciliation of Financing Activities to Balance Sheet

	Balance at 31 March 2018	Cash Flow	Non-Cash	Balance at 31 March 2019
Cash and Cash Equivalents	27,844	30,047	14	57,905
	27,844	**30,047**	**14**	**57,905**
Financing Activities:				
Borrowing short-term	206,829	8,302	5,448	220,579
Borrowing long-term	422,325	62,809	(5,176)	479,958
Finance leases short-term	5,324	(5,324)	5,626	5,626
Finance leases long-term	146,692	-	(5,626)	141,066
	781,170	**65,787**	**272**	**847,229**
Total cash inflow from financing activities		**65,787**		
Total cash outflow before financing activities		**(35,740)**		

Non-Cash includes 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:

	2017/18	2018/19
	£000	£000
Agreed fee for the year	508	509
Total	**508**	**509**

The external audit costs include a fee of £4,000 (£8,600 2017/18) 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 1 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 organisations.

The net surplus arising from the ordinary operation of the Trading Operation in 2018/19 is £0.245m, 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	2016/17	(4,401)	4,100	(301)
	2017/18	(4,488)	4,341	(147)
	2018/19	(4,939)	4,694	(245)
(Surplus) / Deficit over 3 years		**(13,828)**	**13,135**	**(693)**

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

The Building Cleaning element of the Trading operation provides a comprehensive cleaning service to external businesses and service partners across approximately 42 building locations, with an overall staffing complement of 246 staff (81.77 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 section of the Trading Operation provides refuse collection and disposal services for approximately 1,200 traders. The service is provided by 14 staff (13.8 FTE). Each trader is offered a multiple of collection frequencies and types with a full 7 day suite of services also possible. The service provides advice on waste reduction and reuse, as a first response rather than recycling.

The Fleet arm of the Trading Operation provides a comprehensive Fleet Management & Maintenance service to the Council's Housing and Property repairs and maintenance Joint Venture, Mears Scotland LLP, along with the former Joint Venture, Saltire Facilities Management Limited as well as a small number of other external customers, with a staffing complement of 23 (10.44 FTE). The Trading operation has approximately 200 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 by 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.

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:

	2017/18	2018/19
	£000	£000
Strathclyde Partnership for Transport	5,484	5,374
Strathclyde Concessionary Travel Scheme	563	552
Lanarkshire Valuation Joint Board	1,813	1,813

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.

	2017/18 Restated		2018/19	
	Income	Expenditure	Income	Expenditure
	£000	£000	£000	£000
Amey Public Services LLP	534	14,284	710	16,604
Culture NL	2,675	14,096	3,002	13,650
Fusion Assets Ltd	28	589	108	476
Mears Scotland LLP	1,142	57,535	3,456	53,556
North Lanarkshire Integration Joint Board	158,658	167,578	174,057	169,073
North Lanarkshire Leisure Ltd	124	8,957	83	8,731
North Lanarkshire Municipal Bank Ltd	145	287	145	311
NL Properties	621	476	759	468
Routes to Work	10	3,209	9	3,373
Saltire Facilities Management Ltd	377	12,970	-	-
The Campsies Centre (Cumbernauld) Ltd	68	1	62	1
Town Centre Activities Ltd	155	1,716	42	1,717
Walker Profiles Ltd	-	2,594	-	-

Outstanding balances for each of these entities are as follows:

	2017/18		2018/19	
	Debtor	Creditor	Debtor	Creditor
	£000	£000	£000	£000
Amey Public Services LLP	463	1,881	772	720
Culture NL	1,739	1,312	2,186	1,434
Fusion Assets	17	104	35	113
Mears Scotland LLP	925	4,176	996	4,338
North Lanarkshire Integration Joint Board	-	11,145	-	6,161
North Lanarkshire Leisure Ltd	105	782	90	723
North Lanarkshire Municipal Bank Ltd	-	-	-	-
NL Properties	1,563	113	1,291	54
Routes to Work	1	357	-	711
Saltire Facilities Management Ltd	8	-	-	-
The Campsies Centre (Cumbernauld) Ltd	1	-	65	-
Town Centre Activities Ltd	76	151	128	122
Walker Profiles Ltd	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 completed on 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 2019 the Council's short-term borrowing included £28.408m (£41.103m in 2017/18) of Municipal Bank deposits which are 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 Dumbarton.
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.
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.

Annual Accounts 2018/19
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

2017/18 Restated		2018/19	2018/19
£000		£000	£000
124,070	Dwelling Rent Income	129,777	
1,099	Non-Dwelling Rent Income	1,091	
998	Other Income	1,160	
126,167	**Total Income**		**132,028**
47,614	Repairs and Maintenance	47,759	
26,185	Supervision and Management	32,149	
22,346	Depreciation	23,646	
(34,533)	Revaluation of Council Dwellings	-	
1,722	Other Expenditure	121	
63,334	**Total Expenditure**		**103,675**
(62,833)	**Net Cost of HRA Services per Income and Expenditure Account**		**(28,353)**
583	HRA Service Share of Corporate and Democratic Core	561	
459	HRA Share of other amounts included in the whole authority Net Cost of Services but not specifically allocated to specific services	615	
87	Share of Equal Pay	532	
(61,704)	**Net Cost of HRA Services**		**(26,645)**
7,178	Interest Payable (Including Amortisation of Premiums)	8,239	
(108)	Interest and Investment Income	(183)	
1,729	Impairment of Financial Assets	2,973	
942	Net Interest on the Net Defined Benefit Liability/Asset	555	
(2,975)	Gains or Losses on disposal of non-current asset	(54)	
(10,747)	Recognition of Capital Grant	(6,404)	
(65,685)	**(Surplus)/Deficit for the year on HRA Services**		**(21,519)**

1.1. Statement of Movement on the Housing Revenue Account Balance

2017/18 Restated		2018/19	2018/19
£000		£000	£000
(8,244)	**Balance on the HRA at the end of the previous year**		**(11,852)**
(65,685)	(Surplus) / Deficit for the year on the HRA Income and Expenditure Statement	(21,519)	
59,857	Adjustments between accounting basis and funding basis under regulations (see Note 31)	17,632	
2,220	Transfer to and (from) other statutory reserves (see Note 32)	2,812	(1,075)
(11,852)	**Balance on the HRA at the end of the current year**		**(12,927)**

1.2. Housing Stock

The Council's housing stock at 31 March 2019 was 36,557 (36,315 at 31 March 2018) in the following categories:

House Numbers 31 March 2018	Property Types	House Numbers 31 March 2019
310	1 Apartment	305
6,615	2 Apartment	6,659
18,708	3 Apartment	18,836
9,651	4 Apartment	9,715
1,001	5 Apartment	1,012
30	Other	30
36,315	**Total**	**36,557**

1.3. Rent Arrears

Current rent arrears outstanding as at 31 March 2019 amounted to £5.871m .This represented 4.52% of rents paid during the year (the comparative figures for the 2017/18 year were £4.116m and 3.62% respectively).

1.4. Impairment of Financial Assets

The expected credit losses at 31 March 2019 amounted to £5.908m (£4.303m as at 31 March 2018).

1.5. Void Rents

The level of income lost from unlet Council Dwellings during 2018/19 amounted to £0.829m (2017/18 £0.846m).

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.

	2017/18	2018/19
	£000	£000
Gross Council Tax levied and contributions in lieu	153,535	159,960
Adjustments for prior years Council Tax	(1,309)	(1,340)
Adjusted for:		
Council Tax Benefits (Net of Government Grants)	-	-
Council Tax Reduction Scheme	(22,238)	(22,447)
Other discounts and reductions	(17,217)	(18,262)
Provision for Non-collection	(4,573)	(4,785)
Net Council Tax Income per the Comprehensive Income and Expenditure Account	**108,198**	**113,126**

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	53,207	2,145	(29)	6,858	331	43,902	6:9	**29,268**
Band B	37,513	959	9	3,831	285	32,429	7:9	**25,223**
Band C	19,589	447	22	1,781	117	17,222	8:9	**15,308**
Band D	16,847	216	(50)	1,150	73	15,458	1.0000	**15,458**
Band E	16,502	156	63	726	71	15,486	1.3139	**20,347**
Band F	9,122	51	70	279	25	8,697	1.6250	**14,133**
Band G	2,957	16	45	79	10	2,807	1.9583	**5,497**
Band H	144	4	1	3	1	135	2.4500	**331**
					Total			**125,565**
					Provision for non-collection			**(4,081)**
					Council Tax Base			**121,484**

3. The Council Tax Charge

The charge for each band for 2018/19 was as follows:

	£ per Dwelling
Band A	£753.96
Band B	£879.62
Band C	£1,005.28
Band D	£1,130.94
Band E	£1,485.93
Band F	£1,837.78
Band G	£2,214.76
Band H	£2,770.80

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.

	2017/18	2018/19
	£000	£000
Gross rates levied and contributions in lieu	140,678	144,817
Less:		
Reliefs and other deductions	(28,436)	(29,811)
Payments of interest	-	-
Provision of bad and doubtful debts	(3,367)	(3,450)
Net Non Domestic Rate Income	**108,875**	**111,556**
Adjustment to previous years' NNDR	(1,274)	672
Contribution to Non Domestic Rates	**107,601**	**112,228**
Distribution from Non Domestic Rate Pool	114,474	104,339
Adjustment for the years prior to the introduction of the pool	-	-
Income credited to the Comprehensive Income and Expenditure Statement	**114,474**	**104,339**

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 2018/19 is 48 pence. Larger businesses in 2018/19 (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 2018:

	Number of Subjects	Rateable Value
		£000
Industrial and Freight	3,018	96,880
Commercial Subjects		
Shops (inc. Restaurants)	2,542	64,797
Offices	2,102	38,258
Hotels, Boarding Houses etc.	34	3,277
Others	1,187	27,909
Miscellaneous and Formula Valued Subjects	1,274	61,409
Total	**10,157**	**292,530**

Sundry Accounts Statement

The Council administers 31 Educational and 24 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 4 of the Charitable Trusts to an Office of the Scottish Charity Regulator (OSCR) agreed beneficiary charity in 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 a suitable beneficiary and subsequent approval by OSCR.

The principal Funds are the Lanarkshire Education Trust at £0.213m and the Marshall (Education) Trust at £0.586m, 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 2019 was £0.871m (£0.832m at 31 March 2018) and is shown at book value on the balance sheet £0.032m (£0.032m 2017/18).

Summary Income and Expenditure Account

	2017/18	2018/19
	£000	£000
Education Trust Funds:		
Income		
Interest on Investments, etc.	20	20
Expenditure		
Grants, Prizes, Awards, etc.	(84)	(61)
Surplus / (Deficit) for the year	**(64)**	**(41)**
Other Sundry Trust Funds:		
Income		
Interest on Investments	1	-
Expenditure		
Grants, Prizes, Awards, etc.	-	-
Surplus / (Deficit) for the year	**1**	**1**

Balance Sheet at 31 March 2019

2017/2018		2018/2019	2018/2019
£000		£000	£000
	Investments		
32	Education Trust Funds	32	
1	Sundry Trust Funds	1	
33			**33**
889	Advances to Council Loans Fund		822
60	Current Assets		63
982	**Net Assets**		**918**
	Education Trust Funds		
32	Capital	32	
854	Revenue	813	
886			845
	Sundry Trust Funds		
1	Capital	1	
95	Revenue	72	
96			73
982	**Total Reserves**		**918**

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.

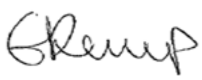
2017/18 Restated Gross Expenditure £000	2017/18 Restated Gross Income £000	2017/18 Restated Net Expenditure £000		2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
420,199	(28,741)	391,458	Education, Youth and Communities	429,058	(33,259)	395,799
234,559	(132,985)	101,574	Infrastructure	226,337	(119,424)	106,913
12,732	(3,674)	9,058	Chief Executive	11,601	(2,107)	9,494
29,232	(8,492)	20,740	Enterprise & Housing Resources	31,997	(10,878)	21,119
181,559	-	181,559	Social Work (Non-Integrated)	180,685	-	180,685
225,133	(217,533)	7,600	Social Work (Integrated Joint Board)	242,639	(234,016)	8,623
14,306	-	14,306	Joint Boards	13,785	-	13,785
63,334	(126,167)	(62,833)	Housing Revenue Account	103,675	(132,028)	(28,353)
20,437	-	20,437	Non Service-Specific Costs	35,820	-	35,820
21,653	(16,506)	5,147	Subsidiaries	24,060	(16,493)	7,567
1,223,144	**(534,098)**	**689,046**	**Net Cost of Services**	**1,299,657**	**(548,205)**	**751,452**
-	(2,616)	(2,616)	Other Operating Expenditure	-	(614)	(614)
108,588	(55,947)	52,641	Financing and Investment Income and Expenditure	102,797	(63,014)	39,783
-	(757,931)	(757,931)	Taxation and Non-specific Grant Income	-	(762,607)	(762,607)
		(18,860)	**(Surplus) or Deficit on the Provision of Services**			**28,014**
		(18,531)	Associates and Joint Ventures accounted for on an Equity Basis			(4,334)
		(37,391)	**Group (Surplus) or Deficit**			**23,680**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		1,746	(Surplus) or deficit on the revaluation of non current assets			(289,860)
		(371,646)	Actuarial (gains) or losses on pension assets and liabilities			128,823
		(10,586)	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures			2,413
		(380,486)	**Other Comprehensive Income and Expenditure**			**(158,624)**
		(417,877)	**Total Comprehensive Income and Expenditure**			**(134,944)**

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 2018 Restated		31 March 2019	
£000		£000	£000
	Property, Plant and Equipment		
941,744	Council Dwellings	1,005,069	
1,087,515	Other Land and Buildings	1,379,824	
38,259	Vehicles, Plant and Equipment	43,213	
258,341	Infrastructure Assets	265,120	
10,495	Community Assets	10,955	
17,649	Surplus Assets	16,885	
49,808	Assets Under Construction	57,710	2,778,776
66,613	Investment Property		70,319
59,253	Investments in Associates and Joint Ventures		59,026
1,843	Long Term Investments		2,804
1,398	Long Term Debtors		1,588
2,532,918	**Long-Term Assets**		**2,912,513**
4,648	Short-Term Investments	4,369	
5,100	Assets Held for Sale	-	
4,811	Inventories	4,401	
81,834	Short-Term Debtors (net of impairment)	82,724	
42,727	Cash and Cash Equivalents	74,521	
139,120	**Current Assets**		**166,015**
(208,056)	Short-Term Borrowing	(221,834)	
(193,912)	Short-Term Creditors	(205,312)	
(11,066)	Short-Term Provisions	(7,921)	
(5,324)	Short-Term Finance Lease Liabilities	(5,627)	
(418,358)	**Current Liabilities**		**(440,694)**
(461,799)	Long-Term Borrowing	(518,177)	
(4,703)	Liabilities in Associates and Joint Ventures	(2,555)	
(146,692)	Other Long-Term Liabilities (Finance Leases)	(141,066)	
(310,336)	Other Long-Term Liabilities (Pensions)	(510,942)	
-	Capital Grants Receipts in Advance	-	
(923,530)	**Long-Term Liabilities**		**(1,172,740)**
1,330,150	**Net Assets**		**1,465,094**
	Usable Reserves		
45,103	General Fund Reserve	44,372	
11,852	Housing Revenue Account Balance	12,927	
2,965	Capital Fund	4,506	
3,540	Capital Grants Unapplied Accounts	9,329	
15,118	Insurance Fund	16,674	
533	Repairs and Renewals Fund	599	
79,111	**Total Usable Reserves**		**88,407**
1,153,500	**Unusable Reserves**		**1,283,895**
97,539	**Group Reserves**		**92,792**
1,330,150	**Total Reserves**		**1,465,094**

The unaudited accounts were issued on 27 June 2019 and the audited accounts were authorised for issue on 25 September 2019.



Elaine Kemp, CPFA
Head of Financial Solutions
25 September 2019

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 Council's 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 2019	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 2018	**45,103**	**11,852**	**22,156**	**1,153,500**	**1,232,611**	**42,989**	**54,550**	**1,330,150**
Movement in Reserves during 2018/19								
Surplus / (Deficit) on Provision of Services	(49,287)	21,519	-	-	(27,768)	(246)	4,334	**(23,680)**
Other Comprehensive Income and Expenditure	-	-	-	167,459	167,459	(6,422)	(2,413)	**158,624**
Total Comprehensive Income and Expenditure	**(49,287)**	**21,519**	**-**	**167,459**	**139,691**	**(6,668)**	**1,921**	**134,944**
Adjustments between Accounting Basis and Funding Basis under Regulations	44,401	(17,632)	10,295	(37,064)	-	-	-	**-**
Net Increase or Decrease before Transfers to Other Statutory Reserves	**(4,886)**	**3,887**	**10,295**	**130,395**	**139,691**	**(6,668)**	**1,921**	**134,944**
Transfers to and from Other Statutory Reserves	4,155	(2,812)	(1,343)	-	-	**-**	**-**	**-**
Increase or Decrease in the Year	**(731)**	**1,075**	**8,952**	**130,395**	**139,691**	**(6,668)**	**1,921**	**134,944**
Balance at 31 March 2019 Carried Forward	**44,372**	**12,927**	**31,108**	**1,283,895**	**1,372,302**	**36,321**	**56,471**	**1,465,094**

Movement in Group Reserves Statement

Year Ended 31 March 2018 **Restated**	Usable Reserves General Fund	 Housing Revenue Account	 Other Statutory Reserves	Unusable Reserves	**Total Reserves of the Council**	Council Subsidiaries	Council's Share of Reserves of Associates and Joint Ventures	**Total 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**	**25,433**	**912,273**
Movement in Reserves during 2017/18								
Surplus / (Deficit) on Provision of Services	(46,153)	65,685	-	-	19,532	(672)	18,531	**37,391**
Other Comprehensive Income and Expenditure	-	-	-	350,970	350,970	18,930	10,586	**380,486**
Total Comprehensive Income and Expenditure	**(46,153)**	**65,685**	**-**	**350,970**	**370,502**	**18,258**	**29,117**	**417,877**
Adjustments between Accounting Basis and Funding Basis under Regulations	33,789	(59,857)	2,178	23,890	-	-	-	**-**
Net Increase or Decrease before Transfers to Other Statutory Reserves	**(12,364)**	**5,828**	**2,178**	**374,860**	**370,502**	**18,258**	**29,117**	**417,877**
Transfers to and from Other Statutory Reserves	744	(2,220)	1,476	-	-	**-**	**-**	**-**
Increase or Decrease in the Year	**(11,620)**	**3,608**	**3,654**	**374,860**	**370,502**	**18,258**	**29,117**	**417,877**
Balance at 31 March 2018 Carried Forward	**45,103**	**11,852**	**22,156**	**1,153,500**	**1,232,611**	**42,989**	**54,550**	**1,330,150**

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.

2017/18 Restated		2018/19	2018/19
£000		£000	£000
76,561	**Net Cash Inflow / (Outflow) from Operating Activities**		**80,157**
	INVESTING ACTIVITIES		
	Cash Inflows:		
12,857	Sale of non-current assets	7,576	
55,728	Capital grants received	47,856	
295	Other capital receipts	1,601	
-	Investments redeemed	8	
68,880			57,041
	Cash Outflows:		
(130,990)	Purchase of non-current assets		(171,902)
(346)	Long-term investment		-
-	Investment in subsidiary		(107)
(62,456)	**Net Cash Inflow / (Outflow) from Investing Activities**		**(114,968)**
	FINANCING ACTIVITIES		
	Cash Inflows:		
206,500	New loans raised	398,802	
206,500			398,802
	Cash Outflows:		
(208,450)	Repayments of amounts borrowed	(326,887)	
(4,969)	Capital payments of finance leases	(5,324)	
(213,419)			(332,211)
(6,919)	**Net Cash Inflow / (Outflow) from Financing Activities**		**66,591**
7,186	**Net Increase / (Decrease) in cash and cash equivalents**		**31,780**
35,534	**Cash and Cash Equivalents at the beginning of the year**		**42,727**
7,186	**Net Increase / (Decrease) in cash and cash equivalents**		**31,780**
7	Increase / (Decrease) Non-cash in cash equivalents		14
42,727	**Cash and Cash Equivalents at the end of the year**		**74,521**

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
Deficit on the Provision of Services		**(28,014)**
Non-Cash Transactions		
Items Relating to Loans Fund	247	
Adjustment relating to Provisions	(3,338)	
Adjustment relating to Capital items	29,579	
Adjustment relating to National Non-Domestic Rates	4,481	
Adjustment relating to Pension Reserve	71,783	102,752
Items on an Accruals Basis		
Decrease in Inventories	411	
Increase in Debtors	(5,492)	
Increase in Creditors	10,500	5,419
Net Cash Inflow from Operating Activities		**80,157**

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:

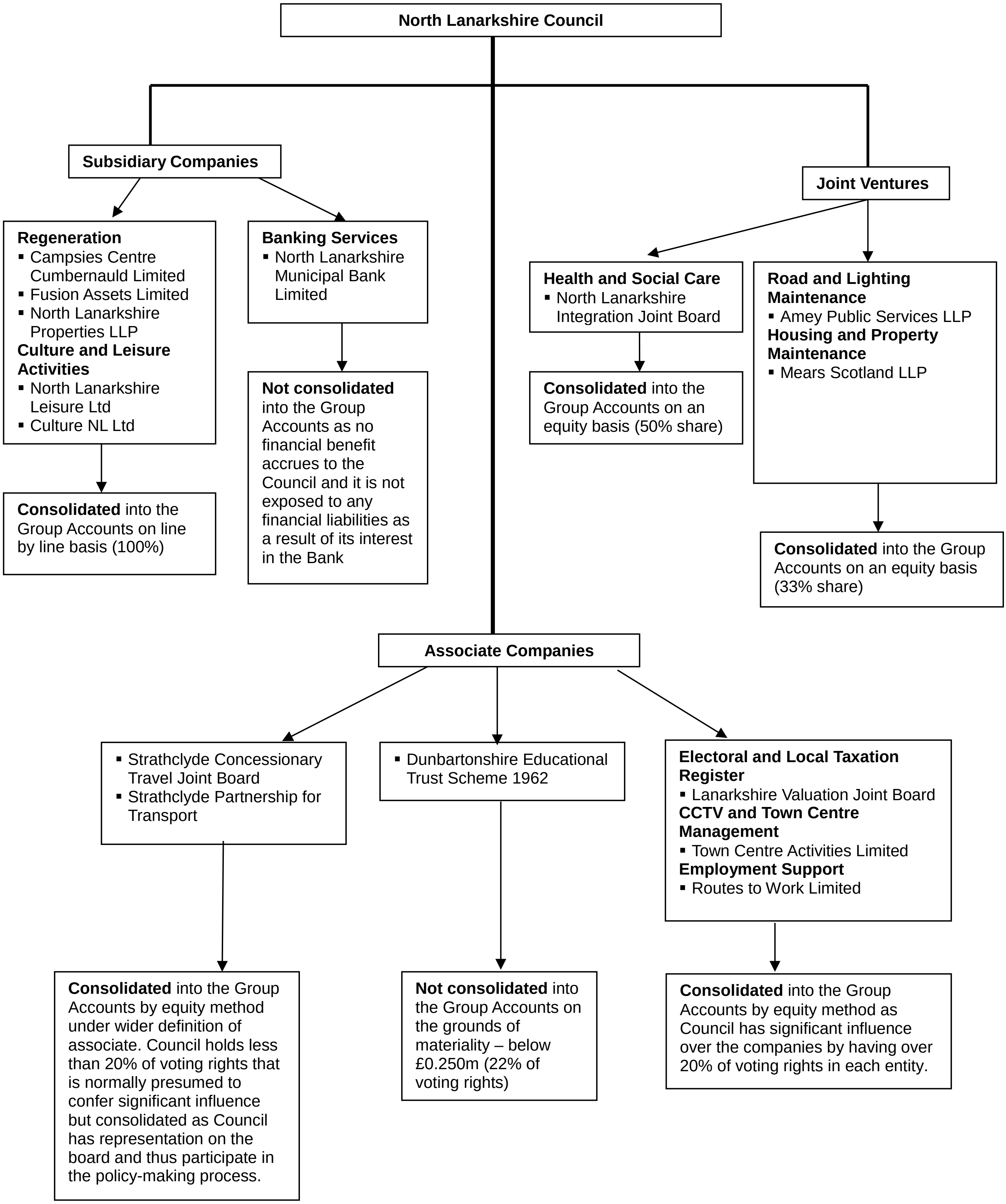
Relationship with the Council

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:



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 2019, there were 5,706 accounts held within the Bank, with a total of £28.408m on deposit. The Bank has total assets of £28.408m 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 2019 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

There are no changes to the group structure in 2018/19.

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, Windmillhill Street, Motherwell, ML1 1AB
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
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

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

2017/18 Restated		2018/19
£000		£000
(370,502)	**Total Comprehensive Income and Expenditure on the Council's Comprehensive Income and Expenditure Statement**	**(139,691)**
	(Surplus)/Deficit arising from other entities included in the Group Accounts	
672	Subsidiaries	246
(13,461)	Associates	(2,399)
(5,070)	Joint Ventures	(1,935)
	Other Comprehensive (Income) and Expenditure	
(18,930)	Subsidiaries	6,422
(10,586)	Associates	2,413
(417,877)	**Group total Comprehensive Income and Expenditure for the year**	**(134,944)**

6.2 Council Balance Sheet to Group Balance Sheet

31 March 2018 Restated		31 March 2019
£000		£000
1,232,611	**Net Assets on Council Balance Sheet**	**1,372,302**
	Long Term Assets in Group Balance Sheet	
50,153	Investments in Associates	51,034
9,100	Investments in Joint Ventures	7,992
68,935	Subsidiary Non Current Assets	71,550
	Current Assets	
22,655	Subsidiaries	23,601
	Current Liabilities	
(6,574)	Subsidiaries	(6,433)
	Long Term Liabilities	
(390)	Associates	(1,285)
(4,313)	Joint Ventures	(1,270)
(42,027)	Subsidiaries	(52,397)
1,330,150	**Net Assets on Group Balance Sheet**	**1,465,094**
1,232,611	**Total Reserves on Council Balance Sheet**	**1,372,302**
	Group Income and Expenditure and Other Reserves	
5,994	Joint Ventures	6,722
48,556	Associates	49,749
42,989	Subsidiaries	36,321
1,330,150	**Total Reserves on Group Balance Sheet**	**1,465,094**

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 include the adjustments made to the Council's Balance Sheet on consolidating the Council's subsidiaries into the Group Accounts.

	2017/18 Restated					2018/19				
	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	(48)	130	(1,839)	1,209	(124)	(338)	628	(2,221)	3,175	(1,490)
Other Comprehensive Income and Expenditure	-	-	9,531	1,030	8,369	-	-	(3,234)	(123)	(3,065)
Balance Sheet										
Non-Current Assets	-	2,175	617	66,143	-	-	3,285	100	68,165	-
Current Assets										
Inventories	-	3,144	53	4,591	83	-	2,880	53	4,306	73
Short-Term Debtors	143	465	587	(509)	(785)	1	464	313	(19)	(1,086)
Cash and Cash Equivalents	3,097	1,844	1,116	2,382	6,444	2,888	1,632	2,399	2,488	7,209
Current Liabilities										
Short-Term Creditors	(12)	88	(2,628)	(1,103)	(1,692)	1	83	(2,440)	(1,297)	(1,525)
Short-Term Borrowing	-	-	-	(1,227)	-	-	-	-	(1,255)	-
Long Term Liabilities										
Long Term Borrowing	-	-	-	(39,004)	-	-	-	-	(37,861)	-
Deferred Income	-	-	-	-	-	-	-	-	-	-
Capital Grants Received in Advance	-	-	-	-	-	-	-	-	-	-
Pensions	-	-	(5,113)	(22)	2,112	-	-	(11,248)	(224)	(3,064)
Reserves										
Income and Expenditure	(3,228)	(6,622)	(556)	(9,684)	-	(2,890)	(7,019)	(402)	(11,028)	-
General Fund	-	-	(1,325)	-	-	-	-	(1,662)	-	-
Pension	-	-	5,113	22	(2,112)	-	-	11,248	224	3,064
Revaluation Reserve	-	-	-	(21,588)	-	-	(231)	-	(23,498)	-
Other	-	(1,094)	2,136	(1)	(4,050)	-	(1,094)	1,639	(1)	(4,671)

7.2 Joint Ventures

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

	2018/19		
	Council Payments to Entity	% of Entity's Annual Turnover	Council Share of Net Assets / (Liabilities)
	£000	%	£000
Amey Public Services LLP	16,604	84.73	(619)
Mears Scotland LLP	53,556	102.19	(651)
NL Integration Joint Board	169,073	27.20	7,992

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

	2017/18 restated				2018/19			
	Amey Public Services LLP	Mears Scotland LLP	NL Integration Joint Board		Amey Public Services LLP	Mears Scotland LLP	NL Integration Joint Board	
	£000	£000	£000		£000	£000	£000	
Comprehensive Income and Expenditure Statement								
Gross Income	13,047	55,695	604,362		19,597	52,407	621,582	
Net Profit/ (Loss) before Taxation	(3,235)	2,337	10,738		2,284	6,847	(2,217)	
Taxation	-	-	-		-	-	-	
Net Profit/ (Loss) after Taxation	(3,235)	2,337	10,738		2,284	6,847	(2,217)	
Balance Sheet								
Non-Current Assets	-	175	-		-	184	-	
Current Assets	1,931	11,141	18,200		2,954	11,102	15,983	
Liabilities due within one year	(4,136)	(11,355)	-		(4,204)	(12,449)	-	
Liabilities due after more than one year	-	(5,118)	-		-	(789)	-	
Net Pension Asset	-	-	-		-	-	-	
Provision for Liabilities	(1,956)	-	-		(606)	-	-	-
Capital and Revenue Reserves	4,161	5,157	(18,200)		1,856	1,952	(15,983)	-

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.

	2018/19				
	Council Payments to Entity	% of Entity's Annual Turnover	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	552	13.50	171	-	-
Strathclyde Partnership for Transport	5,374	9.22	50,069	-	-
Lanarkshire Valuation Joint Board	1,813	46.12	(1,285)	-	-
Routes to Work Limited	3,373	106.74	208	-	711
Town Centre Activities Limited	1,717	86.76	586	128	60

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.

	2017/18 restated			2018/19		
	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	1,916	3,314	3,948	1,979	3,160	3,931
Net Surplus / (Deficit)	67	102	5,820	89	58	(1,790)
Balance Sheet						
Non-Current Assets	456	22	5	445	-	5
Current Assets	1,188	1,109	338	1,073	1,178	458
Liabilities due within one year	(414)	(148)	(62)	(199)	(138)	(66)
Long-Term Liabilities	(16)	-	-	(16)	-	-
Retirement Benefit Asset / (Liabilities)	-	-	(1,060)	-	-	(2,966)
Accumulating Compensated Absences	-	-	22	-	-	32
Capital, Revenue & Pension Reserves	(1,214)	(983)	757	(1,303)	(1,040)	2,537

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 84. Of these only two were considered outwith 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 Dumbarton. 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.

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 2018 (SSI 2018/38). 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 £39,655. For 2018/19 the salary for the Leader of North Lanarkshire Council was £39,540. The Regulations permit the Council to remunerate one Provost (£29,656 in 2018/19).

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 2018/19 was £443,985. 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 £436,529 in 2018/19. The basis of the allocation of Senior Councillor posts was approved by Council on 18 May 2017 and revised on 21 June 2018 following a change in the political balance of the Council.

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.

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.

1. 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 employers 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 payroll reporting system provided by the Employee Service Centre.

Number of employees who were relevant union officials during the relevant period	FTE employee number
76	73.03

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%	23
1-50%	50
51-99%	-
100%	3

Percentage of the total pay bill spent on facility time

Total cost of facility time (£)	200,486
Total pay bill (£)	472,510,865
Percentage of the total pay bill spent on facility time	0.04%
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

2. General Disclosure by Pay Band

The following table is for actual remuneration paid to the employee, 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 (£)	2017/18			2018/19		
	Officers	Teachers	Total	Officers	Teachers	Total
50,000 - 54,999	42	159	201	42	162	204
55,000 - 59,999	23	88	111	26	92	118
60,000 - 64,999	9	8	17	14	9	23
65,000 - 69,999	8	6	14	10	8	18
70,000 - 74,999	4	2	6	8	3	11
75,000 - 79,999	-	8	8	4	6	10
80,000 - 84,999	14	2	16	5	4	9
85,000 - 89,999	1	1	2	9	-	9
90,000 - 94,999	2	-	2	-	1	1
95,000 - 99,999	2	-	2	1	-	1
100,000 - 104,999	1	-	1	-	-	-
105,000 - 109,999	-	-	-	1	-	1
120,000 - 124,999	3	-	3	-	-	-
125,000 - 129,999	-	-	-	1	-	1
140,000 - 144,999	1	-	1	1	-	1
165,000 – 169,000	1	-	1	-	-	-
180,000 – 184,999	-	-	-	1	-	1
190,000 – 194,999	-	-	-	1	-	1
255,000 – 259,999	-	-	-	1	-	1
Total	**111**	**274**	**385**	**125**	**285**	**410**

3. 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	2017/18 Total Remuneration	2018/19 Total Remuneration
		£	£
James Logue	Leader of the Council	38,514	39,540
Paul Kelly	Depute Leader of the Council	29,049	29,656
Jean Jones	Provost (from 18 May 2017)	26,465	29,656
Jean Jones	Depute Provost (until 4 May 2017)	3,483	-
Tom Castles	Depute Provost (from 18 May 2017)	20,629	24,070
Robert Burrows	Convener of Finance & Resources (from 1 Jan 2019, previously Convener of Finance & Customer Services)	3,243	13,453
Harry Curran	Convener of Planning (from 18 May 2017)	20,213	24,070
William Shields	Convener of Local Review Body (from 18 May 2017)	20,099	24,070
William Hogg	Convener of Corporate Services (until 4 May 2017)	3,243	-
David Stocks	Leader of SNP Group (to 18 March 2019)	23,936	23,144
Thomas Johnston	Leader of SNP Group (from 19 March 2019)	-	926
Thomas Morgan	Convener of Adult Health & Social Care Committee (from 1 Jan 2019, previously convener of Transformation)	20,213	4,960
Frank McNally	Convener of Education & Families (previously Convener of Education, Youth & Communities)	28,563	29,656
Nicky Shevlin	Convener of Regulatory (from 18 May 2017, previously Convener of Licensing	23,917	24,070
John McLaren	Convener of Licensing Board (from 18 May 2017)	20,213	24,070
Allan Graham	Convener of Enterprise and Growth (previously Convener of Enterprise & Housing)	28,563	28,505
Michael McPake	Convener of Environment & Resources (previously Convener of Infrastructure)	28,563	28,505
Patrick O'Rourke	Convener of Social Work (until 31 Dec 2018, previously Convener of Scrutiny Panel)	23,917	19,110
Heather McVey	Convener of Communities & Housing (previously Business Manager)	28,563	29,656
Angela Feeney	Convener of Community Safety Partnership Governance (from 18 May 2017 until 31 Dec 2018)	19,947	19,110
Tom Fisher	Convener of Finance and Organisational Business (from 18 May 2017 until 31 Dec 2018)	20,629	19,110
Meghan Gallacher	Convener of Audit & Scrutiny Panel (from 18 May 2017)	25,276	29,656
Louise Roarty	Business Manager (from 1 Jan 2019, previously Convener of ALEO's & External Bodies from 18 May 2017 until 31 Dec 2018)	20,629	19,110
Kenneth Duffy	Convener of Transformation & Digitisation Committee (from 1 Jan 2019)	-	4,960
Angela Campbell	Convener of Equalities & Empowerment (from 1 Jan 2019)	-	4,960
Alex McVey	Convener of Lanarkshire Joint Valuation Board	3,247	4,251
James Robertson	Provost (until 4 May 2017)	3,726	-
James Coyle	Convener of Planning (until 4 May 2017)	3,243	-
Stephen Grant	Convener of Human Resources (until 4 May 2017)	3,241	-
William Hogg	Convener of Corporate Services (until 4 May 2017)	3,243	-
Andrew Spowart	Convener of Transformation (until 4 May 2017)	3,241	-
Barry McCulloch	Convener of Housing & Social Work (until 4 May 2017)	3,241	-
Stephanie Griffin	Convener of Youth & Equalities/Local Review Body (until 4 May 2017)	998	-
Brian Wallace	Convener of ALEOs & External Bodies Monitoring (until 4 May 2017)	3,243	-
Total		**502,047**	**509,976**

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).
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 Conveners of Finance & Resources Committee for year 2018/19 is £29,656.
7. Full year equivalent for Conveners of Equalities & Empowerment Committee, Adult Health & Social Care Committee, Transformation & Digitisation Committee and Leader of SNP Group for year 2018/19 is £24,070.
8. 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 2018/19:

- Councillor A McVey was the Convener of the Lanarkshire Joint Valuation Board from 26 June 2017 and the Council was reimbursed £4,251 for 2018/19 (£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	2017/18	2018/19
	£	£
Salaries	1,461,098	1,497,134
Expenses	82,145	61,475
Total	**1,543,243**	**1,558,609**

Note: The annual return of Councillors' salaries and expenses for 2018/19 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 link on the Council's website as follows:

https://www.northlanarkshire.gov.uk/index.aspx?articleid=28114

c. Remuneration of Council Senior Employees

Name	Post Title	2017/18	2018/19		
		Total remuneration[1]	Salaries, fees and allowances	Compensation for loss of office	Total remuneration
		£	£	£	£
Paul Jukes	Chief Executive (until 21 Sept 2018) [2]	158,376	75,903	-	75,903
Desmond Murray	Assistant Chief Executive (Enterprise & Housing Resources) until 21 Sept 2018 and Chief Executive from 22 Sept 2018	125,037	140,947	-	140,947
Isabelle Boyd	Assistant Chief Executive (Education, Youth and Communities until 4 January 2019)	125,037	101,351	81,269 plus annual compensation of £5,485	182,620
Robert Steenson	Assistant Chief Executive (Infrastructure)	125,037	128,448	-	128,448
Paul Hughes	Head of Financial Solutions (Section 95 Officer)	96,028	97,628	-	97,628
Alison Gordon	Head of Children, Families & Justice Social Work Services (Chief Social Work Officer)	85,135	86,735	-	86,735
Archie Aitken	Head of Legal & Democratic Solutions	85,135	86,735	-	86,735
Ken Adamson	Audit & Risk Manager	61,042	63,182	-	63,182
Janice Hewitt[3]	Chief Officer for Health & Social Care Integration	124,384	146,033[4]	119,401[5] plus annual compensation of £13,740	265,434
Total		**985,211**	**926,962**	**200,670**	**1,127,632**

1. Total remuneration disclosed relates to salary, fees and allowances.
2. Full year equivalent for the post of Chief Executive for 2018/19 was £140,765.
3. Janice Hewitt was employed until 8 April 2019, however as the amounts were agreed during 2018/19 and included in the council's expenditure and exit package disclosures the inclusion in the above disclosure was deemed to be appropriate to support overall transparency. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. Janice Hewitt has been credited with 8.66 years additional period of service. A person who has been granted a credited period is entitled to receive compensation in the form of a lump sum and annual compensation, both of which are included within the compensation for loss of employment.
4. This includes salary payments up to 8 April 2019 and holiday pay of £13,328.
5. This includes an overpayment of £12,717 which is currently being pursued.

d. Remuneration of Council's Subsidiary Bodies Senior Employees

Name	Post Title	2017/18 Total remuneration	2018/19 Total remuneration
		£	£
David Baird	General Manager, North Lanarkshire Properties	53,188	56,404
Murray Collins	Managing Director, Fusion Assets	65,325	67,611
Jillian Ferrie	Chief Executive, Culture NL	63,967	67,809
Emma Walker	Chief Executive, North Lanarkshire Leisure	78,776	84,224
Total		**261,256**	**276,048**

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 and compensation for loss of employment.
3. The Council has no influence over the remuneration provided by subsidiaries.

4. 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) and b) 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 2019 at the rate on the following bands of pay:

Band	Range	Contribution Rate
1	On earnings up to and including £21,300	5.50%
2	On earnings above £21,301 and up to £26,100	7.25%
3	On earnings above £26,101 and up to £35,700	8.50%
4	On earnings above £35,701 and up to £47,600	9.50%
5	On earnings above £47,601	12.00%

The pension entitlements for Senior Councillors, Senior Employees of the Council and Subsidiary Bodies for the year to 31 March 2019 are shown in the tables overleaf, together with the contribution made by the Council or the Subsidiary Body during the year.

a) 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 2018	For year to 31 March 2019		As at 31 March 2018	Movement In Year	As at 31 March 2019
	£	£		£000	£000	£000
James Logue	7,433	7,631	Pension	6	1	7
			Lump Sum	2	-	2
Paul Kelly	5,606	5,724	Pension	4	1	5
			Lump Sum	2	-	2
James Robertson	719	-	Pension	5	-	5
			Lump Sum	2	-	2
Tom Castles	-	-	Pension	-	-	-
			Lump Sum	-	-	-
Robert Burrows	3,423	3,776	Pension	5	-	5
			Lump Sum	2	-	2
James Coyle	626	-	Pension	5	-	5
			Lump Sum	2	-	2
Harry Curran	4,401	4,646	Pension	4	1	5
			Lump Sum	1	-	1
Stephen Grant	625	-	Pension	4	-	4
			Lump Sum	1	-	1
William Shields	4,504	4,646	Pension	4	-	4
			Lump Sum	1	-	1
William Hogg	626	-	Pension	5	-	5
			Lump Sum	2	-	2
Thomas Morgan	4,401	4,646	Pension	2	1	3
			Lump Sum	-	-	-
David Stocks	4,620	4,646	Pension	2	1	3
			Lump Sum	-	-	-
Thomas Johnston	3,257	3,270	Pension	3	1	4
			Lump Sum	1	-	1
John McLaren	4,401	4,646	Pension	2	1	3
			Lump Sum	-	-	-
Andrew Spowart	625	-	Pension	2	-	2
			Lump Sum	-	-	-
Frank McNally	5,513	5,724	Pension	3	-	3
			Lump Sum	-	-	-
Nicky Shevlin	4,616	4,646	Pension	4	1	5
			Lump Sum	1	1	2
Allan Graham	5,513	5,501	Pension	3	-	3
			Lump Sum	-	-	-
Michael McPake	5,513	5,501	Pension	3	-	3
			Lump Sum	-	-	-
Barry McCulloch	625	-	Pension	7	1	8
			Lump Sum	2	10	12
Heather McVey	5,513	5,724	Pension	3	-	3
			Lump Sum	-	-	-
Stephanie Griffin	625	-	Pension	2	-	2
			Lump Sum	-	-	-
Patrick O'Rourke	4,616	4,362	Pension	2	-	2
			Lump Sum	-	-	-
Brian Wallace	-	-	Pension	-	1	1
			Lump Sum	-	-	-
Angela Feeney	2,070	-	Pension	-	-	-
			Lump Sum	-	-	-
Tom Fisher	3,981	4,362	Pension	-	1	1
			Lump Sum	-	-	-
Meghan Gallacher	4,878	5,724	Pension	1	-	1
			Lump Sum	-	-	-
Louise Roarty	116	-	Pension	-	-	-
			Lump Sum	-	-	-
Angela Campbell	-	3,554	Pension	-	1	1
			Lump Sum	-	-	-
Kenneth Duffy	-	3,990	Pension	-	1	1
			Lump Sum	-	-	-
Alex McVey	-	4,088	Pension	-	1	1
			Lump Sum	-	-	-
Total	**88,846**	**96,807**		**100**	**25**	**125**

b) Pension Benefits of Council Senior Employees

Name	In-year pension contributions		Accrued pension benefits			
	For year to 31 March 2018	For year 31 March 2019		As at 31 March 2018	Movement in Year	As at 31 March 2019
	£	£		£000	£000	£000
Paul Jukes	32,600	15,789	Pension	68	1	69
			Lump Sum	128	-	128
Desmond Murray	24,045	27,320	Pension	34	10	44
			Lump Sum	45	10	55
Isabelle Boyd	24,045	19,639	Pension	9	2	11
			Lump Sum	-	16	16
Robert Steenson	24,045	24,697	Pension	53	4	57
			Lump Sum	102	3	105
Paul Hughes	18,476	18,779	Pension	48	3	51
			Lump Sum	96	2	98
Alison Gordon	16,380	17,276	Pension	21	3	24
			Lump Sum	23	-	23
Archie Aitken	16,380	16,682	Pension	32	3	35
			Lump Sum	56	1	57
Ken Adamson	11,745	12,144	Pension	24	2	26
			Lump Sum	41	2	43
Janice Hewitt	27,484	350,116[1]	Pension	49	4	53
			Lump Sum	89	3	92
Total	**195,200**	**502,941**		**918**	**69**	**987**

1. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. Janice Hewitt has been credited with 8.66 years additional period of service and a payment of £325,179 was made to the pension fund.

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

Name	In-year pension contributions		Accrued pension benefits			
	For year to 31 March 2018	For year 31 March 2019		As at 31 March 2018	Movement in Year	As at 31 March 2019
	£	£		£000	£000	£000
David Baird	10,224	10,831	Pension	21	2	23
			Lump Sum	36	2	38
Murray Collins	16,777	17,863	Pension	-	-	-
			Lump Sum	-	-	-
Jillian Ferrie	14,144	13,965	Pension	24	3	27
			Lump Sum	42	3	45
Emma Walker	14,700	14,857	Pension	21	2	23
			Lump Sum	24	-	24
Total	**55,845**	**57,516**		**168**	**12**	**180**

5. Exit Packages

North Lanarkshire Council terminated the contracts of a number of employees in 2017/18 and 2018/19 as part of a voluntary severance exercise. The following tables detail exit package costs actually incurred by the Council in each year:

Exit Packages 2018/19

Banding	Employees	Redundancy Lump Sums	CAY Lump Sums	Strain Costs	**Total Exit Package Costs**
	No.	£000	£000	£000	**£000**
£0-£20,000	24	286	11	23	**320**
£20,001-£40,000	62	1,513	42	203	**1,758**
£40,001-£60,000	22	624	29	435	**1,088**
£60,001-£80,000	20	465	62	822	**1,349**
£80,001-£100,000	9	190	56	523	**769**
£100,001-£150,000	11	439	38	791	**1,268**
£150,001-£200,000	1	50	-	104	**154**
£200,001-£250,000	1	-	-	214	**214**
£400,001-£450,000	1	87	33	325	**445**
	151	**3,654**	**271**	**3,440**	**7,365**

Comparative Exit Packages 2017/18

Banding	Employees	Redundancy Lump Sums	CAY Lump Sums	Strain Costs	**Total Exit Package Costs**
	No.	£000	£000	£000	**£000**
£0-£20,000	28	231	65	104	**400**
£20,001-£40,000	30	586	63	223	**872**
£40,001-£60,000	23	489	37	569	**1,095**
£60,001-£80,000	4	129	16	135	**280**
£80,001-£100,000	1	9	5	80	**94**
£100,001-£150,000	7	105	79	702	**886**
£150,001-£200,000	5	86	62	761	**909**
£200,001-£250,000	1	22	12	181	**215**
£250,001-£300,000	1	73	-	177	**250**
	100	**1,730**	**339**	**2,932**	**5,001**

Exit package costs in the above tables have been allocated across the following four areas:

- Redundancy Lump Sums, representing the amount that North Lanarkshire Council pays to the individual in a one-off lump sum in accordance with the Council's severance policy and Payments In-lieu of Notice, representing the amount that North Lanarkshire Council pays to an individual for a period of notice that the individual is not required to work.
- Compensated Added Years (CAY) Lump Sum, representing the amount that North Lanarkshire Council pays to the individual in a one-off lump sum, according to the CAY awarded.
- Strain Costs, representing the amount which North Lanarkshire Council is required to pay to the pension fund because the employee has retired before the assumed retirement age which would result in a shortfall in contributions up to the assumed retirement age.

In addition to actual exit package costs incurred by the Council, the Local Authority Accounts (Scotland) Regulations 2014 also requires disclosure of Capitalised Compensatory Added Years Liabilities. These liabilities represent an actuarial estimate of the discounted value of future recurring Compensatory Added Years payments that North Lanarkshire Council may be required to pay to the Pension Fund up until the age at which the former employee is assumed to cease being a member of the pension scheme. It should be stressed that these cost assumptions are based on average life expectancies and so may be subject to change based on actual circumstances impacting on individual pension members.

The following tables detail, by cost banding, an estimate of the total exit package costs that may potentially be incurred by North Lanarkshire Council up until the age at which the relevant employees are assumed to cease being members of the pension scheme:

Exit Packages 2018/19

Banding	Employees	Redundancy Lump Sums	CAY Lump Sums	Strain Costs	Estimated CAY Liabilities	**Total Exit Package Costs**
	No.	£000	£000	£000	£000	**£000**
£0-£20,000	21	256	-	11	-	**267**
£20,001-£40,000	55	1,445	-	103	-	**1,548**
£40,001-£60,000	21	580	19	296	148	**1,043**
£60,001-£80,000	16	434	29	489	150	**1,102**
£80,001-£100,000	7	123	22	341	143	**629**
£100,001-£150,000	21	557	99	1,074	793	**2,523**
£150,001-£200,000	6	127	41	479	348	**995**
£200,001-£250,000	3	46	28	322	234	**630**
£800,001-£850,000	1	87	33	325	404	**849**
	151	**3,655**	**271**	**3,440**	**2,220**	**9,586**

Comparative Exit Packages 2017/18

Banding	Employees	Redundancy Lump Sums	CAY Lump Sums	Strain Costs	Estimated CAY Liabilities	**Total Exit Package Costs**
	No.	£000	£000	£000	£000	**£000**
£0-£20,000	18	185	41	17	-	**243**
£20,001-£40,000	34	584	65	234	115	**998**
£40,001-£60,000	19	396	12	360	130	**898**
£60,001-£80,000	4	128	10	61	82	**281**
£80,001-£100,000	5	68	30	155	205	**458**
£100,001-£150,000	6	83	29	284	374	**770**
£150,001-£200,000	2	32	15	191	131	**369**
£200,001-£250,000	3	44	35	296	295	**670**
£250,001-£300,000	6	161	58	838	506	**1,563**
£300,001-£350,000	3	49	43	497	371	**960**
	100	**1,730**	**338**	**2,933**	**2,209**	**7,210**

Des Murray
Chief Executive

Councillor James Logue
Council Leader

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 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 Financial Solutions Responsibilities

The Head of 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 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 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 2019, and its income and expenditure for the year ended 31 March 2019.

Elaine Kemp, CPFA
Head of Financial Solutions

Scope of Responsibility

North Lanarkshire Council is committed to ensuring that business is conducted in accordance with the law and that public money is safeguarded, properly accounted for and used efficiently and effectively. The council also has a duty under the Local Government in Scotland Act, 2003 to demonstrate Best Value by showing continuous improvement in the delivery of services. Evidence to show the pace and depth of the improvement along with the management of risk is critical to ensure the delivery of the ambitious vision for North Lanarkshire.

To deliver this responsibility, the council has adopted the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executive's (CIPFA/SOLACE) Framework 'Delivering Good Governance in Local Government Framework' (2016).

In discharging these duties elected members and senior officers are responsible for implementing sound governance arrangements and for ensuring, at least on an annual basis, that these arrangements are evaluated for compliance and effectiveness in line with the council's priorities.

The council has put in place appropriate management and reporting arrangements through the Corporate Management Team (CMT) to satisfy itself that the approach to corporate governance is both adequate and effective. Robust risk management arrangements are in place.

The council's Audit and Risk Manager has been given independent responsibility to review and report to the Audit and Scrutiny Panel annually to provide assurance on the adequacy and effectiveness of the corporate governance arrangements and the extent to which it complies with the guidance outlined in 1.2 above.

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 the strategic plan for North Lanarkshire, 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.

This statement also covers the organisations consolidated in the Council's Group Accounts.

The Governance Framework

The governance framework brings together legislative requirements, governance principles and management processes to monitor the achievement of strategic priorities and ambitions and to consider whether those priorities have led to the delivery of appropriate and cost effective services.

There is recognition that good corporate governance comes from a culture of openness, respect and integrity, accountability and inclusiveness, whilst focussing on performance, managing risks effectively and a commitment to the organisation and the communities of North Lanarkshire.

The arrangements for corporate governance and internal control for North Lanarkshire Council are based on the following:

- The Plan for North Lanarkshire and supporting frameworks - Policy, Performance, Self–Evaluation and Governance
- Codes of Conduct for Elected Members, Chief Officers and Employees
- Standing Orders
- Schemes of Administration and Delegation clearly setting out remits, functions and powers of committees and sub-committees and allocating delegated powers to officers
- Financial Regulations and procedures that specify relevant procedures and controls over budgeting, income, expenditure and financial performance
- Capital Expenditure guidelines
- Appropriate Legal and Finance input into policy development and decision-making
- A range of HR and other policies which promote and/or support ethical behaviour and standards of conduct by staff
- Risk Management arrangements that reflect the strategic ambition
- Anti-Fraud Policy and Fraud Response Plan
- Whistleblowing arrangements and complaints procedures
- A suitably qualified and experienced Monitoring Officer to ensure compliance with laws and regulations
- An Audit and Scrutiny Panel whose activities and core functions comply with relevant CIPFA standards

The Audit and Risk Management service provides the internal audit function for North Lanarkshire Council and operates within the local authority Public Sector Internal Audit Standards and the council's Internal Audit Charter. The service undertakes an annual programme of work approved by the Audit and Scrutiny Panel which is based on the Internal Audit Annual Plan. This plan is risk based and updated to reflect evolving issues and changes.

The internal audit function has recently been the subject of an External Quality Assurance Review (EQAR), undertaken on behalf of the Scottish Local Authority Chief Internal Auditors Group to assess compliance with the relevant national standards. The overall result was "fully conforms".

Effectiveness of Governance Arrangements

When reviewing the effectiveness of the governance framework and internal control systems and processes the following will be taken into account.

- The work of the extended Corporate Management Team who have responsibility for the development and maintenance of governance arrangements through their annual assurance statements
- The annual assurance statement provided by the Audit and Risk Manager
- Comments made by the external auditors and other review agencies and inspectorates
- Feedback from elected members and committees in their scrutiny role
- Issues considered by the Audit and Scrutiny Panel
- The review of customer and stakeholder feedback.

Continuous Improvement and Performance Measurement

In September 2018 the council identified the need to review its existing policy arrangements. As part of the strategic policy review, a mapping exercise was carried out to assess how existing high-level strategies, policies and plans fit with the delivery of the council's five priorities. At that time 81 strategies and plans were in place.

In February 2019 Elected Members approved the vision and strategic ambition for North Lanarkshire to be "a place to Live, Learn, Work, Invest and Visit". This is embedded in the strategic plan - The Plan for North Lanarkshire which was published in February 2019 www.northlanarkshire.gov.uk/theplan. The strategic policy review has been aligned to support the delivery of the ambition through 27 updated strategies and plans.

The Plan for North Lanarkshire is not just a council strategy but rather a "place" approach to bring wider opportunities to tackle poverty and ensure opportunities for all. The Plan has been adopted and supported by the North Lanarkshire Partnership (NLP) Board and Arms-Length External Organisations (ALEOs). The Plan was approved at the NLP Board meeting in March 2019 and supersedes the partnership Local Outcomes Improvement Plan.

To deliver The Plan for North Lanarkshire work focusses on five priorities supported by 25 ambition statements – Figure 1 provides an overview of how the various parts of the strategic plan link together through the following priorities:

- Improve economic opportunities and outcomes
- Support all children and young people to reach their full potential
- Improve the health and wellbeing of our communities
- Enhance participation, capacity and empowerment across our communities
- Improve North Lanarkshire's resource base.

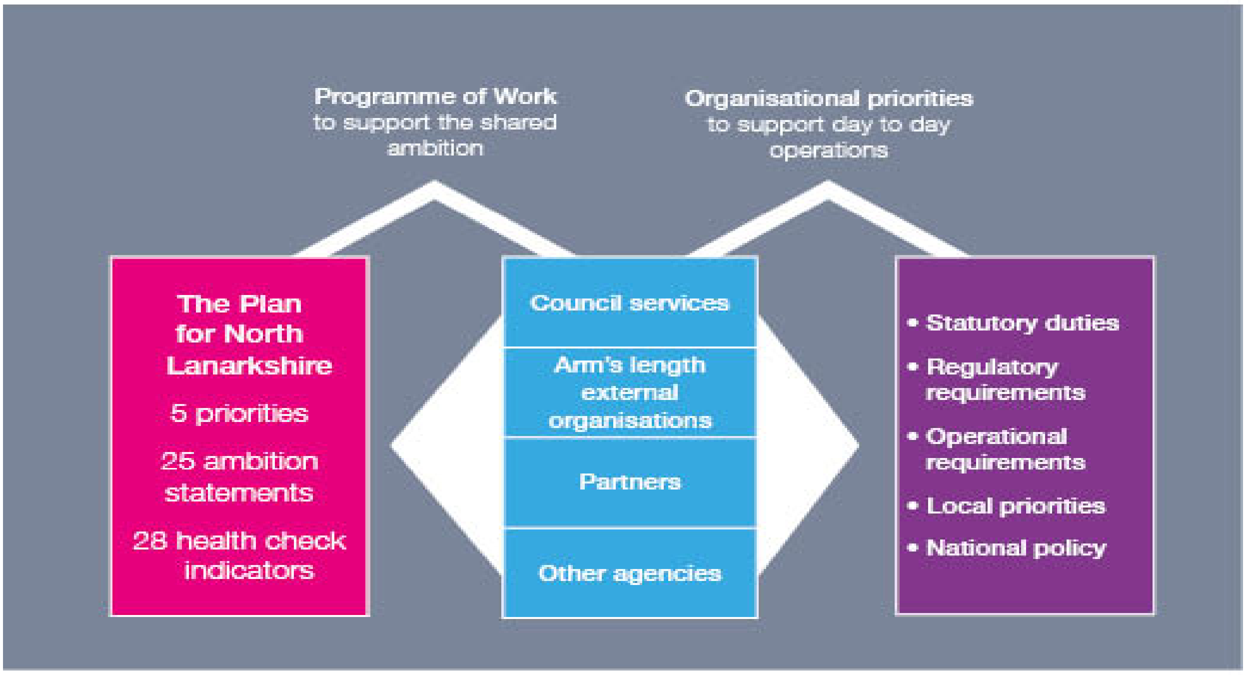


Figure 1 – The Plan for North Lanarkshire

The 25 ambition statements are designed to focus activities and resources to deliver the shared ambition and are supported by a high-level Programme of Work.

The Council's performance management arrangements have been reviewed in line with the development of The Plan for North Lanarkshire and supersede improvements identified previously. The new Strategic Performance Framework detailed in Figure 2 will enable measuring of progress towards achieving the shared ambition.

At Level 1, 28 national health check indicators were approved by Elected Members and provide the North Lanarkshire context.

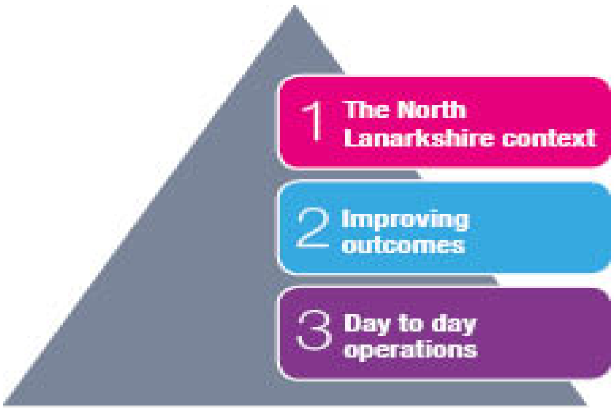


Figure 2 – The Strategic Performance Framework

A review of performance indicators and targets for Level 2 and Level 3 of the Strategic Performance Framework will be submitted to Policy and Strategy Committee for approval in September 2019. The new framework has been developed in line with the requirements of The Publication of Information (Standards of Performance) Direction 2018.

A revised organisational structure was implemented to support the delivery of the Plan for North Lanarkshire. The council's risk management arrangements will continue to be aligned as development work continues.

During 2018/19, the council was subject to a Best Value Audit by Audit Scotland (https://www.audit-scotland.gov.uk/report/best-value-assurance-report-north-lanarkshire-council). The recommendations in the report for improvement will be addressed as part of the Programme of Work.

Prior Year Issues (2017/18)

The table below outlines issues identified during the Internal Audit programme of work for 2017/18 and provides details of the actions taken to address each issue.

	Issue Raised	Action Taken
1.	**Payroll/HR issues** – Significant control issues within the Council's Payroll and HR systems were identified.	A number of actions were taken to improve the control environment associated with the HR/Payroll issues including revised structures and processes within the Employee Service Centre. Internal Audit reviewed the revised progress had been made to the control framework and could now categorise the audit as offering 'reasonable assurance'.
2	**Performance Management** – Issues were highlighted with regard to committee reporting and lack of an overall timeline to ensure timeous reporting.	Work continued on the issues raised by the internal audit, however, a series of events commencing with the appointment of a new Chief Executive in September 2018 and the development of a new strategic vision and plan for the area has led to resources being targeted to the development of a new Strategic Performance Framework. This issue has also been highlighted in the 2018/19 audit statement.

Current Year Issues (2018/19)

The table below outlines progress on significant governance issues highlighted as part of the 2018/19 audit programme.

	Issue Raised	Planned Action
1	**Business Continuity Arrangements -** A review of the council's business continuity and disaster recovery arrangements highlighted a number of actions including:- • The need for corporate guidance regarding the content and detail required • Reviewing and updating the ICT disaster recovery documentation • Ensuring all relevant operational staff are aware of respective plans and their individual responsibilities.	An improvement plan has been developed and implemented to ensure consistency when services are preparing business continuity plans. A comprehensive training programme for managers and staff is being designed to ensure that staff understand their roles and responsibilities and the ICT disaster recovery documentation is being updated and submitted to a future meeting of the Corporate Management Team.
2	**HR Systems – Recruitment Practice -** Weaknesses in key controls for recruitment within the Education Service was identified.	Further investigation ensured that the issues highlighted were confined to the Education service and a number of significant actions to address the audit recommendations have been implemented.
3	**Performance Management -** The 2018/19 annual audit opinion is qualified in respect of one issue, the transitional nature of the Council's performance management arrangements.	A number of recommendations were made and where appropriate these have been incorporated into the development of a three tier Strategic Performance Management Framework due for consideration at the Policy and Strategy Committee in September 2019.

Review of Effectiveness

With the exception of a suspected fraud in relation to catering income, details of which will be reported during 2019/20 there were no other weaknesses, material frauds or irregularities resulting in financial loss to the council identified in 2018/19.

The Council's Audit and Risk Manager has reviewed the effectiveness of the Council's governance arrangements and reported the results to the Audit and Scrutiny Panel. The most recent assurance statement contained in the Internal Audit Progress Report concludes that there is sufficient evidence to provide reasonable assurance on the adequacy and effectiveness of the council's system of corporate governance and internal controls in the year to 31 March 2019.

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.

Des Murray
Chief Executive

Councillor James Logue
Council Leader

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

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 2019 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 and 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 accounts, 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 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 2018/19 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. 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
- the Head of 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.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

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

As explained more fully in the Statement of Responsibilities, the Head of 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 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 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 obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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 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 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.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth ACMA CGMA

Audit Director

Audit Scotland

4th Floor, South Suite

The Athenaeum Building

8 Nelson Mandela Place

Glasgow G2 1B

30 September 2019

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 existent 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.

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 drive 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.

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

To make a request, please contact Corporate Communications on 01698 302527 or email: corporatecommunications@northlan.gov.uk

'S urrainn dhuinn an sgrìobhainn seo a chur ann an diofar chànanan agus chruthan, a' gabhail a-steach clò mòr, braille, cruth claisneachd agus cruthan dealanach agus ruigsinneach.

Gus iarrtas a dhèanamh, cuir fios gu Conaltradh Corporra air 01698 302527 no cuir fios gu: corporatecommunications@northlan.gov.uk

本文档可以多种语言和格式提供，包括大号字体、盲文、音频、电子和可访问格式。

如欲提出请求，请致电01698 302527或发送电子邮件至：corporatecommunications@northlan.gov.uk与企业传播部门 (Corporate Communications) 联系。

Ten dokument jest dostępny w różnych językach i formatach, w tym w formacie elektronicznym, dużą czcionką, w alfabecie Braille'a, w wersji audio i przystępnych formatach.

W celu złożenia zamówienia prosimy skontaktować się z Wydziałem Komunikacji Zewnętrznej telefonicznie na numer 01698 302527 lub na adres e-mail: corporatecommunications@northlan.gov.uk

یہ دستاویز کئی دیگر زبانوں اور شکلوں (فارمیٹس) میں فراہم کی جاسکتی ہے، جن میں بڑے حروف کی چھپائی، بریل (نابینا افراد کے لیے اُبھرے ہوئے حروف کی لکھائی)، آڈیو، الیکٹرانک اور قابل رسائی شکلیں شامل ہیں۔

درخواست کرنے کے لیے برائے مہربانی 01698 302527 پر کارپوریٹ کمیونیکیشنز سے رابطہ کریں یا اس پتے پر ای میل بھیجیں: corporatecommunications@northlan.gov.uk

Produced by

NORTH LANARKSHIRE COUNCIL
Chief Executive's Office
Civic Centre
Windmillhill Street
Motherwell ML1 1AB
t. 01698 302402
e. annualaccounts@northlan.gov.uk

NORTHLANARKSHIRE.GOV.UK

CEX_00265 6.2019