NORTH LANARKSHIRE COUNCIL

ANNUAL ACCOUNTS

2019/20

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Front cover image: North Lanarkshire Schools Pipe Bands at the Tartan Day Parade in New York, April 2019

Photograph: Steven Moore, Teacher, North Lanarkshire Council

Annual Accounts 2019/20
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 341,370 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 2020. They have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom which is based on International Financial Reporting Standards (IFRS) and also the requirements of accounting and statutory guidance of central government. IFRS is a set of accounting standards developed by an independent, not-for-profit organisation, the International Accounting Standards Board (IASB). The goal of IFRS is to provide a global framework for organisations to prepare and disclose their financial statements. IFRS provides general guidance for the preparation of financial statements, rather than setting rules for industry-specific reporting.

Comprehensive Income and Expenditure Statement (CIES)

The CIES (page 16) covers the day-to-day operational expenditure for each service of the Council and the level of income received to support service provision. It includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure includes the cost of goods or services received by the authority by 31 March which has not been paid for. Similarly, accrued income includes income due, but not yet received.

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

The CIES shows the Council had a Net Cost of Services of £775.385m, and other corporate charges totalling £52.857m. These were funded by Taxation and Non-Specific Grant Income (including Council Tax, General Revenue Grant and Non Domestic Rates) of £807.801m. This resulted in an accounting deficit on the provision of services for the year of £20.441m.

Other net income not related to the provision of services totalling £218.739m was also accounted for, resulting in the Total Comprehensive Income and Expenditure for the year showing a surplus of £198.298m, an increase of £56.607m from 2018/19, due to the combined impact of an increase in the actuarial valuation of the Council's share of pension scheme assets and liabilities, and a reduced surplus on revaluation of non-current assets, primarily linked to the Council's five year rolling revaluation programme .

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 £2.094m 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 surplus on the General Fund Account for the year is £4.029m (page 18).

The net General Fund surplus for the year has been added to the surplus of £44.372m brought forward from 2018/19 resulting in an overall surplus of £48.401m (page 18) to be carried forward into 2020/21. This balance is represented by the carry forward of £31.787m of committed resources into 2020/21. A further £8.614m 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 32) 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 18), with the Housing Revenue Account financial statements detailed on page 75. 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 2020 of £1.219m which has been added to the balance brought forward to enable a cumulative surplus of £14.146m to be carried forward within the Council's Usable Reserves. Of this surplus, some £11.895m has already been approved for specific purposes including temporary accommodation (£5.502m). Considering the approved £1.450m contingency reserve this leaves a current unallocated balance of £0.801m.

The opening 2019/20 equal pay provision included £0.465m in relation to the Housing Revenue Account. During the year a total of £0.340m claims were settled, no further changes made to the provision, resulting in a balance carried forward for HRA of £0.125m.

Capital Account

Details of Capital Expenditure and Capital Financing are shown on page 67. Total gross expenditure for Housing and Composite Services amounted to £199.794m. This was funded as summarised below:

	£m
Sale of Council Assets	0.477
Contributions from Revenue Budgets	27.549
Capital Grants and Other Income	61.568
PPP & Similar Contract Advances	45.075
Loans Fund Advances	65.125
	199.794

The 2019/20 loans fund advance of £65.125m 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 2019/20 was the second 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 20) increased by £4.055m during 2019/20. This represents a net cash inflow from operating activities of £39.904m, a net cash outflow in investing activities of £96.026m and a cash inflow from financing activities of £60.177m with a further non cash adjustment of £0.002m 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 2019/20 were approved by the Finance and Resources Committee on 13 March 2019. 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 2019/20 the approach to borrowing was in line with the approved strategy, with the Council taking advantage of long-term and temporary (short-term) borrowing available at attractive rates supplemented by internal cash balances to support 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 57 to 61) for employers participating in the Strathclyde Pension Fund is based on a snapshot valuation as at 31 March 2020. 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 triennial review applied to 2019/20 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 latest triennial review took place in March 2020 and will be applied to financial year 2020/21.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £327.745m 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 2020 and the projected pension expense for the year to 31 March 2021 allow for the Local Government Pension Scheme (LGPS) career average revalued earnings (CARE) benefit design.

The estimated decrease in net liability of £168.661m reflects a decrease of £83.646m in the estimated fair value of the fund's assets, as well as a decrease of £252.307m in the estimated fair value of future liabilities as shown in Note 26.4. The decrease in net assets reflects lower estimated returns on equities and bonds, both significant sources of pension investment returns as seen in Note 26.3.

Group Accounts

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

The Council's three year Arm's Length External Organisation (ALEO) Review Programme, initially designed to take place between 2016/17 and 2018/19, concluded in 2019/20 with the findings from the reviews of Routes to Work Ltd and North Lanarkshire Municipal Bank Ltd reported to the Policy and Strategy Committee in September 2019 and March 2020 respectively.

The review of Routes to Work Ltd found that the charity is performing well and delivering on its key objectives. The options appraisal confirmed that retaining Routes to Work Ltd as an arm's length provider remained the best option for the Council and identified further opportunities to align activities more closely with The Plan for North Lanarkshire and the separate, wider review of employability services. The outcomes from this employability review were subsequently reported in March 2020 with the Policy and Strategy Committee noting Routes to Work's high performance and effective partnership working arrangements to deliver EU funded employability programmes on behalf of the Council.

North Lanarkshire Municipal Bank's review identified that the Bank is performing satisfactorily and delivering against its founding objectives, however, its long-term sustainability is impacted by demographics, limitations on the range of banking products that may be provided and increasing trends towards online banking and cashless transactions. Accordingly, Policy and Strategy Committee agreed to maintain current banking operations and services, while monitoring customer numbers and deposits over a 12 month period, with the findings to be reported in due course.

During 2019/20 the Council concluded a series of outstanding actions from earlier phases of the ALEO Review Programme as summarised below.

- Responsibility for delivery of public space CCTV monitoring and town centre initiatives, previously provided by Town Centre Activities (TCA) Ltd, was in-sourced from 1 April 2019 and responsibility for the charity's Shopmobility division transferred to The Health and Wellness Hub from 1 July 2019. The Board of Directors of TCA Ltd submitted applications on behalf of the company and its subsidiaries,

Northguard Ltd and Garrison Monitoring Services Ltd, for voluntary strike-off and removal from the Register of Companies.
- Following the reviews of North Lanarkshire Properties (NLP) LLP and Fusion Assets Ltd, where a requirement to accelerate the pace and scale of company operations was noted in both cases in order that they may make an effective contribution to The Plan for North Lanarkshire and plans for economic growth, the Council is now considering the development of a single Enterprise Strategic Commercial Partnership. The functions provided by both Fusion Assets Ltd and NLP LLP are currently in-scope for inclusion in the potential Enterprise Partnership delivery vehicle and regular dialogue is taking place between the Council and both companies to ensure that directors and senior management are informed of progress as appropriate. Both companies are also now represented on the Council's Economic Regeneration Delivery Plan Business and Industry Group to support collaborative working and promote increased alignment between individual company objectives and The Plan for North Lanarkshire.
- Activity to progress the dissolution of Campsies Centre Cumbernauld Ltd is progressing, although at a slightly more protracted pace than previously envisaged, in order to ensure due diligence in assessing the value of the company's assets.
- A 3 year extension, up to June 2024, to the partnership agreement in place between the Council and Amey Local Government Ltd was agreed in August 2019 following completion of market testing to ensure that the partnership delivery model (Amey Public Services (APS) LLP) continues to represent Best Value for the Council.
- During 2019/20, the Council revisited its decision that the contract with MEARS Scotland LLP, for housing and corporate property repairs and maintenance, should expire at the end of the initial contract period in January 2021. The provision of housing and corporate property repairs and maintenance services are within scope for inclusion in the Enterprise Strategic Commercial Partnership. An annual extension facility, for a maximum period of up to 3 years, ensures continuity of service during the transition period and allows the Council's repairs and maintenance requirements to be fully considered within the detailed proposals of the Enterprise Partnership.

Following the Council's decision in 2018/19 to merge North Lanarkshire Leisure Ltd and CultureNL Ltd, with Culture NL Ltd as the retained entity, some governance challenges developed within the new CLNL arms-length body. When considering these alongside the requirement for CLNL strategy to more fully align with The Plan for North Lanarkshire, the Council determined a re-examination of its previous options appraisal outcomes was essential. Following due consideration of all factors and emerging challenges, the Council thereafter agreed, in January 2020, that an in-sourced model would achieve greater alignment between the Council's ambitions and provision of cultural, sports and leisure services; increase the pace of transformational change required; and, support longer term cost effectiveness and sustainability

Further detailed information on the Group performance, along with the summarised group financial statements, is available on pages 79 to 91. After consolidation the Group balance sheet shows net assets of £1,687.960m as at 31 March 2020, an increase of £115.360m on the single entity position, representing the Council's share of the net assets of these entities.

ALEO Future Priorities 2020/21
During 2019/20 the Council worked closely with individual ALEOs to identify where their business objectives are aligned to support The Plan for North Lanarkshire and shared ambitions. This will continue in 2020/21 with a heightened focus to examine where ALEOs may contribute to the Council's COVID-19 Recovery Planning arrangements.

Responsibility for monitoring and oversight of ALEOs' service delivery and performance outcomes now rests with the relevant service Committees. Further work will be undertaken to ensure continued integration of performance measures within the Strategic Performance Framework. Further reporting activity will be introduced in the latter half of 2020/21 to ensure that the Audit and Scrutiny Panel fulfils its responsibilities to provide assurance to the Council that adequate governance, financial and risk management procedures are in place and operating effectively in the arm's length bodies and strategic partnerships.

Focusing on specific ALEOs, the Council will continue all due diligence activity currently underway in relation to the separate transfers of any assets and undertakings from Culture and Leisure NL Ltd and Campsies Centre Cumbernauld Ltd to the Council. This will include ensuring that all statutory obligations and filing returns, including engagement with any Regulatory Bodies, are adhered to by the respective Boards of Directors.

Equal Pay

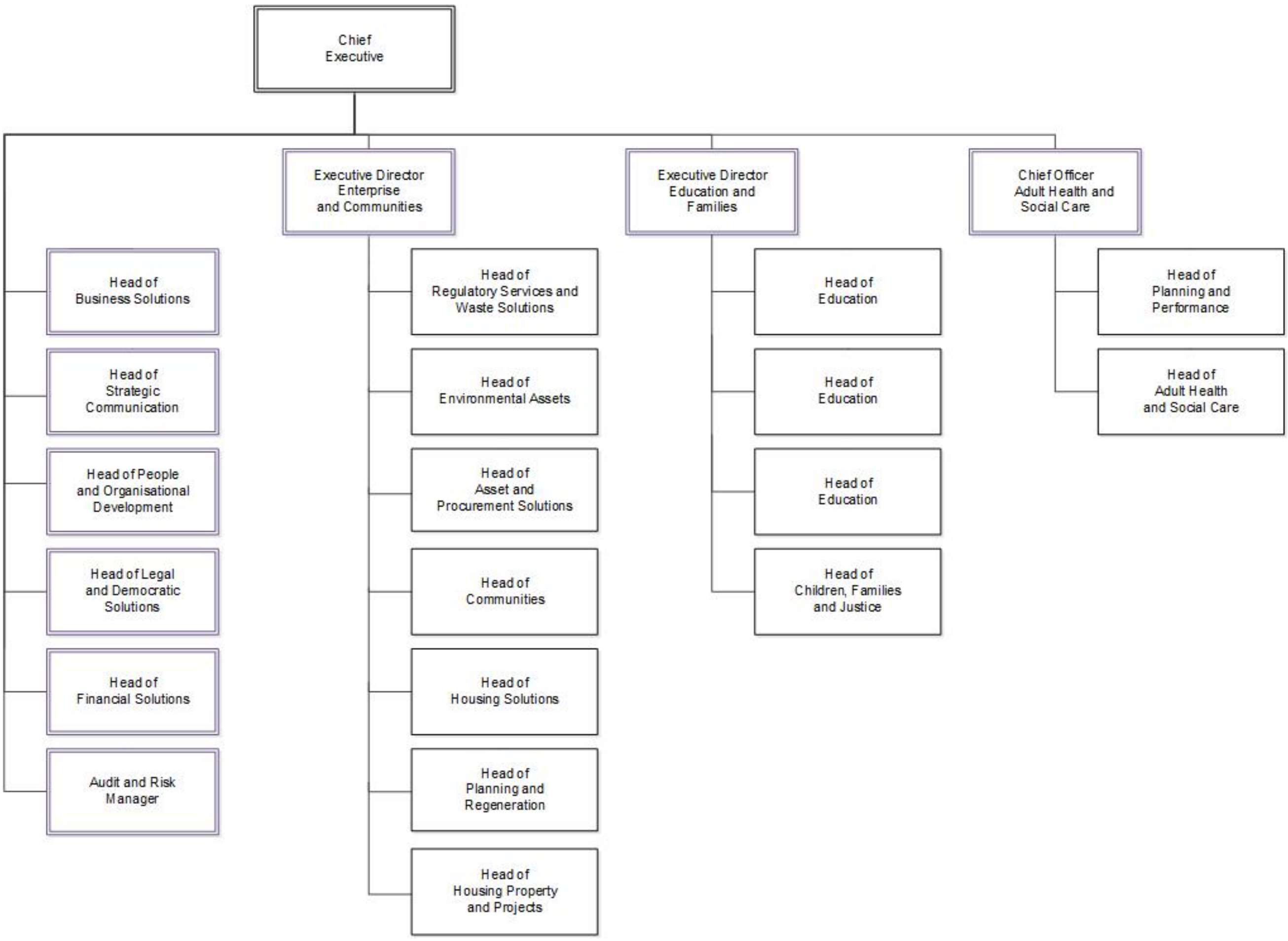
The Council has previously recognised the need to provide for on-going commitments arising from equal pay compensation claims. The provision is reviewed annually with consideration given to the scale and scope of any risk and uncertainties.

The total opening 2019/20 provision value of £7.465m comprised of £7.000m in relation to General Fund and £0.465m for HRA. Total claims paid out during 2019/20 equated to £1.708m in total. The existing level of provision was assessed and concluded to be a reasonable level to cover outstanding claims and the expected pension cost for previously settled claims. Note 22 on page 53 provides the detail of the revised provision for Equal Pay of £5.757m.

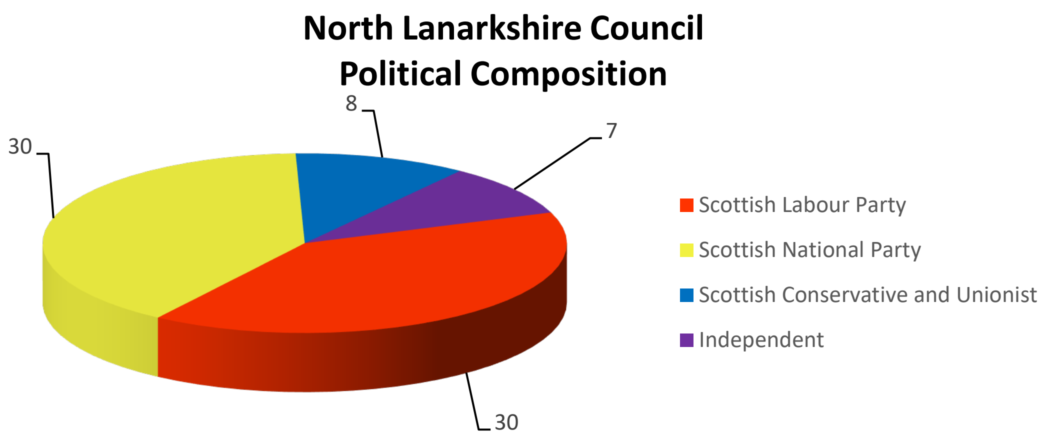
Review of the Year

Council Structure and Political Composition

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 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 diagram shown below illustrates the Council's current reporting structure which is reflected in the Financial Statements.



The Council is overseen by 77 elected members as at the balance sheet date, there were 75 elected members in position with 2 positions due to be filled by upcoming By-Elections. Due to the current lockdown restrictions in place in response to COVID-19, By-Elections have not been able to take place, however they have provisionally been scheduled for 19 November 2020. The current political composition of the 75 elected members for North Lanarkshire Council is shown below:



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.

The Plan for North Lanarkshire and the Programme of Work

The Plan for North Lanarkshire established a place based strategy for North Lanarkshire which outlines a clear future direction for the area in terms of inclusive growth and prosperity for all, and making North Lanarkshire the place to Live, Learn, Work, Invest, and Visit.

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.

In March 2020 an update report was provided to Policy and Strategy Committee giving an overview of the progress made against the *Programme of Work 2019* and updated the *Programme of Work for 2020* and beyond.

The report summarised some of the achievements from the Programme of Work 2019 that have been instrumental in securing the foundations required to allow work to progress towards the next phase of delivery of The Plan for North Lanarkshire. These include:

- Development and approval of a range of corporate strategies and plans to translate the shared ambition articulated through The Plan for North Lanarkshire into aligned goals and objectives reflecting what services will deliver.
- Establishment of the Community Investment Fund as part of the Council's revenue budget
- Approval of the DigitalNL business case to mobilise a specialist team to implement North Lanarkshire's digital transformation and indicative five year investment for the digital transformation programme.
- Development and approval of phase 1 of the digital workforce and skills programme to build a digital ready workforce across North Lanarkshire.

- Securing approval of the contract award to appoint specialist advisers who will support the development of the new strategic enterprise partnership.
- Progress on the review of the Council's office accommodation portfolio.
- Delivery of the new supply programme with 762 new homes built to date, and a further 156 on site and over 500 at the design development/consent stage. In addition 335 homes have been purchased through the Empty Homes and Open Market Acquisition Schemes, with the vast majority of these homes being former Council/Cumbernauld Development Corporation stock
- £68m invested back into Council housing stock through a wide range of programmes including energy efficiency; internal upgrades, tower strategy; major repairs; and home safety and security.
- Progression of the 1140 early learning and childcare expansion programme from planning to the implementation stage and completion of phase 1 and 2 of the phasing plan in terms of establishments being staffed to operate 1140 hours.
- Completion of a comprehensive review of policy, practice, and provision in meeting the Additional Support Needs of children and young people.

Strategy and Performance
The Plan signifies the recent successes in North Lanarkshire in terms of economic growth, inward investment, population growth, and rising employment, while recognising there are still considerable challenges to overcome. This includes unacceptably high levels of deprivation and child poverty, in work poverty, and clear areas of inequity and inequality across communities.

To realise delivery of The Plan, the *Programme of Work for 2019* was instrumental in bringing together a number of elements to support all strategic planning, development, and enterprise activities in a cohesive manner. The Programme of Work cascades the strategic vision down to day to day activities to provide a consistent focus for resources and working practices and, as such, a wide range of reports for each of the 75 elements in the Programme of Work were advanced during 2019/20. This enabled Elected Members an ongoing review of progress in terms of delivering upon the ambitions outlined in The Plan for North Lanarkshire and facilitated transparent and informed decision making.

The Plan and Programme of Work are supported by four complementary frameworks designed to enable a regular structured approach to assessing progress, measuring success, and identifying (where necessary) areas requiring improvement. These are:

- Strategic Policy Framework - a regular programme of review throughout 2019/20 ensured ongoing monitoring and evaluation of the range of supporting strategies, policies and plans to ensure services and activities remain aligned to The Plan and enable the required resources and working practices needed to facilitate delivery of the shared ambition.
- Strategic Self-Evaluation Framework - this asks the questions How well are we doing?; How do we know?; and How can we do better? to enable an ongoing assessment of the success of The Plan and Programme of Work and enable a fully aligned programme of improvement.
- Strategic Performance Framework - this comprises a group of performance indicators at three levels in order to collectively provide an overview of performance to help understand the impact of Council activities on improving services and outcomes for the people and communities of North Lanarkshire.
- Strategic Governance Framework, approved at Committee in February 2020 - this brings together legislative requirements, governance principles and management processes and a regular programme of review to ensure delivery of The Plan for North Lanarkshire is supported by excellence in governance, accountability and transparency.

Following approval of the detail within the Strategic Performance Framework, which included a wide range of performance indicators and targets aligned to each of the 25 Ambition Statements, a range of performance information was reported through service Committees and the Audit and Scrutiny Panel. This allowed for performance in terms of day to day activities, and progress towards achieving the shared ambition articulated in The Plan for North Lanarkshire, to be regularly monitored, reported, assessed and scrutinised.

Towards the end of 2019/20, the emergence of COVID-19 began to have a significant impact on the Council's delivery of planned day to day activities and achievement of strategic priorities which it is expected will be reflected in subsequent levels of performance. As the Council moves through the recovery and renewal phase, and new service operating models are developed, the four Frameworks are being kept under review and will be updated, ensuing amendments to the *Programme of Work for 2020 and beyond*.

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 2019/20 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.

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 the proposed General Fund Revenue Budget of £780.729m including savings of £27.666m on 21 February 2019. The 2019/20 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 £5.248m as shown within the Movement in Reserves Statement. This position is illustrated against the amended budget (updated to take account of the latest position contained in the Scottish Government Local Government Finance Circular 4/2020), in the table below.

	Net Expenditure Budget 2019/20	**Provisional Outturn 2019/20**	**(Under)/ Overspend**
	£m	**£m**	**£m**
Education & Families	407.393	407.922	0.529
Enterprise & Communities	140.162	140.094	(0.068)
Chief Executives & Other Corporate Services	71.681	70.882	(0.799)
Social Work (Non-Integrated)	159.210	159.210	0.000
Social Work (Integrated)	0.000	0.000	0.000
HRA	0.000	(2.581)	(2.581)
Financing Costs & Other Budgetary Issues	(11.968)	(14.047)	(2.079)
Total Expenditure (Provisional Outturn)	**766.478**	**761.480**	**(4.998)**
Sources of Funding	**766.478**	**766.478**	**0.000**
(Surplus)/Deficit (Provisional Outturn)			**(4.998)**
Use of Earmarked Reserves			23.547
Additional Earmarked Reserves Requests			(14.369)
Other Departmental Movements & Use of Reserves			(0.705)
Expected Credit Loss Adjustment			0.250
Release of Insurance Fund			(3.674)
Town Centre Activities Net Balance			(0.764)
Draw Down from Capital Fund			(4.506)
Net Movement in Council Tax Product			(0.029)
Movement on General Fund and HRA Services			**(5.248)**

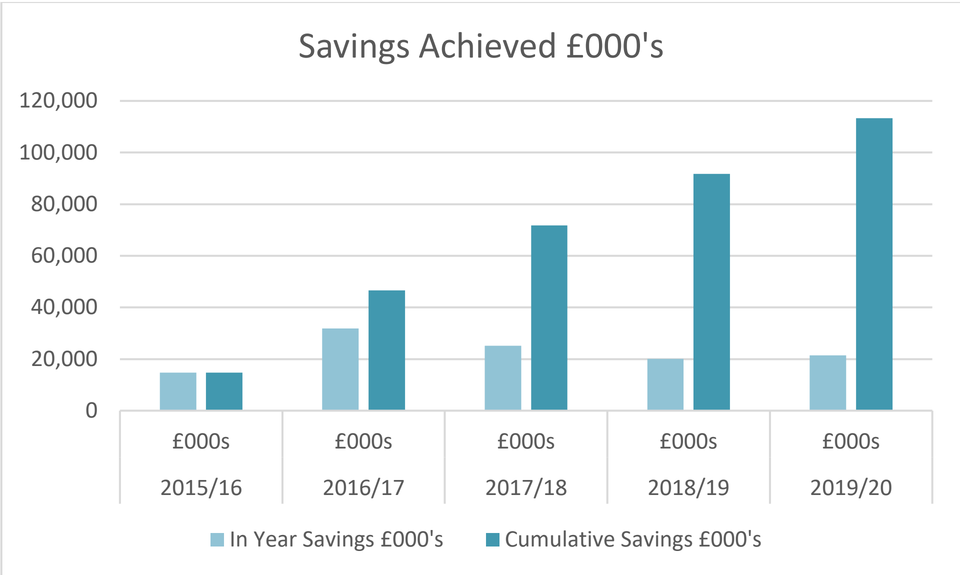
Financial Planning

In line with the new Strategic Policy Framework an overarching Financial Strategy was 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 Plan for North Lanarkshire objectives and programme actions.

The Council remains committed to long-term financial planning and approved an update to the Medium Term Financial Plan in September 2019 covering financial years 2020/21 to 2024/25. Given the level of uncertainty surrounding funding and difficulty forecasting too far into the future a 5 year plan is considered more meaningful. 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. It includes assumptions about the likely levels of resources, which are subject to ongoing review with updates presented following the Scottish Budget announcement and confirmation of the Local Government Finance Settlement.

The Council has an approved Reserves Policy which aims to ensure available balances are managed and utilised in accordance with effective governance principles, and continue to support financial plans which are affordable and sustainable. There is a contingency reserve held for unforeseen future events as well as to ensure stability of cash flow management. The level of contingency remains at £8m as approved as part of the 2019/20 budget setting and this level continues to be considered appropriate.

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, the Council has been required to make significant budget savings over a number of years. The following chart illustrates the significant value of savings achieved over the past 5 years. For 2019/20, Services have achieved total savings of £24.932m against the approved target of £27.666m (90%) with the shortfall of £2.555m also achieved through alternative savings and management action. There was a small gap of £0.179m which was not achievable during the year.



As a result of the highly challenging financial environment facing Local Authorities arising from reducing funding for core services and increasing cost pressures, the Council has been required to reduce spending and generate additional income over a number of years. This has been achieved through various means, including revising service delivery models, implementing efficiency measures, reducing levels of service provision in some areas and introducing or increasing fees and charges for others.

To facilitate a more strategic approach to establishing budgets and associated savings options, a Revenue Resources Budget Strategy was approved by the Policy and Strategy Committee in June 2019. This laid out a set of principles and an outline framework to develop the Strategy to ensure alignment with the Plan for North Lanarkshire. The key principles included:

- Development of a 3 year rolling budget
- Integration of Strategic Planning and Financial Planning
- Continuous review of opportunities for savings reported through Committees on an ongoing basis including service redesign and alternative delivery models arising from the Programme of Works
- Robust integration of Capital Financial Planning, and the associated revenue consequences, with Revenue Financial Planning
- Future charging models for services will be informed by benchmarking and the principles of full cost recovery
- Establishment of a Use of Reserves Policy
- Active elected member involvement

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.

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. The Council Tax Income Statement for the year is provided on page 76 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 2019/20 this has resulted in a saving of £0.543m for the General Fund.

Capital Strategy

The Council approved it's 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.

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 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.

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 2019/20 to take account of Scottish Government redeterminations.

Revenue monitoring reports to the 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 2019/20, the Council was allocated £620.041m of general funding as follows:

- General Revenue Grant Funding (£512.789m): 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) (£107.252m): 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: Early Years Expansion (£19.126m); Pupil Equity Fund (£8.764m); and Criminal Justice Social Work (£6.357m). In addition, the Council receives grants out-with the settlement and these are disclosed within the accounts (Note 11, page 38). In addition to these sources of income, the Council is able to generate income through direct charges for certain services such as Council House rents.

Risk Management

Risk management forms an important element of the Council's corporate governance arrangements.

The Corporate Management Team receive regular reports on the Corporate Risk Register as well as 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 – 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 appropriately engage and consult with communities, partners and stakeholders in the shaping and delivery of services.
- 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 and deliver against its' corporate ambitions.

Senior managers consider specific risks within the Corporate Risk Register in detail to assess the adequacy and effectiveness of 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 elected members on the Council's Audit and Scrutiny Panel.

The Council is currently reviewing its Corporate Risk Register in light of the current pandemic to ensure that it fully reflects the changed context and new risk landscape in which the Council now finds itself together with resulting impacts on existing control frameworks. Key corporate risk areas which have been most impacted include financial sustainability, health and safety and workforce issues. Service risk registers are also subject to periodic monitoring and review.

DigitalNL

In March last year the Policy and Strategy Committee approved a five-year digital transformation and investment programme that will fundamentally transform existing service delivery and in so doing, improve how the Council connects with communities and businesses, while also helping to address increasing demand pressures and significant financial challenges referenced within our long-term financial plan.

The twin-tracked transformation programmes, SmartNL and DigitalNL focus on stimulating economic growth through investment in digital infrastructure and establishing the Council as a leading digital authority. In approving DigitalNL, members recognised that significant changes were required to existing customer service delivery methods, IT services (including customer-facing infrastructure such as the website) and organisational culture for the Council to make its digital ambitions a reality and deliver on The Plan for North Lanarkshire.

In line with the 3 key Council aspirations for the programme – digitisation of Council services; upskilling staff and residents and stimulating economic growth, Year 1 of the programme included redesigning Waste Solutions, Employee Service Centre, Fleet and Built Environment. Following the appointment of the System Integrator partner in September 2019 the design and build of the new Customer Relationship Management (CRM) system and new website is underway. The introduction of Office 365 has commenced with a number of business systems moved to the new cloud based storage facility during summer 2020.

Upskilling our staff and residents is a critical step in the process and a new delivery board has been set up to move this forward at pace. Improvements in digital connectivity are planned.

All of these programmes of work will improve productivity, improve customer experiences and optimise the skills available throughout North Lanarkshire to encourage investment to support economic growth.

Council's Response to COVID-19

COVID-19 was declared a global pandemic by the World Health Organisation and on 12 March 2020 the UK Government announced that the country was moving from the "containment" phase to the "delay" phase. As a result, a special Council meeting was called on 19 March 2020 to agree that the Council was in an emergency situation due to Coronavirus COVID-19; endorse the delegations already granted to the Chief Executive to take decisions as required in the event that Council or Council Committees were required to be cancelled as a result of COVID-19; and agree that in the absence of the Chief Executive, delegation should be given to Executive Directors and/or the Chief Officer, Health and Social Care, as appropriate.

It has been a difficult, challenging time for everyone in North Lanarkshire but the Council has continued to run some core services and adapted others. The impact on Services included the closure of schools, First Stop Shops, household recycling sites and a temporary stop on housing repairs. The Council's website provided regular updates to residents and Service users to inform them of the latest government advice and impact on Council Services. The following link provides the latest position in the Council's response to COVID-19. https://www.northlanarkshire.gov.uk/index.aspx?articleid=34889

Resources have been redirected and the Council has worked with partners in the voluntary sector to provide much-needed support to some of the most vulnerable people and to key workers who have been responding to the pandemic. The community spirit that has been demonstrated by local people, businesses and communities has been astounding.

Looking Ahead

2020/21 Budget

The Council approved a composite General Fund Revenue budget of £827.661m for 2020/21 at a special meeting of the Council on the 24 February 2020 prior to the conclusion of the Scottish Budget and Local Government Finance Settlement. At the same meeting the Council approved a three-year savings programme of £58.784m including action already taken of £4.729m. The savings target to support the overall budgeted financial position for 2020/21 is £31.214m.

In setting the 2020/21 budget, the Council decided to increase the rate of Council Tax by the maximum 4.84% allowable increase set by the Scottish Government. As previously highlighted £40.401m (including £8.614m surplus allocation) of the cumulative General Fund Surplus carried forward to 2020/21 is earmarked to fund specific future commitments:

2020/21 Earmarked Funds	**£m**	**£m**
Change Management Fund		8.614
20/21 One off Costs of Savings Programme	6.595	
Early Years & Childcare Expansion	6.000	
Digitisation	5.758	
Balances held by Schools under Devolved School Management	3.072	
Pupil Equity Fund	2.132	
Insourcing of CLNL	2.000	
Business Gateway Contract	1.510	
City Deal	0.777	
Dilapidations	0.619	
Family Firm	0.365	
Other Earmarked Funds	2.959	31.787
Contingency Reserve		**8.000**
General Fund Surplus as at 31 March 2020		**48.401**

Financial Sustainability

Taking a longer term approach to financial planning and budget setting remains a sound principle and is essential to ensuring ongoing financial sustainability, however, this is really challenging in the absence of a multi-year funding package. In addition, it has to be recognised that the financial impact of COVID-19 has the potential to impact on the Council's finances over an extended planning period with significant uncertainty over future economic performance and the impact this may have on public finances. However, it is clear that the Council will be required to plan for changes in service delivery in a post-COVID-19 environment and to ensure that service delivery remains affordable and financially sustainable.

In this context, a review of all existing financial plans, capital and revenue, and the affordability of these plans is critical. A group of Officers responsible for recovery have been tasked with developing a revised plan for the

Council and determining priorities for resuming Council services as lockdown eases and in accordance with the Scottish Government's roadmap. This plan must align with key business objectives and the Council's Financial Strategy. The Council will respond proactively and positively to support responsibilities for the Council introduced through legislation or Government guidance throughout the national outbreak response. A key objective is to minimise risk to the public and service users while safeguarding the health, safety and wellbeing of responders and staff and provide a safe working environment for all services. Where services or their facilities cannot be delivered safely or are not financially sustainable, other options will require to be considered including long-term suspension or cessation. Despite this North Lanarkshire Council remains as ambitious post-COVID-19 as it was pre-COVID-19 and continues to aim to ensure North Lanarkshire is The Place to Live, Learn, Work, Invest and Visit. The Council will continue to ensure it continues to meet its statutory responsibilities including providing care for those who need it, educate our children and young people and will work to support people, business and organisations affected by the outbreak.

The Council's financial position is severely impacted by both loss of income and the need to incur significant additional costs. Net additional costs arising (excluding the mobilisation of the IJB) as a result of the COVID-19 pandemic are currently anticipated to be £46.945m and accounts for:

- Relief payments to Culture and Leisure NL of £14.722m
- A net shortfall in the Council Tax product of £7.000m, mainly due to increased eligibility for Council Tax Reduction Scheme, potential slowdown in housebuilding and the impact on the Council Tax base, and reduced collection rates due to strain on household incomes.
- Employment of all newly qualified teachers as part of the COVID-19 response at a cost of £5.450m.
- Other costs primarily in relation to: net cost of providing Free School Meal vouchers during lockdown of £2.046m, increased cleaning supplies of £1.443m, supplier relief payments for Roads and Property Contractors of £1.276m. Also included within the reported position are overspends as a result of the non-achievement of savings (£3.489m) due to delays in restructures, and shortfalls in income where service charges were due to increase but delivery has been impacted e.g. school meals and special uplifts, as a result of COVID-19.
- Reduced income forecast in relation to school meals (£1.400m), planning and building standards (£1.072m) and waste including special uplifts (£0.645m). These additional costs are partially offset by anticipated Coronavirus Job Retention Scheme income of £0.523m and cost reductions primarily in relation to food costs for school meals of £0.801m.
- A contingency sum of £5.000m is deemed prudent (and will remain under review) to allow for costs in relation to COVID-19 which have still to be quantified or have yet to be identified, including but not limited to, increased costs of recovery including IT/ Digital requirements, opening of schools, bad debt write offs, additional costs of capital and potential costs that may arise as a result of changes in circumstances, for example, a move to blended learning or the requirement for a local lockdown.

The Scottish Government has announced funding streams to address elements of additional costs as a result of the pandemic. Though representative bodies such as COSLA, SOLACE and CIPFA Directors of Finance, the Council continues to seek additional support for the cost of both initial response and longer term recovery. Officers are aware that the Scottish Government is considering other potential solutions which may help further mitigate the costs of COVID-19, including opportunities for fiscal flexibilities which would allow councils to borrow for revenue purposes, and a compensation for loss of income scheme. However, there is currently no clarity or certainty around any of these options. In the absence of any additional funding and in recognising the statutory responsibility to manage within budget, the Council must continue to seek alternative ways to mitigate the currently estimated deficit. For the first time, the Council will undertake a Mid-Year Review of the current year Revenue Budget to assess the overall financial impact on existing budgets including the achievement or non-achievement of approved savings. An action plan is in place to forecast the overall impact and to determine emergency measures and other mitigating actions necessary to ensure the Council remains financially sustainable.

Revenue Resources Budget Strategy

An update to the Revenue Resources Budget Strategy was taken to Policy and Strategy Committee in June 2020 and remains an integral part of the Council's overarching Financial Strategy developed to ensure robust governance in financial planning and to ensure the the Council remains financially sustainable. The principles which underpin the Strategy remain valid and will be further developed to ensure the continued relevance and effectiveness of the Strategy in determining affordability in delivering the Plan for North Lanarkshire and Council COVID-19 recovery.

The changing picture for the economic outlook at both a UK and Scottish level will have implications for national budgets with potential for reprioritisation of resources within both current and future spending plans. This means that there is increased risk of an adverse impact on the Council's Medium Term Financial Plan.

The medium to longer term outlook for the economy and public finances in both the UK and Scotland has entered a period of instability that is unprecedented and will need to be closely monitored. This is likely to result in, for example, continuing contraction of public sector expenditure, an increase in unemployment and the resulting increased cost burden this will place on Local Authorities. An update of the Council's Medium Term Financial Plan will be reported to Committee in the autumn of 2020, which will outline the revised forecast budget gaps base on a number of planning scenarios. This will support members in determining any savings necessary to ensure a balanced budget is set moving forward.

Capital Investment Plans

The Council planned for capital investment in housing and general services of £214.662 million during 2020/21, however the actual general services capital grant received for 2020/21 was significantly less than anticipated. The closure of construction sites and revised working practices as they begin to re-open in light of COVID-19, is anticipated to increase the cost of existing and planned projects. In addition, there is potential for new capital investment requirements in recovering from the global pandemic, such as adaptations within the existing school estate. In light of these factors, the Strategic Capital Delivery Group is undertaking a review to determine legal and essential capital investment requirements but also continued relevance of some investment proposals in a post-COVID-19 environment. This review will also ensure that investment plans are affordable within the revised forecast resources.

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:

- Financial impact of response to and recovery from COVID-19
- Continuing to provide priority services against a backdrop of reducing core funding and changes to the funding landscape due to local tax reform
- Cost pressures arising from inflation, including pay awards, demographic changes and changing demand for services
- Continuing to ensure the Council develops the workforce for the future
- Potential impact of Brexit
- Implementation of legislative and policy changes of both UK and Scottish Governments including expansion of Early Learning and Childcare
- Supporting the economic recovery including supporting people, business and organisations
- Delivering transformation and digital services

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 104 to 108 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	Des Murray	James Logue
Elaine Kemp CPFA	**Des Murray**	**Councillor James Logue**
Head of Financial Solutions	**Chief Executive**	**Council Leader**
29 October 2020	29 October 2020	29 October 2020

Annual Accounts 2019/20
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.

2018/19 Restated Gross Expenditure £000	2018/19 Restated Gross Income £000	2018/19 Restated Net Expenditure £000		Note	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
419,096	(37,313)	381,783	Education & Families		457,922	(54,760)	403,162
187,945	(24,925)	163,020	Enterprise & Communities		201,329	(30,201)	171,128
4,511	(4,481)	30	Trading Operations		4,157	(4,157)	-
143,745	(106,368)	37,377	Chief Executives & Other Corporate Services		161,101	(98,075)	63,026
159,478	-	159,478	Adult Health & Social Care (Non-Integrated)		162,918	-	162,918
215,280	(205,319)	9,961	Adult Health & Social Care (Integrated)*		224,400	(211,290)	13,110
104,701	(132,028)	(27,327)	Housing Revenue Account*		115,331	(137,233)	(21,902)
19,563	-	19,563	Non Service-Specific Costs		(16,057)	-	(16,057)
1,254,319	**(510,434)**	**743,885**	**Net Cost of Services**		**1,311,101**	**(535,716)**	**775,385**
-	(614)	(614)	Other Operating Expenditure	8	-	240	240
100,870	(53,767)	47,103	Financing and Investment Income and Expenditure	9	104,657	(52,040)	52,617
-	(764,606)	(764,606)	Taxation and Non-specific Grant Income	10,11	-	(807,801)	(807,801)
		25,768	**(Surplus) or Deficit on the Provision of Services**				**20,441**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(289,860)	(Surplus) or deficit on the revaluation of non current assets	28			(6,000)
		122,401	Re-measurement of the net defined benefit liability	26			(212,739)
		(167,459)	**Other Comprehensive Income and Expenditure**				**(218,739)**
		(141,691)	**Total Comprehensive Income and Expenditure**				**(198,298)**

* Note that the restated 18/19 figures shown above are for presentation only, to allow like for like comparison between the 2018/19 and 2019/20 financial years. The restatement does not affect the carried forward balances held on the Balance Sheet in relation to the HRA Fund balance or the IJB Creditor.

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 2019 Restated £000		Note	31 March 2020 £000	£000
	Property, Plant and Equipment	13,14		
1,005,069	Council Dwellings		1,073,187	
1,379,824	Other Land and Buildings		1,433,336	
42,519	Vehicles, Plant and Equipment		47,524	
265,120	Infrastructure Assets		263,394	
10,955	Community Assets		11,384	
16,885	Surplus Assets		16,784	
57,603	Assets Under Construction		26,994	2,872,603
	Intangible Assets	15		
-	Software Development		169	
107	Intangibles Under Development		2,629	2,798
2,539	Long-Term Debtors	16		2,036
1,316	Long-Term Investments	17		1,315
2,781,937	**Long-Term Assets**			**2,878,752**
63	Short-Term Investments	17	64	
1,395	Inventories	18	1,728	
83,051	Short-Term Debtors (net of impairment)	19	103,725	
57,905	Cash and Cash Equivalents	20	61,958	
142,414	**Current Assets**			**167,475**
(220,579)	Short-Term Borrowing	17	(253,889)	
(198,022)	Short-Term Creditors	21	(187,066)	
(8,033)	Short-Term Provisions	22	(6,051)	
(5,627)	Short-Term Finance Lease Liabilities	24,25	(6,829)	
(432,261)	**Current Liabilities**			**(453,835)**
(479,958)	Long-Term Borrowing	17	(513,058)	
(358)	Long-Term Provisions	22	(253)	
(141,066)	Other Long-Term Liabilities (Finance Leases)	24,25	(178,736)	
(496,406)	Other Long-Term Liabilities (Pensions)	26	(327,745)	
(1,117,788)	**Long-Term Liabilities**			**(1,019,792)**
1,374,302	**Net Assets**			**1,572,600**
	Usable Reserves			
44,372	General Fund Reserve		48,401	
12,927	Housing Revenue Account Balance		14,146	
11,329	Capital Grants Unapplied Accounts		17,724	
4,506	Capital Fund		1,154	
16,674	Insurance Fund		13,000	
599	Repairs and Renewals Fund		672	
90,407	**Total Usable Reserves**	**27**		**95,097**
1,283,895	**Unusable Reserves**	28		**1,477,503**
1,374,302	**Total Reserves**			**1,572,600**

The unaudited accounts were issued on 30 June 2020 and the audited accounts were authorised for issue on 29 October 2020

Elaine Kemp

Elaine Kemp, CPFA
Head of Financial Solutions

29 October 2020

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 2020

	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 2019	**44,372**	**12,927**	**4,506**	**599**	**16,674**	**-**	**11,329**	**1,283,895**	**1,374,302**
Movement in Reserves during 2019/20									
Surplus / (Deficit) on Provision of Services	(42,909)	22,468	-	-	-	-	-	-	(20,441)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	218,739	218,739
Total Comprehensive Income and Expenditure	**(42,909)**	**22,468**	**-**	**-**	**-**	**-**	**-**	**218,739**	**198,298**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 31)	36,737	(19,155)	-	-	-	1,154	6,395	(25,131)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	**(6,172)**	**3,313**	**-**	**-**	**-**	**1,154**	**6,395**	**193,608**	**198,298**
Transfers to and from Other Statutory Reserves (Note 32)	10,201	(2,094)	(3,352)	73	(3,674)	(1,154)	-	-	-
Increase / (Decrease) in the Year	**4,029**	**1,219**	**(3,352)**	**73**	**(3,674)**	**-**	**6,395**	**193,608**	**198,298**
Balance at 31 March 2020 Carried Forward	**48,401**	**14,146**	**1,154**	**672**	**13,000**	**-**	**17,724**	**1,477,503**	**1,572,600**

Comparative Figures for Year ended 31 March 2019 (Restated)

	Usable Reserves							Unusable Reserves	Total Reserves
	General Fund	Housing Revenue Account	Capital Fund	Repairs & Renewals Fund	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 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	(47,287)	21,519	-	-	-	-	-	-	(25,768)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	167,459	167,459
Total Comprehensive Income and Expenditure	**(47,287)**	**21,519**	**-**	**-**	**-**	**-**	**-**	**167,459**	**141,691**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 31)	42,401	(17,632)	-	-	-	4,506	7,789	(37,064)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	**(4,886)**	**3,887**	**-**	**-**	**-**	**4,506**	**7,789**	**130,395**	**141,691**
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**	**-**	**7,789**	**130,395**	**141,691**
Balance at 31 March 2019 Carried Forward	**44,372**	**12,927**	**4,506**	**599**	**16,674**	**-**	**11,329**	**1,283,895**	**1,374,302**

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.

2018/19			2019/20	
£000		Note	£000	£000
	OPERATING ACTIVITIES			
	Cash Inflows:			
67,323	Rents (after rebates)		80,383	
113,418	Council Tax receipts		121,203	
496,237	Revenue Support Grant		510,918	
103,653	DWP grants for Housing Benefits		88,156	
108,820	Non Domestic Rates Receipts		102,981	
43,713	Other government grants		50,169	
20,224	Cash received for goods and services		25,800	
62,538	Other operating cash receipts		82,801	
329	Interest received		1,479	
1,016,255				1,063,890
	Cash Outflows:			
(494,114)	Cash paid to and on behalf of employees		(536,307)	
(352,136)	Other operating cash payments		(396,910)	
(43,650)	Housing Benefit paid out		(38,596)	
(13,557)	Precepts paid		(14,277)	
(34,803)	Interest Paid		(37,896)	
(938,260)				(1,023,986)
77,995	**Net Cash Inflow / (Outflow) from Operating Activities**	33		**39,904**
	INVESTING ACTIVITIES			
	Cash Inflows:			
7,503	Sale of non-current assets		1,631	
47,856	Capital grants received		64,454	
1,601	Other capital cash receipts		1,959	
8	Proceeds from Investments redeemed		11	
56,968				**68,055**
	Cash Outflows:			
(170,596)	Purchase of non-current assets			(164,081)
-	Long- term Investments			-
(107)	Investment in Subsidiary			-
(113,735)	**Net Cash Inflow / (Outflow) from Investing Activities**			**(96,026)**
(35,740)	**Net Cash Inflow / (Outflow) before Financing Activities**	34		**(56,122)**
	FINANCING ACTIVITIES			
	Cash Inflows:			
397,998	New Loans Raised			382,695
	Cash Outflows:			
(326,887)	Repayments of amounts borrowed		(316,316)	
(5,324)	Capital payments of finance leases		(6,202)	
(332,211)				(322,518)
65,787	**Net Cash Inflow / (Outflow) from Financing Activities**	34		**60,177**
30,047	**Net Increase / (Decrease) in cash and cash equivalents**	34		**4,055**
27,844	**Cash and Cash Equivalents at the beginning of the year**	34		**57,905**
14	Increase / (Decrease) Non-cash in cash equivalents	34		(2)
57,905	**Cash and Cash Equivalents at the end of the year**	34		**61,958**

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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.

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.

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 £10,000 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 2020.

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 Summerleee Museum of Scottish Industrial Life 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 Culture and Leisure NL 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.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example software development costs) is capitalised when it is expected that it will bring benefits to the Council for more than 12 months.

Intangible assets are measured initially at cost. Such assets are not revalued as the fair value of the assets held cannot be determined by reference to an active market.

The depreciable amount of an intangible asset is amortised on a straight line basis over its expected useful life and charged to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The useful life of these assets is deemed to be 10 to 15 years. In line with the Council's accounting policy on Depreciation, no amortisation is charged in the year of purchase with a full years charge in the year of disposal.

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.

The Council carries out an annual assessment of 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 carries out an assessment of lifetime credit annually 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 2019/20, 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 27 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 IAS19 *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 2020.

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 and Families 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 Fund 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 2.3%. 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.

2018/19 (Restated) Net Expenditure Chargeable to the General Fund and HRA Balances £000	2018/19 (Restated) Adjustments between the Funding and Accounting Basis (Note 2.2) £000	2018/19 (Restated) Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2019/20 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2019/20 Adjustments between the Funding and Accounting Basis (Note 2.2) £000	2019/20 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
373,598	8,185	381,783	Education & Families	374,707	28,455	403,162
132,665	30,355	163,020	Enterprise & Communities	127,376	43,752	171,128
(181)	211	30	Trading Accounts	(291)	291	-
32,027	5,350	37,377	Chief Executives & Other Corporate Services	58,188	4,838	63,026
157,563	1,915	159,478	Adult Health & Social Care (Non-Integrated)	156,624	6,294	162,918
(278)	10,239	9,961	Adult Health & Social Care (Integrated)	120	12,990	13,110
(13,994)	(13,333)	(27,327)	Housing Revenue Account	(13,336)	(8,566)	(21,902)
(5,316)	24,879	19,563	Other Segments	(2,537)	(13,520)	(16,057)
676,084	**67,801**	**743,885**	**Net Cost of Services**	**700,851**	**74,534**	**775,385**
(675,085)	(43,032)	(718,117)	Other Income and Expenditure	(697,992)	(56,952)	(754,944)
999	**24,769**	**25,768**	**(Surplus) or Deficit on the Provision of Services**	**2,859**	**17,582**	**20,441**
(56,955)			**Opening General Fund and HRA Balance**	**(57,299)**		
999			Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	2,859		
(1,343)			Transfers to/(from) other statutory reserves	(8,107)		
(57,299)			**Closing General Fund and HRA Balance at 31 March***	**(62,547)**		

*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

2019/20	Adjustments for Capital Purposes[1]	Net Change for the Pensions Adjustments[2]	Other Differences[3]	Total Adjustments
Education & Families	15,352	11,727	1,376	28,455
Enterprise & Communities	29,237	14,500	15	43,752
Trading Accounts	(25)	315	1	291
Chief Executives & Other Corporate Services	(784)	5,607	15	4,838
Adult Health & Social Care (Non-Integrated)	6,294	-	-	6,294
Adult Health & Social Care (Integrated)	-	12,984	6	12,990
Housing Revenue Account	(8,619)	-	53	(8,566)
Other Segments	-	(13,520)	-	(13,520)
Net Cost of Services	**41,455**	**31,613**	**1,466**	**74,534**
Other Income and Expenditure	(67,723)	12,465	(1,694)	(56,952)
Surplus or Deficit	**(26,268)**	**44,078**	**(228)**	**17,582**

2018/19 (Restated)	Adjustments for Capital Purposes[1]	Net Change for the Pensions Adjustments[2]	Other Differences[3]	Total Adjustments
Education & Families	(1)	8,136	50	8,185
Enterprise & Communities	19,199	10,451	705	30,355
Trading Accounts	(23)	214	20	211
Chief Executives & Other Corporate Services	924	4,189	237	5,350
Adult Health & Social Care (Non-Integrated)	1,915	-	-	1,915
Adult Health & Social Care (Integrated)	-	9,753	486	10,239
Housing Revenue Account	(13,429)	-	96	(13,333)
Other Segments	-	24,879	-	24,879
Net Cost of Services	**8,585**	**57,622**	**1,594**	**67,801**
Other Income and Expenditure	(50,409)	9,070	(1,693)	(43,032)
Surplus or Deficit	**(41,824)**	**66,692**	**(99)**	**24,769**

[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 i.e. 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

Subject to formal approval of the 2020/21 Code of Practice, the following changes are due to be introduced effective 1 April 2020:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle; and
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Council was due to adopt IFRS16 Leases with effect from 1 April 2020 however at its meeting on Friday 27 March CIPFA/LASAAC agreed to defer the implementation to financial year 2021/2022, with an effective date of 1 April 2021. This decision was made in light of the ongoing COVID-19 pandemic and was intended to ease the burden on practitioners as they respond to the crisis. The treatment aligns with the proposals across the public sector. 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.

Current estimates indicate that had implementation not been deferred, adoption of this standard from 1 April 2020 would have recognised a right of use asset and related liability of £3.912m in respect of properties leased by the

Council and a right of use asset of £1.517m and liability of £0.978m for vehicles leased by the Council with the difference of £0.539m due to prepayments at 31 March 2020 in respect of these leases forming part of the right of use value.

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:

- The impact of the current Coronavirus pandemic is not fully known and as a result there continues to be uncertainty surrounding the positon of the property market. As a result, less weight can be placed upon previous market evidence for comparison purposes, to inform opinions of value, both of single entity and group assets. Consideration has been given as to whether the values of all assets regardless of whether or not they were subject to valuation during the year have materially changed, to ensure that the balance sheet shows a fair representation of the position as at 31 March 2020. While no changes were deemed necessary, it would be prudent to note that less certainty can be attached to the valuation than may otherwise be the case.
- There is a high degree of uncertainty about future levels of funding for local government in Scotland, particularly in light of the uncertainty over the longer-term economic impact of the COVID-19 pandemic. 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.
- In addition to that noted above, there is specific uncertainty surrounding payments of European Social Fund (ESF) grant claims. In Scotland, the Scottish Government is the Managing Authority of the EU Structural Funds 2014-2020 Programme. In June 2019, payments from (ESF) were suspended by the European Commission (EC) pending an ongoing investigation. This was predicated on the findings of an Early Preventative Systems Audit (EPSA) report by the EC following its audit in July 2018 and prevented any claims that are affected by this issue from being paid by the EC to the Managing Authority, and the Managing Authority to pay Lead Partners those claims. There is a risk that should the issue not be resolved, income accrued in relation to this may not be received. While no firm assurance has been given, it is expected that should this happen, Scottish Government may underwrite these claims, therefore the risk to the Council is expected to be low.
- 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. It should be noted that as a result of the COVID-19 pandemic, Strathclyde Pension Fund have disclosed a material uncertainty within their audited accounts in relation to the valuation of level 3 investments, therefore the uncertainty associated with the actuarial valuation of the Council's net pension liability may be greater than in previous years.
- 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.

On 23 March 2020 the UK entered "lockdown" in response to the COVID-19 outbreak. The unprecedented health crisis has had a significant impact on Council service provision. The full extent of the pandemic and the Council's response to COVID-19 continues to be monitored with recovery and redesign plans in production to facilitate the resumption of Council Services. The financial sustainability of the Council remains a critical focus with the cost of COVID-19 response and recovery being fully monitored and considered as part of those plans. The allowance for expected credit losses takes into account the potential impact on recovery rates, however no other adjustment has been made in the 2019/20 accounts in respect of COVID-19.

The auditors of companies within the NLC group have assessed the going concern assumption and, where appropriate have drawn attention to the relevant disclosures in the accounts of these group bodies. The disclosures highlight the additional uncertainty caused by the financial impact of the COVID-19 pandemic. Discussions have been held with group management and it is prudent to note these conclusions.

The items in the Council's Balance Sheet at 31 March 2020 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 £7.195m 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 17.3.	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 17.2.
Provisions	The Council has a total provision of £5.756m 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 £2.301m.
Arrears	At 31 March 2020, the Council had a balance of sundry debtors of £80.771m. A review of balances suggested that an allowance for expected credit losses of £4.465m was appropriate. Allowance has been made in respect of COVID-19 within this, however the long-term economic impact of the pandemic is unclear, therefore it is not certain that the allowance will be sufficient.	If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £0.446m 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 30 June 2020.

On 16th July 2020, the Westminster government released a consultation document on the remedy to the issues following the McCloud ruling. Following this, Hymans Robertson who are engaged to provide an actuarial valuation of the Councils pension scheme indicated that the estimated impact of the McCloud ruling may have reduced from that previously estimated within the valuation. A revised valuation was therefore obtained, with the amended valuation results for the overall pension scheme liabilities reflected in the financial statements.

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

During 2019/20 the Council undertook a structure review. To ensure consistency with current year reporting, the 2018/2019 Financial Statements have been restated to reflect this change in reporting structure. The restatement is presentational only for both the Comprehensive Income and Expenditure Statement (CIES), the Expenditure and Funding Analysis (EFA) and associated notes, and the Housing Revenue Account (HRA) Statement, therefore has a nil effect on the outturn reported for the financial year.

In addition to the reporting structure change, further restatements were required to amend the treatment of one capital grant, and to reflect other minor adjustments to the Balance Sheet and Remuneration Report. Further details of these restatements are set out in the table below.

Restatement	**Reason**	**Amount £000**	**Statements Affected**
Reclassification of grant income received in 2018/19 from creditor to capital grant unapplied	Error in classification	2,000	Balance Sheet, CIES, Movement in Reserves. Also reflected in Notes 2, 10, 11, 17, 21, 27, 28, 31 and 33
Restatement of 2018/19 Remuneration of Senior Councillors	Arithmetical error and omission of relevant expenditure	7	Section 3a within Remuneration Report
Reclassification of asset from Property, Plant and Equipment Assets Under Construction to Intangibles Assets Under Construction	Error in classification	107	Balance Sheet Also reflected in Note 13 – Property, Plant and Equipment and Note 15 – Intangible Assets

It should be noted that these restatements increased the Surplus or Deficit on the Provision of Services by £2.000m, but did not impact on the closing General Fund and HRA Balance as at 31st March 2019.

7.2. Group Accounts Restatement

Following a review of the Group consolidation process a number of amendments were made to restate the 2018/19 Group Financial Statements. The restatements reflect the final 2018/19 audited accounts of the Group Entities along with the impact of compliance with IAS 28 as identified during the 2018/19 audit, and restatements to single entity capital grants and intangibles noted above. This has resulted in a net increase to the Group Balance Sheet of £2.781m, increasing the uplift to the single entity position for 2018/19 to £93.573m; the Group Comprehensive Income and Expenditure Statement surplus has decreased by £1.979m; the Group Cash Flow Statement cash position has increased by £0.158m. The various adjustments have been reflected in the Group Movement in Reserves Statement and associated notes to the Group Accounts.

8. Other Operating Expenditure

	2018/19	2019/20
	£000	£000
(Gains) or losses on disposal of non-current assets	(614)	240
Total	**(614)**	**240**

9. Financing and Investment Income and Expenditure

	2018/19		2019/20	
	Expenditure	Income	Expenditure	Income
	£000	£000	£000	£000
Interest Payable and similar charges	35,828	-	38,741	-
Pensions interest income on plan assets	-	(52,398)	-	(49,406)
Pension interest cost on defined benefit obligation	61,468	-	61,871	-
Interest receivable and similar income		(800)		(954)
Surpluses on Trading Undertaking not included in Net Cost of Services	214	(452)	318	(645)
Income from dissolution of group entities	-	-	-	(924)
Financial Guarantee		(117)		(111)
Impairment of Financial Assets	3,360		3,727	
Total	**100,870**	**(53,767)**	**104,657**	**(52,040)**

10. Taxation and Non-Specific Grant Income

	2018/19 (Restated)	2019/20
	£000	£000
Income from Council Tax	(113,126)	(119,797)
Distribution from Non-Domestic Rates pool	(104,339)	(107,252)
General Revenue Grant	(497,346)	(512,789)
Recognised capital grants and contributions	(49,795)	(67,963)
Total	**(764,606)**	**(807,801)**

11. Grant Income

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

	2018/19 (Restated)	2019/20
	£000	£000
Credited to Comprehensive Income and Expenditure Statement		
General Revenue Grant	497,346	512,789
Distribution from Non-Domestic Rates pool	104,339	107,252
Capital - Scottish Government General Grant	29,763	35,947
Capital - Scottish Government Other Grants	18,023	31,031
Capital – Other Grants	2,009	985
Total	**651,480**	**689,004**
Credited to Services		
Housing Benefit	99,297	89,832
1140 Hours Early Years	5,296	19,126
Pupil Equity Fund	8,835	8,764
Scottish Attainment Challenge	6,811	7,350
Offenders / Criminal Justice Grant	6,619	6,357
Scotland's Schools for the Future	2,630	3,981
Home Energy Efficiency Programme	3,393	2,742
European Grant Income	2,116	2,125
Regeneration Capital Grant Fund	-	1,126
Education Maintenance Allowance	1,195	1,116
Physical Education, Physical Activity & Sport	810	779
Syrian Vulnerable Persons Relocation Scheme	279	516
Vacant and Derelict Land Fund	947	481
Gaelic Education	414	435
Youth Music Initiative	401	400
Coatbridge CARS	-	325
Fleet	178	249
No One Left Behind	-	218
Air Quality	111	191
Supported employment	-	130
Vehicle Emission Testing	103	111
Skills Development Scotland	915	-
City Deal	770	-
CPP/RTW European Funding	586	-
Funding for Winter 2018	438	-
Opportunities for All	174	-
Scottish Employment Recruitment Initiatives	165	-
Protective Services	111	-
Other Miscellaneous Grants and Contributions	541	398
Total	**143,135**	**146,752**

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 2019/20 the Council collected and paid over £47.988m (2018/19 £50.366m) and received £1.153m (2018/19 £1.153m) for providing this service.

13. Property, Plant and Equipment

13.1. Movement on Balances in 2019/20

	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 2019	**1,028,658**	**1,468,705**	**74,545**	**437,522**	**10,955**	**16,998**	**57,603**	**3,094,986**
Additions in year	80,222	65,229	12,800	13,520	429	27	24,877	**197,104**
Disposals in year	(69)	(13,910)	(105)	-	-	(121)	-	**(14,205)**
Revaluation and impairment adjustments to revaluation reserve	(909)	6,850	-	-	-	36	-	**5,977**
Revaluation and impairments adjustments to CIES	-	(598)	-	-	-	(32)	-	**(630)**
Transfer to/ from AUC	14,634	40,063	723	66	-	-	(55,486)	**-**
Transfer to assets held for sale	-	-	-	-	-	-	-	**-**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2020	**1,122,536**	**1,566,339**	**87,963**	**451,108**	**11,384**	**16,908**	**26,994**	**3,283,232**
Depreciation								
At 1 April 2019	**23,589**	**88,881**	**32,026**	**172,402**	**-**	**113**	**-**	**317,011**
Depreciation charge for the year	25,783	45,002	8,464	15,312	-	20	-	**94,581**
Revaluation and impairment adjustments to revaluation reserve	-	-	-	-	-	-	-	**-**
Revaluation and impairments adjustments to CIES	-	11,394	-	-	-	-	-	**11,394**
On disposals	(23)	(12,274)	(51)	-	-	(9)	-	**(12,357)**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2020	**49,349**	**133,003**	**40,439**	**187,714**	**-**	**124**	**-**	**410,629**
Net Book Value								
At 31 March 2020	**1,073,187**	**1,433,336**	**47,524**	**263,394**	**11,384**	**16,784**	**26,994**	**2,872,603**
At 31 March 2019	**1,005,069**	**1,379,824**	**42,519**	**265,120**	**10,955**	**16,885**	**57,603**	**2,777,975**
Nature of Asset Holding at 31 March 2020								
Owned	1,073,187	1,165,278	47,524	263,394	11,384	16,784	26,994	2,604,545
Finance Lease	-	-	-	-	-	-	-	-
PPP	-	268,058	-	-	-	-	-	268,058

13.2. Restated 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	-	45,409	**161,586**
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**	**57,603**	**3,094,986**
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**	**57,603**	**2,777,975**
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	57,603	2,549,968
Finance Lease	-	-	-	-	-	-	-	-
PPP	-	228,007	-	-	-	-	-	228,007

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	-	110,615	45,352	263,394	11,384	-	26,994	**457,739**
Valued at current value plus additions less depreciation as at:								
31 March 2020	-	37,248	-	-	-	-	-	**37,248**
31 March 2019	-	1,032,321	-	-	-	-	-	**1,032,321**
31 March 2018	1,073,187	8,011	189	-	-	7,736	-	**1,089,123**
31 March 2017	-	82,643	1,759	-	-	7,071	-	**91,473**
31 March 2016	-	162,498	224	-	-	1,977	-	**164,699**
Total Value as at 31 March 2020	**1,073,187**	**1,433,336**	**47,524**	**263,394**	**11,384**	**16,784**	**26,994**	**2,872,603**

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

2019/20 was the second year of the Council's rolling five year revaluation programme and will continue in 2020/21 with Leisure Properties, in line with the 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. A summary of the 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**

The Museum Exhibits, Paintings and Civic Regalia are included within Community Assets on the Balance Sheet, whilst the sculpture is included within Infrastructure Assets.

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. Intangible Assets

The Council accounts for software development costs as intangible assets. There are no internally generated intangible assets.

	2018/19 Restated			2019/20		
	Software Development Costs	Intangibles Under Development	**Total**	Software Development Costs	Intangibles Under Development	**Total**
	£000	£000	**£000**	£000	£000	**£000**
Balance at 1st April	**-**	**-**	**-**	**-**	**107**	**107**
Additions in year	-	107	**107**	169	2,522	**2,691**
Balance at 31st March	**-**	**107**	**107**	**169**	**2,629**	**2,798**
Represented by:						
Gross Carrying Amount	-	107	**107**	169	2,629	**2,798**
Accumulated amortisation	-	-	**-**	-	-	**-**
Balance at 31st March	**-**	**107**	**107**	**169**	**2,629**	**2,798**

At 31 March 2020, the Council had contractual capital commitments of £6.997m in respect of the acquisition of intangible assets.

16. Long-Term Debtors

	2018/19	2019/20
	£000	£000
Balance at the start of the year	**1,868**	**2,539**
Recorded debt	862	(545)
Bad debt provision	(191)	42
Balance at the end of the year	**2,539**	**2,036**

For further details refer to Soft Loans and Provisions: Financial Guarantee section within Note 17.

17. Financial Instruments

17.1. 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 2019	At 31 March 2020	At 31 March 2019 (Restated)	At 31 March 2020
Financial Liabilities	£000	£000	£000	£000
Borrowings at amortised cost :				
- Principal Sum Borrowed	479,958	513,058	213,275	246,553
- Accrued Interest	-	-	4,718	4,773
- EIR Adjustments	-	-	2,586	2,563
Total Borrowings	479,958	513,058	220,579	253,889
- Provisions :Financial Guarantees	359	253	111	106
Other Long-term Liabilities at amortised cost:				
- Finance Leases	2,078	1,901	166	177
- PPP and similar arrangements	138,988	176,835	5,461	6,652
Total Other Long-term Liabilities	141,066	178,736	5,627	6,829
*Creditors	-	-	171,519	163,559
Bank Overdraft	-	-	6,250	11,964
Total Financial Liabilities	**621,383**	**692,047**	**404,086**	**436,347**
Financial Assets:				
At amortised cost :				
- Principal Sum Invested	-	-	32,761	31,132
- Accrued Interest	-	-	14	11
At fair value through profit & loss :				
- Principal Sum Invested	1,208	1,207	30,807	42,453
- Accrued Interest	-	-	58	12
**Debtors	-	-	44,903	49,464
Interest in Subsidiaries Associates and Joint Ventures.	108	108	-	-
Total Financial Assets	**1,316**	**1,315**	**108,543**	**123,072**

For the year ended 31 March 2020 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 £35.901m of principal, and accrued PWLB interest of £3.439m. This category also includes market loan debt of £10.000m, accrued market loan interest of £0.925m and a cumulative effective interest rate adjustment of £2.563m plus £0.248m in respect of Salix interest free loan debt. The amount which relates to the long-term financial assets shown within current category is £0.064 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 £1.207m long-term and £0.064m 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 2018/19 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 2019				31 March 2020			
	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	(24,309)	-	-	(24,309)	(25,601)	-	-	(25,601)
PPP Unitary Charge Interest	(11,349)	-	-	(11,349)	(12,981)	-	-	(12,981)
Finance Lease Interest	(170)	-	-	(170)	(159)	-	-	(159)
Impairment of Financial Assets	(3,360)	-	-	(3,360)	(3,727)	-	-	(3,727)
Total Expense	**(39,188)**	**-**	**-**	**(39,188)**	**(42,468)**	**-**	**-**	**(42,468)**
Interest Income	-	617	183	800	-	800	154	954
Financial Guarantee Premium		117	-	117		111	-	111
Total Income	**-**	**734**	**183**	**917**	**-**	**911**	**154**	**1,065**
Net (Loss) / Gain for the year	**(39,188)**	**734**	**183**	**(38,271)**	**(42,468)**	**911**	**154**	**(41,403)**

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.

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

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

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

	Fair Value Level	31 March 2019 (Restated)			31 March 2020		
		Principal Amount	Carrying Amount	Fair Value Amount	Principal Amount	Carrying Amount	Fair Value Amount
Financial Liabilities		£000	£000	£000	£000	£000	£000
PWLB Debt	2	419,012	422,365	537,703	470,486	473,925	587,546
Non PWLB Debt	2	274,221	278,172	323,048	289,126	293,022	349,118
Financial Guarantee	-	470	470	470	359	359	359
Finance Leases	2	2,244	2,244	2,931	2,078	2,078	2,556
PPP & similar arrangements	2	144,449	144,449	253,091	183,487	183,487	216,835
Creditors[1]	-	171,519	171,519	171,519	163,559	163,559	163,559
Bank Overdraft	-	6,250	6,250	6,250	11,964	11,964	11,964
Total Financial Liabilities		**1,018,165**	**1,025,469**	**1,295,012**	**1,121,059**	**1,128,394**	**1,331,937**
Financial Assets							
At Amortised Cost	1	32,014	32,072	32,072	31,132	31,143	31,143
At Fair Value through Profit and Loss	-	32,761	32,775	32,775	42,591	43,672	43,672
Debtors[2]	-	44,903	44,903	44,903	49,464	49,464	49,464
Total Financial Assets		**109,678**	**109,750**	**109,750**	**123,187**	**124,279**	**124,279**

[1] The creditors amount quoted within the table above represents trade creditors, other entities and individuals included within Note 21.

[2] 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 2020.

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 31 March 2020 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 31 March 2020.

The fair values have been estimated by calculating the net present value of the remaining contractual cashflow at 31 March 2020 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 2020.
- 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.

17.3. 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 2019/20 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 2019/20 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 2019/20 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 2019			31 March 2020		
	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	7,019	6,141	8,521	10,075	11,284	9,556
Three to six months	2,200	-	686	1,842	-	1,571
Six to twelve months	2,046	-	3,659	2,015	-	1,590
More than one year	2,224	-	4,792	2,232	-	5,405
Debt Outstanding	**13,489**	**6,141**	**17,658**	**16,164**	**11,284**	**18,122**
Average allowance for Expected Credit Loss (%)	37.4%	0%	19.4%	45.3%	0%	17.7%
Expected Credit Losses	(5,051)	-	(3,427)	(7,320)	-	(3,202)
Total Debtors	**8,438**	**6,141**	**14,231**	**8,844**	**11,284**	**14,920**

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 19 Short-Term 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 125% for Housing Benefit, 150% for house rents receivable and Integration Joint Board and 110% debt for non-Housing Benefit debt, to adjust for current and forecast economic conditions, including the potential impact of the COVID-19 pandemic on recovery rates. The average percentage allowance for expected credit losses are shown in the table above.

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 £0.359m.

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 £0.253m and a short-term debtor of £0.106m within the Balance Sheet to reflect this arrangement.

Soft Loans

The Council has recognised an amount receivable of £1.331m within Long-Term Debtors (2018/19 – £1.578m), 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 £2.035m of amounts recoverable (2018/19 - £2.324m) adjusted to reflect an expected credit loss allowance of £0.704m (2018/19 - £0.747m). 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.

There is £0.020m included within short-term debtors (2018/19 short-term £0.010m and £0.010m long-term) 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 £0.139m and £0.453m within its short-term and long-term debtors during 2019/20.

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 2019	At 31 March 2020
	£000	£000
Less than one year	213,274	246,553
Between one and two years	41,357	37,484
Between two and seven years	110,148	118,747
Between seven and fifteen years	69,757	104,881
More than fifteen years	258,697	251,947
Total	**693,233**	**759,612**

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 £23.0m 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 10.937% 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 £23.0m comprises £13.0m 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 17.1, 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 £0.931m at 31 March 2019 which includes accrued interest due of £0.047m with the balance of £0.884m 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, in partnership with Hub SW Cumbernauld DBFM Co Ltd. The new school opened in 2019/20 with the final phase due to be completed in August 2020 with the outstanding balance due of £0.341m at 31 March 2020 repayable on an annuity basis over 25 years, from the date the current bridging agreement in place during the construction phase converts to a loan note instrument.

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	332
Increase in interest receivable on variable short-term investments	(653)
Overall Impact on Comprehensive Income and Expenditure Statement	**(321)**
Share of Overall impact debited to the HRA	**(113)**

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	(333)
Decrease in interest receivable on variable short-term investments	435
Overall Impact on Comprehensive Income and Expenditure Statement	**102**
Share of Overall impact debited to the HRA	**36**

In terms of the impact on the fair value of fixed rate borrowings/liabilities this would have no impact upon the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. Per the assumptions and adopting the same methodology as used in 17.2 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	(84,313)	107,353

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 Group Accounts (Note 2 to the Group Accounts). 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.

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:

	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**1,531**	**1,395**
Purchases	10,566	10,336
Recognised as an expense in the year	(10,701)	(9,994)
Write Off Balances	(1)	(9)
Closing Balance at 31 March	**1,395**	**1,728**

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:

		2018/19		2019/20	
		£000	£000	£000	£000
Central Government Bodies			11,964		27,005
Other Local Authorities			693		2,859
NHS Bodies			2,051		1,440
Public Corporations and Trading Funds			1		3
Trade Debtors, Other Entities and Individuals			44,903		49,464
Provision for Expected Credit Losses			(6,055)		(4,465)
House Rents Receivable:					
	Rents Receivable	13,489		16,164	
	Less Expected Credit Losses	(5,051)	8,438	(7,317)	8,847
Arrears in Local Taxation:					
	Council Tax	107,623		108,974	
	Less Provision	(86,827)	20,796	(90,639)	18,335
	NNDR Statutory Addition	4,607		5,078	
	Less Provision	(4,347)	260	(4,841)	237
Total Debtors			**83,051**		**103,725**

20. Cash and Cash Equivalents

	31 March 2019	31 March 2020
	£000	£000
Cash held by the Council	579	377
Bank current accounts / call accounts	30,801	42,402
Money Market Funds	32,775	31,143
Cash and Cash Equivalent Deposits	**64,155**	**73,922**
Bank Overdraft	(6,250)	(11,964)
Net Cash and Cash Equivalents	**57,905**	**61,958**

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:

	2018/19 (Restated)	2019/20
	£000	£000
Central Government	(4,805)	(2,508)
Other local authorities	(723)	(2,448)
NHS Bodies	(857)	(176)
Public Corporations and Trading Companies	(3,908)	(700)
Trade Creditors, Other Entities and Individuals	(171,520)	(163,559)
Short-term compensated absences (1)	(16,209)	(17,675)
Total Creditors	**(198,022)**	**(187,066)**

(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 2018	Additional Provisions Made in 2018/19	Amounts Used in 2018/19	Balance at 31 March 2019	Additional Provisions Made in 2019/20	Amounts Used in 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Equal Pay (1)	10,250	532	(3,317)	7,465	-	(1,708)	5,757
Landfill (2)	816	-	(360)	456	-	(268)	188
Financial Guarantee (3)	587	-	(117)	470	-	(111)	359
Total Provisions	**11,653**	**532**	**(3,794)**	**8,391**	**-**	**(2,088)**	**6,304**

(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 2019/20 £0.268m of the provision was utilised.

(3) Refer to Provisions: Financial Guarantee note within Note 17 Financial Instruments

23. Contingent Assets and Liabilities

Contingent liabilities represent items that at 31 March 2020 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.

On 20 July 2020, a Written Ministerial Statement (WMS) was issued in relation to survivor benefits for Public Service Pensions. The 2017 Supreme Court ruling in Walker vs Innospec, along with subsequent amendments entitled same-sex survivors pension benefits to take account of the member's service from 6 April 1987. On 30th June 2020, the Goodwin Tribunal ruled that this should also apply to male survivors of opposite-sex marriages. While the Goodwin Tribunal was in relation to the Teachers Pension Scheme, the WMS confirmed that this difference in treatment would also need to be remedied in other public sector pension schemes. While this could have a financial impact on future years' costs, any impact cannot be quantified. Given the uncertainty, no provision has been made in the Accounts.

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 2020.

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:

	2018/19	2019/20
	£000	£000
Finance lease liabilities		
▪ Current	166	177
▪ Non-current	2,078	1,901
Finance costs payable in future years	950	790
Minimum lease payments	**3,194**	**2,868**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
Not later than one year	325	325	166	177
Later than one year and not later than five years	1,299	1,299	789	845
Later than five years	1,570	1,244	1,289	1,056
Total	**3,194**	**2,868**	**2,244**	**2,078**

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 2019/20 were £3.161m (2018/19 £2.904m). The Council also leases various vehicles, plant and equipment on lease terms that are typically between one and five years. The rentals payable in 2019/20 were £1.712m (2018/19 £2.765m). 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 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
Not later than one year	1,105	854	1,834	1,229
Later than one year and not later than five years	2,805	2,294	2,005	1,118
Later than five years	2,397	1,699	53	53
Total	**6,307**	**4,847**	**3,892**	**2,400**

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 £0.026m (2018/19 £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 £0.122m (2018/19 £0.489m).

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 2019/20 was £1.359m (2018/19 £1.362m) 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 2019	31 March 2020
	£000	£000
Within one year	881	868
Later than one year and not later than five years	1,587	1,497
Later than five years and not later than ten years	1,695	1,677
Later than ten years and not later than fifty years	12,328	12,294
Later than 50 years	8,968	8,670
Total	**25,459**	**25,006**

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 purpose-built facilities consisting of 3 secondary schools, 7 stand alone primary schools, and 7 primary school joint campus facilities. 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 school was fully functional by the end of 2017/18 with the current outstanding DBFM liability incorporated within the table below.

In 2019/20, a further addition to the Council's school portfolio was the Cumbernauld Academy Design, Build, Finance and Maintain (DBFM) project in partnership with Hub SW Cumbernauld DBFM Co Ltd. Phase 1 and Phase 2a were completed in July 2019 and February 2020 with capital values of £34.188m and £1.545m respectively, with Phase 2b with an estimated capital value of £1.176m due to be completed in August 2020. As a result in 2019/20 there was an addition of £35.733m as outlined below in respect of this school.

The Council has a 40% share in the contract for waste recycling which utilises the waste materials recovery facility at Bargeddie with residual waste then processed at a thermal treatment in Dunbar. North Lanarkshire is lead authority and contracted with Viridor, with the other 4 councils tied into the contract through an Inter Authority Agreement. As a result in 2019/20 there was an addition of £9.342m as outlined below which represents its share of use of the asset under a service concession arrangement.

25.1. Property, Plant and Equipment

The assets used to provide services at the schools, along with the Council's share of the Clyde Valley Waste Plant, are recognised on the Council's Balance Sheet. Movements in value over the year are as follows:

	2018/19	2019/20
	£000	£000
Opening Net Book Value	**170,470**	**228,007**
Additions	-	45,075
Disposals	-	-
Depreciation charge for the year	(4,889)	(5,024)
Revaluations in year	62,426	-
Closing Net Book Value	**228,007**	**268,058**

25.2. Remaining Payments Under The Agreements

The Council makes an agreed payment each year which is increased 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 2020 including an adjustment for inflation 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	19,044	6,652	13,818	39,514
Payable within two to five years	82,921	28,671	55,385	166,977
Payable within six to ten years	114,461	44,850	71,316	230,627
Payable within eleven to fifteen years	138,408	51,385	67,743	257,536
Payable within sixteen to twenty years	106,134	36,652	29,868	172,654
Payable within twenty one to twenty five years	74,584	15,277	1,533	91,394
Total	**535,552**	**183,487**	**239,663**	**958,702**

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:

	2018/19	2019/20
	£000	£000
Balance outstanding at the start of the year	**(149,616)**	**(144,449)**
Additions during the year	-	(45,075)
Payments during the year	5,167	6,037
Balance outstanding at year-end	**(144,449)**	**(183,487)**
Included in Balance Sheet		
Current	(5,461)	(6,652)
Non-current	(138,988)	(176,835)

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 2019/20, the Council paid £31.742m to the Scottish Public Pensions Agency in respect of teachers' retirement benefits, representing 19.37% of pensionable pay. The figures for 2018/19 were £24.344m and 16.36%. In addition, the Council is responsible for all pension payments relating to added years it has awarded. In 2019/20, these amounted to £5.036m (£4.993m for 2018/19).

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:

	2018/19	2019/20
	£000	£000
Comprehensive Income and Expenditure Statement (CIES)		
Included within Net Cost of Service within CIES:		
• Current service cost	76,499	92,639
• Past service cost/(gain) including curtailments	29,617	(10,098)
• Effect of Settlements	-	-
	106,116	**82,541**
Included within Financing and Investment Income & Expenditure in CIES:		
• Net interest expense	9,070	12,465
	9,070	**12,465**
Total Post-employment Benefit charged to Surplus or Deficit on the Provision of Services	**115,186**	**95,006**
Other Post-employment Benefits charged to the CIES:		
Re-measurement of the net defined benefit liability	122,401	(212,739)
Total Post-employment Benefits charged to the CIES	**237,587**	**(117,733)**
Less Employer's contributions payable to pension scheme	(48,494)	(50,928)
Movement in Pension Reserve	**189,093**	**(168,661)**

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:

	2018/19	2019/20
	£000	£000
Opening balance at 1 April	**(2,247,432)**	**(2,552,950)**
Current service cost	(76,499)	(92,639)
Interest cost	(61,468)	(61,871)
Contributions from scheme participants	(11,526)	(12,612)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	-	85,164
Actuarial gains/losses arising from changes in financial assumptions	(178,955)	256,508
Actuarial gains/losses arising from changes in other experience	(6,372)	8,249
Past service cost including gains/losses on curtailment	(29,617)	10,098
Benefits paid	58,919	59,410
Effect of settlements	-	-
Closing Balance at 31 March	**(2,552,950)**	**(2,300,643)**

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

	2018/19	2019/20
	£000	£000
Opening balance at 1 April	**1,940,119**	**2,056,544**
Interest income	52,398	49,406
Return on assets	62,926	(137,182)
Contributions from employer	41,229	43,527
Contributions from scheme participants	11,526	12,612
Contributions in respect of Unfunded Benefits	7,265	7,401
Benefits paid	(58,919)	(59,410)
Effect of settlements	-	-
Closing Balance at 31 March	**2,056,544**	**1,972,898**

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 2019	31 March 2020
	£000	£000
Cash and cash equivalents	**207,900**	**199,444**
Equity instruments (by industry type)		
• Consumer	132,072	126,700
• Manufacturing	107,029	102,676
• Energy utilities	27,492	26,374
• Financial institutions	88,657	85,051
• Health and care	52,602	50,463
• Information technology	67,792	65,035
• Other	-	-
Sub-total equity	**475,644**	**456,299**
Bonds (by sector)		
• Corporate	64,528	61,903
• Government	-	-
• Other	-	-
Sub-total bonds	**64,528**	**61,903**
Property	**186,200**	**178,627**
Private equity	**245,748**	**235,753**
Other investment funds		
• Equities	634,713	608,896
• Bonds	238,102	228,417
• Commodities	1,031	989
• Infrastructure	-	-
• Other	2,636	2,529
Sub-total other investment funds	**876,482**	**840,831**
Derivatives	**42**	**41**
Total assets	**2,056,544**	**1,972,898**

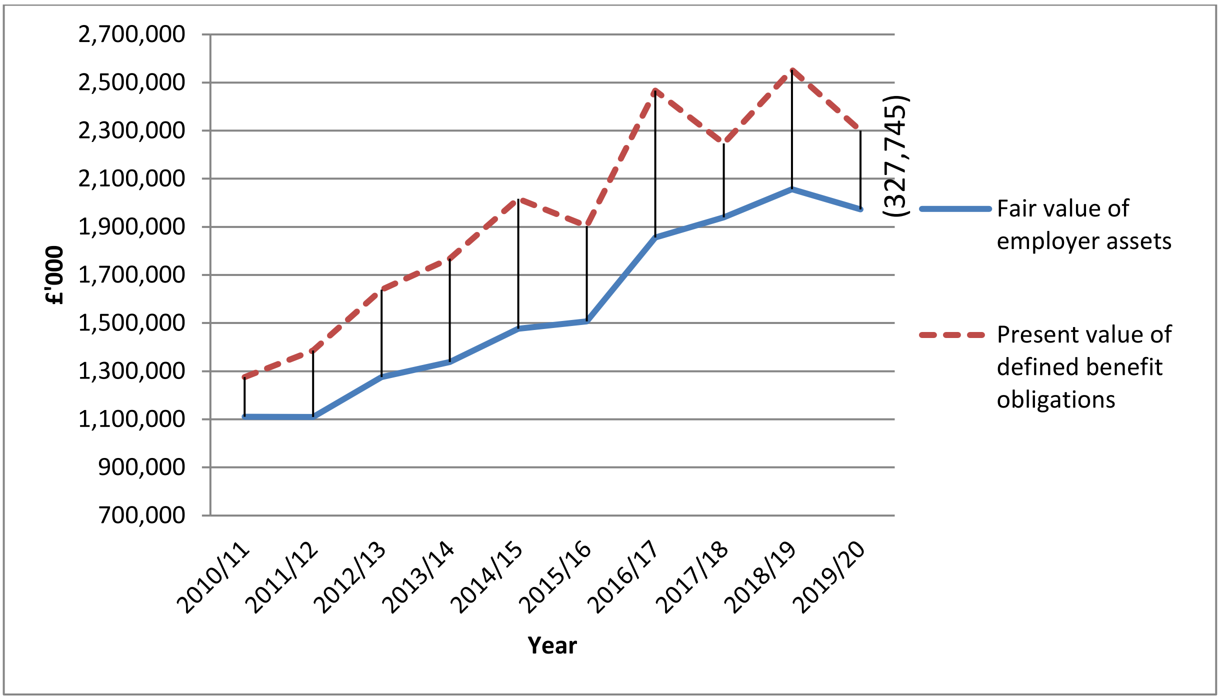
26.4. Reconciliation of Present Value of the Defined Benefit obligation and the Fair Value of Planned Assets to the Balance Sheet

The present value of unfunded liabilities comprises approximately £39.451m, £84.442m and £17.663m in respect of LGPS, Teachers' and Pre-LGR unfunded pensions. For unfunded liabilities as at 31 March 2020, it is assumed that all unfunded pensions are payable for the remainder of the member's life.

	2018/19	2019/20
	£000	£000
Fair Value of Employer Assets	2,056,544	1,972,898
Present Value of Funded Liabilities	(2,391,615)	(2,159,087)
Net (under)/Overfunding in Funded Plans	**(335,071)**	**(186,189)**
Present Value of Unfunded Liabilities	(161,335)	(141,556)
Net Asset/(Liability)	**(496,406)**	**(327,745)**
Amount in Balance Sheet:		
Liabilities	(496,406)	(327,745)
Assets	-	-
Net Asset/(Liability)	**(496,406)**	**(327,745)**

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 £327.745m 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 2020.

	31 March 2019	31 March 2020
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.4	20.7
• Women	23.7	22.9
Longevity at 65 for future pensioners:		
• Men	23.4	22.2
• Women	25.8	24.6
Rate of increase in salaries	3.7%	3.0%
Rate of increase in pensions	2.5%	1.9%
Discount Rate	2.4%	2.3%

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%)	36,665	2%
Rate of increase in pensions (increase by 0.5%)	178,940	8%
Rate for discounting scheme liabilities (decrease by 0.5%)	218,909	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 66% and 15%. 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 2021 is £40.635m. 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 2021 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 2019	Transfers Out	Transfers in	Balance at 31 March 2020
	£000	£000	£000	£000
Earmarked General Fund Reserves				
Change Management Fund	5,364	(2,933)	6,183	8,614
One off Costs of Savings Programme	3,550	(6,286)	9,331	6,595
Early Years & Childcare Expansion	131	(131)	6,000	6,000
Digitisation	9,900	(4,142)	-	5,758
Balances held by Schools under Devolved School Management	2,695	(2,723)	3,100	3,072
Pupil Equity Fund	2,036	(2,036)	2,132	2,132
Insourcing of CLNL	-	-	2,000	2,000
Business Gateway Contract	1,268	-	242	1,510
City Deal	1,491	(1,024)	310	777
Dilapidations	750	(131)	-	619
Family Firm	492	(127)	-	365
Other Earmarked Funds	8,695	(8,028)	2,292	2,959
Total Earmarked	**36,372**	**(27,561)**	**31,590**	**40,401**
Contingency Reserve	**8,000**			**8,000**
Total General Fund Balance	**44,372**			**48,401**

27.2. HRA Balance

	Balance at 31 March 2019	Transfers Out	Transfers in	Balance at 31 March 2020
	£000	£000	£000	£000
Earmarked HRA Balance				
Temporary Accommodation	6,135	(633)		5,502
Welfare Reform	1,127	(427)	762	1,462
Ambition	-	-	2,384	2,384
Other	745	(565)	2,367	2,547
Total Earmarked	**8,007**	**(1,625)**	**5,513**	**11,895**
Unallocated	**3,720**	(3,114)	195	**801**
Contingency Reserve	**1,200**	-	250	**1,450**
Total HRA Balance	**12,927**			**14,146**

27.3. Capital Grants Unapplied Account

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

	2018/19 (Restated)	2019/20
	£000	£000
Opening Balance at 1 April	**3,540**	**11,329**
Capital grants received in the year but unapplied	9,892	14,325
Capital grants received in previous years now applied	(2,103)	(7,930)
Closing Balance at 31 March	**11,329**	**17,724**

27.4. Repairs and Renewals Fund

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

	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**533**	**599**
Transfers in year (see Note 32)	66	73
Closing Balance at 31 March	**599**	**672**

27.5. 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.

	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**2,965**	**4,506**
Amounts expended on principal repayments	(2,965)	(4,506)
Transfer from Capital Receipts Reserve	4,506	1,154
Closing Balance at 31 March	**4,506**	**1,154**

27.6. Insurance Fund

The Insurance Fund represents a resource to make provision for outstanding claims and events.

	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**15,118**	**16,674**
Amounts expended on premiums and claims settlements	(2,664)	(3,082)
Contributions to / from Insurance Fund	4,220	(592)
Closing Balance at 31 March	**16,674**	**13,000**

27.7. 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.

	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**-**	**-**
Capital receipts received in the year	7,503	1,631
Amount applied to finance new capital investment	(2,997)	(477)
Amount transferred to Capital Fund	(4,506)	(1,154)
Closing Balance at 31 March	-	-

28. Unusable Reserves

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

	2018/19	2019/20
	£000	£000
Revaluation Reserve	566,876	553,724
Capital Adjustment Account	1,261,521	1,299,393
Financial Instruments Adjustment Account	(31,887)	(30,192)
Pensions Reserve	(496,406)	(327,745)
Employee Statutory Adjustment Account	(16,209)	(17,677)
Total Unusable Reserves	**1,283,895**	**1,477,503**

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.

	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**272,623**	**566,876**
Upward revaluation of assets	296,319	6,918
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on Provision of Services	(6,459)	(918)
Surplus / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on Provision of Services	**289,860**	**6,000**
Difference between fair value depreciation and historical cost depreciation	6,464	(17,787)
Accumulated gains on assets sold	(2,071)	(1,365)
Closing Balance at 31 March	**566,876**	**553,724**

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 31 provides details of the source of all the transactions posted to the Account, with the exception of the adjusting amounts written out of the Revaluation Reserve which are detailed in note 28.1 above.

	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**1,236,385**	**1,261,521**
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	(73,331)	(106,605)
• Net book value of non-current assets written off on disposal or sale	(6,889)	(1,871)
Adjusting amounts written out of the Revaluation Reserve	(4,393)	19,153
Net transfer to Capital Grants Unapplied Account	(7,789)	(6,395)
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	2,997	477
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	49,795	67,963
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (Loans Fund repayments)	34,922	37,601
• Capital expenditure charged against the General Fund and HRA balances	29,824	27,549
Closing Balance at 31 March	**1,261,521**	**1,299,393**

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.

	2018/19	2019/20
	£000	£000
Balance at 1 April	**(33,580)**	**(31,887)**
Premiums / Discounts Annual Write-Off	1,675	1,675
Re-measurement of LOBO loans	18	20
Balance at 31 March	**(31,887)**	**(30,192)**

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.

	2018/19	2019/20
	£000	£000
Balance at 1 April	**(307,313)**	**(496,406)**
Re-measurement of net defined pension liability	(122,401)	212,739
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	(115,186)	(95,006)
Employers' pensions contributions paid to Strathclyde Pension Fund	48,494	50,928
Balance at 31 March	**(496,406)**	**(327,745)**

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.

	2018/19	2019/20
	£000	£000
Balance at 1 April	**(14,615)**	**(16,209)**
Settlement or cancellation of accrual made at the end of the preceding year	14,615	16,209
Amounts accrued at the end of the current year	(16,209)	(17,677)
Balance at 31 March	**(16,209)**	**(17,677)**

29. Capital Commitments

At 31 March 2020, the Council was contractually committed to the following significant capital works.

	£000
HRA – New Build Programme	18,077
HRA – Heating	9,660
HRA – Fire Safety	7,510
HRA – Bathrooms	840
HRA – Kitchens	800
HRA – Windows and Doors	4,619
HRA – Tower Strategy	22,482
HRA – Other	150
School Alterations and Upgrades	3,520
Early Years Expansion	7,121
Redevelopment and Office Upgrades	309
Other Projects	578
City Deal	1,556
Vacant and Derelict Land Fund	2,066
Regeneration Capital Grant Fund	1,614
Town Centre Fund	520
Other Regeneration Projects	776
Digital NL	6,997
Road Operations-LED Lighting	8,058
Road Operations- Roads	393
Fleet Purchases	2,107
Litter Bin Rationalisation	698

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.

	2018/19	**2019/20**
	£000	**£000**
Net Book Value of Property, Plant & Equipment	2,401,650	2,777,975
Intangible Assets	-	107
Transfer of Property Plant & Equipment to Held for Sale	5,100	-
Capital Adjustment Account	(1,236,385)	(1,261,520)
Revaluation Reserve	(272,623)	(566,876)
Opening capital financing requirement	**897,742**	**949,686**
Capital investment		
Property, plant and equipment	161,586	197,103
Intangible assets	107	2,691
Sources of Finance		
Capital Receipts	(2,997)	(477)
Government Grants and Other Contributions	(42,006)	(61,568)
Sums set aside from revenue		
Direct revenue contributions	(29,824)	(27,549)
Repayment of loans fund advances	(34,922)	(37,602)
Closing capital financing requirement	**949,686**	**1,022,284**
Explanations of movements in year		
Increase in underlying need to borrow	51,944	27,523
Assets acquired under finance leases	-	-
Assets acquired under PPP contracts	-	45,075
Increase / (decrease) in capital financing requirement	51,944	72,598

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.

2019/20	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	(80,083)	(26,522)	-	-	-	106,605
Capital grants and contributions applied	54,573	13,390	-	-	(6,395)	(61,568)
Amounts written off as part of gain/loss on disposal	(1,568)	(303)	-	-	-	1,871
Movements in the fair value of Investment properties	-	-	-	-	-	-
Statutory provision for the financing of capital investment	29,606	7,995	-	-	-	(37,601)
Capital expenditure funded from current revenue	403	27,146	-	-	-	(27,549)
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	1,154	477	(1,631)	-	-	-
Use of capital receipts to finance new capital expenditure	-	-	477	-	-	(477)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Movements recognised under statutory provisions relating to Financial Instruments	1,099	595	-	-	-	(1,694)
Adjustments primarily relating to the Pensions Reserve:						
Reversal of items relating to retirement benefits charged to the CI&E Statement	(87,310)	(7,696)	-	-	-	95,006
Employer's pensions contributions and direct payments to pensioners payable in the year	46,802	4,126	-	-	-	(50,928)
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	(1,413)	(53)	-	-	-	1,466
Total Adjustments	**(36,737)**	**19,155**	**(1,154)**	**-**	**(6,395)**	**25,131**

2018/19 (Restated)	Usable Reserves General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Fund	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£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	43,391	6,404	-	-	(7,789)	(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/capital fund to finance new capital expenditure	-	-	2,997	-	-	(2,997)
Adjustment primary 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	**(42,401)**	**17,632**	**(4,506)**	**-**	**(7,789)**	**37,064**

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 2019/20. Figures for 2018/19 are provided in an additional table for comparison purposes:

2019/20	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	73	-	-		-	(73)
Contributions to Repairs & Renewals Fund from General Fund	-	-	-		-	-
Contributions to / from Insurance Fund	-	(592)	(1,854)		-	2,446
Amounts expended on premiums and claims settlements	-	(3,082)	1,854		-	1,228
HRA Contribution to General Fund	-	-	(2,094)		-	2,094
Amounts expended on principal repayments	-	-	-		(4,506)	4,506
Contribution to Capital Fund	-	-	-	(1,154)	1,154	-
Total Adjustments	**73**	**(3,674)**	**(2,094)**	**(1,154)**	**(3,352)**	**10,201**

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**

33. Reconciliation of 2019/20 Comprehensive Income and Expenditure Statement to Cash Flow Operating Activities

	£000	£000
Deficit on the Provision of Services		**(20,441)**
Non-Cash Transactions		
Items Relating to Loans Fund	21	
Adjustment relating to Provisions	(2,090)	
Adjustment relating to Capital Items	46,310	
Adjustment relating to Non-Domestic Rates	(4,271)	
Adjustment relating to Pensions Reserve	44,078	
		84,048
Items on an Accruals Basis		
Decrease in Inventories	(333)	
Increase in Debtors	(15,151)	
Decrease in Creditors	(8,219)	(23,703)
Net Cash Inflow from Operating Activities		**39,904**

34. Reconciliation of Financing Activities to Balance Sheet

	Balance at 31 March 2019	Cash Flow	Non-Cash	Balance at 31 March 2020
Cash and Cash Equivalents	57,905	4,055	(2)	61,958
	57,905	**4,055**	**(2)**	**61,958**
Financing Activities:				
Borrowing short-term	220,579	19,993	13,317	253,889
Borrowing long-term	479,958	46,386	(13,286)	513,058
Finance leases short-term	5,626	(6,202)	7,405	6,829
Finance leases long-term	141,066	-	37,670	178,736
	847,229	**60,177**	**45,106**	**952,512**
Total cash inflow from financing activities		**60,177**		
Total cash outflow before financing activities		**(56,122)**		

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:

	2018/19	2019/20
	£000	£000
Agreed fee for the year	509	514
Total	**509**	**514**

The external audit costs include a fee of £4,100 (£4,000 2018/19) 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 2019/20 is £0.330m, 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	2017/18	(4,488)	4,341	(147)
	2018/19	(4,939)	4,694	(245)
	2019/20	(4,802)	4,472	(330)
(Surplus) / Deficit over 3 years		**(14,229)**	**13,507**	**(722)**

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 48 building locations, with an overall staffing complement of 246 staff (81.41 FTE). Some of these locations also receive a janitor/cleaning service. The operation deliver 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 1600 traders. The service is provided by 11 staff (11.35 FTE). Each trader is offered a multiple of collection frequencies and types. We are working towards the full implementation of the requirements of the Waste (Scotland) Regulations, 2012, and multiple services are now being offered to commercial organisations to ensure they operate within the terms of the legislation. A full 7 day suite of services is also possible, and the service provides advice on waste reduction and reuse, as a first response rather than recycling.

The Fleet arm of the Trading operations provides a comprehensive Fleet Management & Maintenance service to the Council's Housing and Property repairs and maintenance Joint Venture, Mears Scotland LLP (MSL), 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 19 (8.26 FTE). Fleet Operations delivers a 7 day per week, 365 day per year service to users and has approximately 180 vehicles, dropping to approximately 80 vehicles at the year end as MSL has reduced its fleet.

The TCA element of the Trading operation provides CCTV and Alarm monitoring to 9 external clients covering the geographical areas of North Lanarkshire and beyond. The services are provided to Retail Parks, Shopping Centres, Town Centres, Leisure and Cultural Venues, Business Centres, Industrial Units and Yards. The function is carried out within the Community Safety Team with a management fee levied to the Trading Activity for the cost incurred.

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:

	2018/19	2019/20
	£000	£000
Strathclyde Partnership for Transport	5,374	5,421
Strathclyde Concessionary Travel Scheme	552	567
Lanarkshire Valuation Joint Board	1,813	2,103

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.

	2018/19		2019/20	
	Income	Expenditure	Income	Expenditure
	£000	£000	£000	£000
Amey Public Services LLP	710	16,604	440	15,894
Culture Leisure NL	-	-	3,110	20,201
Culture NL	3,002	13,650	-	-
Fusion Assets Ltd	108	476	110	473
Mears Scotland LLP	3,456	53,556	3,148	55,916
North Lanarkshire Integration Joint Board	174,057	169,073	158,026	156,615
North Lanarkshire Leisure Ltd	83	8,731	-	-
North Lanarkshire Municipal Bank Ltd	145	311	120	259
NL Properties	759	468	503	475
Routes to Work	9	3,373	30	2,122
The Campsies Centre (Cumbernauld) Ltd	62	1	64	-
Town Centre Activities Ltd	42	1,717	31	74

Outstanding balances for each of these entities are as follows:

	2018/19		2019/20	
	Debtor	Creditor	Debtor	Creditor
	£000	£000	£000	£000
Amey Public Services LLP	772	720	500	347
Culture Leisure NL	-	-	1,569	1,738
Culture NL	2,186	1,434	-	-
Fusion Assets	35	113	33	-
Mears Scotland LLP	996	4,338	1,458	445
North Lanarkshire Integration Joint Board	-	6,161	-	4,749
North Lanarkshire Leisure Ltd	90	723	-	-
North Lanarkshire Municipal Bank Ltd	-	-	-	-
NL Properties	1,291	54	2,002	98
Routes to Work	-	711	1	1
The Campsies Centre (Cumbernauld) Ltd	65	-	16	-
Town Centre Activities Ltd	128	122	-	-

On 30 June 2019 Town Centre Activities Limited ceased trading and the main functions were insourced to the Council. The transfer of the assets of the company resulted in an increase to the Council's General Fund of £0.924m which is reflected within Financing and Investment Income and Expenditure within the Comprehensive income and Expenditure Statement.

The Council's financial statements show no debtor or creditor balances for North Lanarkshire Municipal Bank Ltd. However, at the 31 March 2020 the Council's short-term borrowing included £21.898m (£28.408m in 2018/19) 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 2019/20

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

2018/19 Restated		2019/20	2019/20
£000		£000	£000
129,777	Dwelling Rent Income	134,895	
1,091	Non-Dwelling Rent Income	1,090	
1,160	Other Income	1,248	
132,028	**Total Income**		**137,233**
47,759	Repairs and Maintenance	49,414	
33,175	Supervision and Management	39,120	
23,646	Depreciation	25,856	
-	Revaluations	666	
121	Other Expenditure	275	
104,701	**Total Expenditure**		**115,331**
(27,327)	**Net Cost of HRA Services per Income and Expenditure Account**		**(21,902)**
561	HRA Service Share of Corporate and Democratic Core	342	
(411)	HRA Share of other amounts included in the whole authority Net Cost of Services but not specifically allocated to specific services	(1,418)	
532	Share of Equal Pay	-	
(26,645)	**Net Cost of HRA Services**		**(22,978)**
8,239	Interest Payable (Including Amortisation of Premiums)	9,153	
(183)	Interest and Investment Income	(154)	
2,973	Impairment of Financial Assets	4,065	
555	Net Interest on the Net Defined Benefit Liability/Asset	1,010	
(54)	Gains or Losses on disposal of non-current asset	(174)	
(6,404)	Recognition of Capital Grant	(13,390)	
(21,519)	**(Surplus)/Deficit for the year on HRA Services**		**(22,468)**

1.1. Statement of Movement on the Housing Revenue Account Balance

2018/19		2019/20	2019/20
£000		£000	£000
(11,852)	**Balance on the HRA at the end of the previous year**		**(12,927)**
(21,519)	(Surplus) / Deficit for the year on the HRA Income and Expenditure Statement	(22,468)	
17,632	Adjustments between accounting basis and funding basis under regulations (see Note 31)	19,155	
2,812	Transfer to and (from) other statutory reserves (see Note 32)	2,094	(1,219)
(12,927)	**Balance on the HRA at the end of the current year**		**(14,146)**

1.2. Housing Stock

The Council's housing stock at 31 March 2020 was 36,808 (36,557 at 31 March 2019) in the following categories:

House Numbers 31 March 2019	Property Types	House Numbers 31 March 2020
305	1 Apartment	327
6,659	2 Apartment	6,691
18,836	3 Apartment	18,981
9,715	4 Apartment	9,764
1,012	5 Apartment	1,014
30	Other	31
36,557	**Total**	**36,808**

1.3. Rent Arrears

Current rent arrears outstanding as at 31 March 2020 amounted to £5.128m .This represented 3.80% of rents paid during the year (the comparative figures for the 2018/19 year were £5.871m and 4.52% respectively).

1.4. Impairment of Financial Assets

The expected credit losses at 31 March 2020 amounted to £7.317m (£5.908m as at 31 March 2019).

1.5. Void Rents

The level of income lost from unlet Council Dwellings during 2019/20 amounted to £0.798m (2018/19 £0.829m).

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.

	2018/19	2019/20
	£000	£000
Gross Council Tax levied and contributions in lieu	159,960	167,058
Adjustments for prior years Council Tax	(1,340)	54
Adjusted for:		
Council Tax Benefits (Net of Government Grants)	-	-
Council Tax Reduction Scheme	(22,447)	(22,914)
Other discounts and reductions	(18,262)	(19,396)
Provision for Non-collection	(4,785)	(5,005)
Net Council Tax Income per the Comprehensive Income and Expenditure Account	**113,126**	**119,797**

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	53,194	2,351	(32)	6,929	499	43,447	0.6666	**28,962**
Band B	37,640	967	7	3,990	306	32,370	0.7777	**25,174**
Band C	19,683	455	22	1,844	133	17,229	0.8888	**15,313**
Band D	17,207	207	(47)	1,204	77	15,766	1.0000	**15,766**
Band E	16,798	138	51	756	71	15,782	1.3139	**20,736**
Band F	9,598	51	72	301	26	9,148	1.6250	**14,866**
Band G	3,049	12	51	84	11	2,891	1.9583	**5,661**
Band H	160	3	1	5	0	151	2.4500	**370**
					Total			**126,848**
					Provision for non-collection			**(4,123)**
					Council Tax Base			**122,725**

3. The Council Tax Charge

The charge for each band for 2019/20 was as follows:

	£ per Dwelling
Band A	£776.58
Band B	£906.01
Band C	£1,035.44
Band D	£1,164.87
Band E	£1,530.51
Band F	£1,892.91
Band G	£2,281.20
Band H	£2,853.93

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.

	2018/19	2019/20
	£000	£000
Gross rates levied and contributions in lieu	144,817	146,871
Less:		
Reliefs and other deductions	(29,811)	(33,082)
Payments of interest	-	-
Provision of bad and doubtful debts	(3,450)	(3,414)
Net Non Domestic Rate Income	**111,556**	**110,375**
Adjustment to previous years' NNDR	672	(6,816)
Contribution to Non Domestic Rates	**112,228**	**103,559**
Distribution from Non Domestic Rate Pool	104,339	107,252
Adjustment for the years prior to the introduction of the pool	-	-
Income credited to the Comprehensive Income and Expenditure Statement	**104,339**	**107,252**

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 2019/20 is 49 pence. Larger businesses in 2019/20 (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 2019:

	Number of Subjects	Rateable Value
		£000
Industrial and Freight	3,029	97,056
Commercial Subjects		
Shops (inc. Restaurants)	2,558	64,687
Offices	2,128	38,701
Hotels, Boarding Houses etc.	36	3,283
Others	902	26,322
Miscellaneous and Formula Valued Subjects	1,554	62,289
Total	**10,207**	**292,338**

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.

There is one Charitable Trust remaining, which the Council aims to transfer to an Office of the Scottish Charity Regulator (OSCR) agreed beneficiary charity. 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 £0.181m and the Marshall (Education) Trust at £0.542m, 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 2020 was £0.748m (£0.871m at 31 March 2019) and is shown at book value on the balance sheet £0.032m (£0.032m 2018/19).

Summary Income and Expenditure Account

	2018/19	2019/20
	£000	£000
Education Trust Funds:		
Income		
Interest on Investments, etc.	20	23
Expenditure		
Grants, Prizes, Awards, etc.	(61)	(97)
Surplus / (Deficit) for the year	**(41)**	**(74)**
Other Sundry Trust Funds:		
Income		
Interest on Investments	-	-
Expenditure		
Grants, Prizes, Awards, etc.	-	-
Surplus / (Deficit) for the year	**-**	**-**

Balance Sheet at 31 March 2020

2018/2019		2019/2020	2019/2020
£000		£000	£000
	Investments		
32	Education Trust Funds	32	
1	Sundry Trust Funds	1	
33			**33**
822	Advances to Council Loans Fund		744
63	Current Assets		67
918	**Net Assets**		**844**
	Education Trust Funds		
32	Capital	32	
813	Revenue	739	
845			771
	Sundry Trust Funds		
1	Capital	1	
72	Revenue	72	
73			73
918	**Total Reserves**		**844**

Annual Accounts 2019/20
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.

2018/19 Restated Gross Expenditure £000	2018/19 Restated Gross Income £000	2018/19 Restated Net Expenditure £000		2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
419,096	(37,313)	381,783	Education & Families	457,922	(54,760)	403,162
187,945	(24,925)	163,020	Enterprise & Communities	201,329	(30,201)	171,128
4,511	(4,481)	30	Trading Operations	4,157	(4,157)	0
143,745	(106,368)	37,377	Chief Executives & Other Corporate Services	161,101	(98,075)	63,026
159,478	-	159,478	Adult Health & Social Care (Non-Integrated)	162,918	-	162,918
215,280	(205,319)	9,961	Adult Health & Social Care (Integrated)	224,400	(211,290)	13,110
104,701	(132,028)	(27,327)	Housing Revenue Account	115,331	(137,233)	(21,902)
19,563	-	19,563	Non Service-Specific Costs	(16,057)	-	(16,057)
24,146	(16,471)	7,675	Subsidiaries	25,309	(17,082)	8,227
1,278,465	**(526,905)**	**751,560**	**Net Cost of Services**	**1,336,410**	**(552,798)**	**783,612**
-	(614)	(614)	Other Operating Expenditure	-	(240)	240
102,798	(63,004)	39,794	Financing and Investment Income and Expenditure	106,614	(58,569)	48,045
133	(764,606)	(764,473)	Taxation and Non-specific Grant Income	16	(807,801)	(807,785)
		26,267	**(Surplus) or Deficit on the Provision of Services**			**24,112**
		(416)	Associates and Joint Ventures accounted for on an Equity Basis			(9,741)
		25,851	**Group (Surplus) or Deficit**			**14,371**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(289,860)	(Surplus) or deficit on the revaluation of non current assets			(6,000)
		128,823	Actuarial (gains) or losses on pension assets and liabilities			(222,286)
		2,221	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures			(6,170)
		(158,816)	**Other Comprehensive Income and Expenditure**			**(234,456)**
		(132,965)	**Total Comprehensive Income and Expenditure**			**(220,085)**

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 2019 Restated		31 March 2020	
£000		£000	£000
	Property, Plant and Equipment		
1,005,069	Council Dwellings	1,073,187	
1,379,824	Other Land and Buildings	1,433,336	
43,213	Vehicles, Plant and Equipment	48,490	
265,120	Infrastructure Assets	263,394	
10,955	Community Assets	11,384	
16,885	Surplus Assets	16,784	
57,603	Assets Under Construction	26,994	2,873,569
	Intangible Assets		
-	Software Development	169	
107	Intangibles Under Development	2,629	2,798
70,319	Investment Property		69,613
59,013	Investments in Associates and Joint Ventures		73,622
2,804	Long-Term Investments		2,172
1,588	Long-Term Debtors		1,330
2,912,500	**Long-Term Assets**		**3,023,104**
4,359	Short-Term Investments	2,072	
-	Assets Held for Sale	-	
4,395	Inventories	4,726	
82,670	Short-Term Debtors (net of impairment)	103,271	
74,679	Cash and Cash Equivalents	79,735	
166,103	**Current Assets**		**189,804**
(221,834)	Short-Term Borrowing	(255,035)	
(203,555)	Short-Term Creditors	(192,005)	
(7,960)	Short-Term Provisions	(5,984)	
(5,627)	Short-Term Finance Lease Liabilities	(6,829)	
(438,976)	**Current Liabilities**		**(459,853)**
(518,177)	Long-Term Borrowing	(549,449)	
(1,508)	Liabilities in Associates and Joint Ventures	(206)	
(141,066)	Other Long-Term Liabilities (Finance Leases)	(178,736)	
(511,001)	Other Long-Term Liabilities (Pensions)	(336,704)	
-	Capital Grants Receipts in Advance	-	
(1,171,752)	**Long-Term Liabilities**		**(1,065,095)**
1,467,875	**Net Assets**		**1,687,960**
	Usable Reserves		
44,372	General Fund Reserve	48,401	
12,927	Housing Revenue Account Balance	14,146	
4,506	Capital Fund	1,154	
11,329	Capital Grants Unapplied Accounts	17,724	
16,674	Insurance Fund	13,000	
599	Repairs and Renewals Fund	672	
90,407	**Total Usable Reserves**		**95,097**
1,283,895	**Unusable Reserves**		**1,477,503**
93,573	**Group Reserves**		**115,360**
1,467,875	**Total Reserves**		**1,687,960**

The unaudited accounts were issued on 30 June 2020 and the audited accounts were authorised for issue on 29 October 2020

Elaine Kemp

Elaine Kemp, CPFA
Head of Financial Solutions

29 October 2020

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 2020	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 2019	**44,372**	**12,927**	**33,108**	**1,283,895**	**1,374,302**	**36,068**	**57,505**	**1,467,875**
Movement in Reserves during 2019/20								
Surplus / (Deficit) on Provision of Services	(42,909)	22,468	-	-	(20,441)	(3,671)	9,741	**(14,371)**
Other Comprehensive Income and Expenditure	-	-	-	218,739	218,739	9,547	6,170	**234,456**
Total Comprehensive Income and Expenditure	**(42,909)**	**22,468**	**-**	**218,739**	**198,298**	**5,876**	**15,911**	**220,085**
Adjustments between Accounting Basis and Funding Basis under Regulations	36,767	(19,155)	7,549	(25,131)	-	-	-	-
Net Increase or Decrease before Transfers to Other Statutory Reserves	**(6,172)**	**3,313**	**7,549**	**193,608**	**198,298**	**5,876**	**15,911**	**220,085**
Transfers to and from Other Statutory Reserves	10,201	(2,094)	(8,107)	-	-	-	-	-
Increase or Decrease in the Year	**4,029**	**1,219**	**1,442**	**193,608**	**198,298**	**5,876**	**15,911**	**220,085**
Balance at 31 March 2020 Carried Forward	**48,401**	**14,146**	**32,550**	**1,477,503**	**1,572,600**	**41,944**	**73,416**	**1,687,960**

Movement in Group Reserves Statement

Year Ended 31 March 2019 **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 2018	**45,103**	**11,852**	**22,156**	**1,153,500**	**1,232,611**	**42,989**	**59,310**	**1,334,910**
Movement in Reserves during 2018/19								
Surplus / (Deficit) on Provision of Services	(47,287)	21,519	-	-	(25,768)	(499)	416	**(25,851)**
Other Comprehensive Income and Expenditure	-	-	-	167,459	167,459	(6,422)	(2,221)	**158,816**
Total Comprehensive Income and Expenditure	**(47,287)**	**21,519**	**-**	**167,459**	**141,691**	**(6,921)**	**(1,805)**	**132,965**
Adjustments between Accounting Basis and Funding Basis under Regulations	42,401	(17,632)	12,295	(37,064)	-	-	-	-
Net Increase or Decrease before Transfers to Other Statutory Reserves	**(4,886)**	**3,887**	**12,295**	**130,395**	**141,691**	**(6,921)**	**(1,805)**	**132,965**
Transfers to and from Other Statutory Reserves	4,155	(2,812)	(1,343)	-	-	-	-	-
Increase or Decrease in the Year	**(731)**	**1,075**	**10,952**	**130,395**	**141,691**	**(6,921)**	**(1,805)**	**132,965**
Balance at 31 March 2019 Carried Forward	**44,372**	**12,927**	**33,108**	**1,283,895**	**1,374,302**	**36,068**	**57,505**	**1,467,875**

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.

2018/19 Restated		2019/20	2019/20
£000		£000	£000
80,315	**Net Cash Inflow / (Outflow) from Operating Activities**		**39,852**
	INVESTING ACTIVITIES		
	Cash Inflows:		
7,576	Sale of non-current assets	3,130	
47,856	Capital grants received	64,454	
1,601	Other capital receipts	1,959	
8	Investments redeemed	11	
57,041			69,554
	Cash Outflows:		
(171,902)	Purchase of non-current assets		(164,525)
-	Long-term investment		-
(107)	Investment in subsidiary		-
(114,968)	**Net Cash Inflow / (Outflow) from Investing Activities**		**(94,971)**
	FINANCING ACTIVITIES		
	Cash Inflows:		
398,802	New loans raised	382,695	
398,802			382,695
	Cash Outflows:		
(326,887)	Repayments of amounts borrowed	(316,316)	
(5,324)	Capital payments of finance leases	(6,202)	
(332,211)			(322,518)
66,591	**Net Cash Inflow / (Outflow) from Financing Activities**		**60,177**
31,938	**Net Increase / (Decrease) in cash and cash equivalents**		**5,058**
42,727	**Cash and Cash Equivalents at the beginning of the year**		**74,679**
31,938	**Net Increase / (Decrease) in cash and cash equivalents**		**5,058**
14	Increase / (Decrease) Non-cash in cash equivalents		(2)
74,679	**Cash and Cash Equivalents at the end of the year**		**79,735**

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		**(24,112)**
Non-Cash Transactions		
Items Relating to Loans Fund	21	
Adjustment relating to Provisions	(2,034)	
Adjustment relating to Capital items	46,540	
Adjustment relating to National Non-Domestic Rates	(4,271)	
Adjustment relating to Pension Reserve	47,181	87,437
Items on an Accruals Basis		
Increase in Inventories	(371)	
Increase in Debtors	(12,131)	
Decrease in Creditors	(10,971)	(23,473)
Net Cash Inflow from Operating Activities		**39,852**

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.

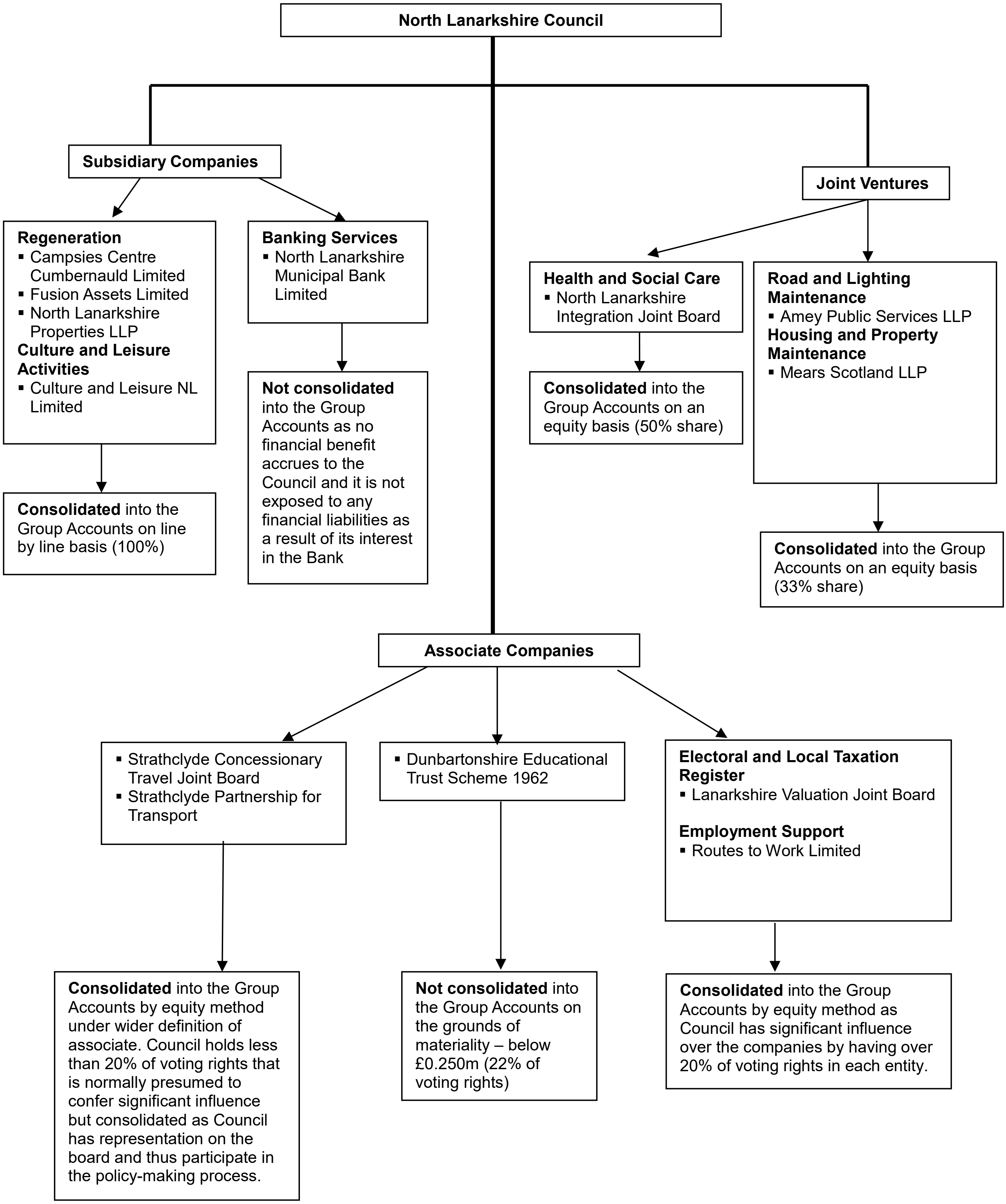
The Council has adopted a materiality threshold of £250,000 in considering the basis of incorporation of these entities within the Group Accounting Statements.

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 2020, there were 5,321 accounts held within the Bank, with a total of £21.873m on deposit. The Bank has total assets of £21.898m 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 2020 with the only exceptions being in respect of Amey Public Services LLP and Mears Scotland LLP which report to 31 December 2019. 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 have been 2 changes to the group structure during 2019/20 – firstly, on 22 June 2019 NL Leisure merged with Culture NL and the continuing entity was renamed Culture and Leisure NL Limited; and secondly, on 30 June 2019 TCA Limited ceased trading and the main functions were insourced to the Council.

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
Culture and Leisure 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
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

2018/19 Restated		2019/20
£000		£000
(139,691)	**Total Comprehensive Income and Expenditure on the Council's Comprehensive Income and Expenditure Statement**	**(198,298)**
	(Surplus)/Deficit arising from other entities included in the Group Accounts	
499	Subsidiaries	3,671
(1,524)	Associates	(9,526)
1,108	Joint Ventures	(215)
	Other Comprehensive (Income) and Expenditure	
6,422	Subsidiaries	(9,547)
2,221	Associates	(6,170)
(130,965)	**Group total Comprehensive Income and Expenditure for the year**	**(220,085)**

6.2 Council Balance Sheet to Group Balance Sheet

31 March 2019 Restated		31 March 2020
£000		£000
1,372,302	**Net Assets on Council Balance Sheet**	**1,572,600**
	Long Term Assets in Group Balance Sheet	
51,021	Investments in Associates	65,415
7,992	Investments in Joint Ventures	8,207
71,550	Subsidiary Non Current Assets	70,730
	Current Assets	
23,689	Subsidiaries	22,329
	Current Liabilities	
(6,715)	Subsidiaries	(6,018)
	Long Term Liabilities	
(1,508)	Associates	(206)
0	Joint Ventures	0
(52,456)	Subsidiaries	(45,097)
1,465,875	**Net Assets on Group Balance Sheet**	**1,687,960**
1,372,302	**Total Reserves on Council Balance Sheet**	**1,572,600**
	Group Income and Expenditure and Other Reserves	
7,992	Joint Ventures	8,207
49,513	Associates	65,209
36,068	Subsidiaries	41,944
1,465,875	**Total Reserves on Group Balance Sheet**	**1,687,960**

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.

	2018/19 Restated					**2019/20**				
	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 & Leisure NL Ltd
	£'000	£'000	£'000	£000	£000	£'000	£'000	£'000	£000	£000
Comprehensive Income and Expenditure Statement										
Surplus/ (Deficit) on Provision of Service	(384)	506	(2,220)	3,089	(1,490)	(350)	435	(954)	732	(3,534)
Other Comprehensive Income and Expenditure	-	-	(3,234)	(123)	(3,065)	-	-	238	346	8,963
Balance Sheet										
Non-Current Assets	-	3,285	100	68,165	-	-	2,654	-	67,565	511
Current Assets										
Inventories	-	2,874	53	4,296	73	-	2,900	-	2,008	98
Short-Term Debtors	(38)	445	317	(19)	(1,086)	47	487	-	(1,036)	48
Cash and Cash Equivalents	2,888	1,790	2,399	2,488	7,209	2,443	2,763	-	5,120	7,451
Current Liabilities										
Short-Term Creditors	(6)	(172)	(2,443)	(1,314)	(1,525)	4	(147)	-	(1,122)	(3,607)
Short-Term Borrowing	-	-	-	(1,255)	-	-	-	-	(1,146)	-
Long Term Liabilities										
Long Term Borrowing	-	-	-	(37,861)	-	-	-	-	(36,067)	(71)
Deferred Income	-	-	-	-	-	-	-	-	-	-
Capital Grants Received in Advance	-	-	-	-	-	-	-	-	-	-
Pensions	-	-	(11,248)	(283)	(3,064)	-	-	-	(27)	(8,932)
Reserves										
Income and Expenditure	(2,844)	(6,897)	(402)	(11,001)	-	(2,494)	(7,352)	-	(11,746)	(300)
General Fund	-	-	(1,663)	-	-	-	-	-	-	(5,229)
Pension	-	-	11,248	283	3,064	-	-	-	27	8,932
Revaluation Reserve	-	(231)	-	(23,498)	-	-	(211)	-	(23,575)	-
Other	-	(1,094)	1,639	(1)	(4,671)	-	(1,094)	-	(1)	1,099

7.2 Joint Ventures

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

	2019/20		
	Council Payments to Entity	% of Entity's Annual Turnover	Council Share of Net Assets / (Liabilities)
	£000	%	£000
Amey Public Services LLP	15,894	85.56	(448)
Mears Scotland LLP	55,916	99.68	(140)
NL Integration Joint Board	156,615	24.70	8,207

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.

	2018/19 restated			2019/20		
	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	19,597	52,407	619,247	18,577	56,094	634,165
Net Profit/ (Loss) before Taxation	2,284	6,847	(2,217)	442	1,700	431
Taxation	-	-	-	-	-	-
Net Profit/ (Loss) after Taxation	2,284	6,847	(2,217)	442	1,700	431
Balance Sheet						
Non-Current Assets	-	184	-	-	1,703	-
Current Assets	2,954	10,418	15,983	2,909	9,933	16,414
Liabilities due within one year	(4,204)	(11,765)	-	(3,648)	(10,443)	-
Liabilities due after more than one year	-	(789)	-	-	(1,614)	-
Net Pension Asset	-	-	-	-	-	-
Provision for Liabilities	(606)	-	-	(606)	-	-
Capital and Revenue Reserves	1,856	1,952	(15,983)	1,345	421	(16,414)

Note: Group Accounts 2019/20 and Restated Group Accounts 2018/19
Compliance with IAS 28 requires that where NLC's share of a Joint Venture's liabilities exceed it's share of their assets, the body is excluded from the group statements. As a result, both Amey and Mears net assets/liabilities and surplus/deficit are excluded from the group statements.

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.

	2019/20				
	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	567	14.03	102	-	-
Strathclyde Partnership for Transport	5,421	4.89	65,100	-	-
Lanarkshire Valuation Joint Board	2,103	46.65	(206)	-	-
Routes to Work Limited	2,122	71.76	213	1	1

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

	2018/19 restated			2019/20	
	Town Centre Activities Ltd.	Routes to Work Ltd.	Lanarkshire Valuation Joint Board	Routes to Work Ltd.	Lanarkshire Valuation Joint Board
	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement					
Gross Income	1,979	3,157	3,930	2,957	4,508
Net Surplus / (Deficit)	151	58	(2,236)	26	2,604
Balance Sheet					
Non-Current Assets	445	26	4	38	2
Current Assets	1,135	1,178	458	1,101	1,042
Liabilities due within one year	(215)	(163)	(66)	(74)	(131)
Long-Term Liabilities	-	-	-	-	-
Retirement Benefit Asset / (Liabilities)	-	-	(3,411)	-	(1,324)
Accumulating Compensated Absences	-	-	32	-	36
Capital, Revenue & Pension Reserves	(1,365)	(1,041)	2,983	(1,065)	375

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

8. Interests in Other Entities

There are 13 related companies that have been identified as being relevant for group purposes as illustrated by the flowchart on page 85. 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 33% voting rights on the Board however on the grounds of materiality it has not been consolidated as part of the group.

It should also be noted that the group accounts for both 2019/20 and the restated accounts for 2018/19 exclude NLC's share of the joint ventures Mears and Amey under compliance with IAS 28.

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 2019 (SSI 2019/23). 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 £40,765. For 2019/20 the salary for the Leader of North Lanarkshire Council was £40,426. The Regulations permit the Council to remunerate one Provost (£30,575 in 2019/20).

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 2019/20 was £456,437. 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 £454,643 in 2019/20.

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
88	79.57

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%	22
1-50%	64
51-99%	-
100%	2

Percentage of the total pay bill spent on facility time

Total cost of facility time (£)	151,571
Total pay bill (£)	512,317,601
Percentage of the total pay bill spent on facility time	0.03%
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 (£)	2018/19			2019/20		
	Officers	Teachers	Total	Officers	Teachers	Total
50,000 - 54,999	42	162	204	62	237	299
55,000 - 59,999	26	92	118	32	178	210
60,000 - 64,999	14	9	23	22	122	144
65,000 - 69,999	10	8	18	9	34	43
70,000 - 74,999	8	3	11	2	7	9
75,000 - 79,999	4	6	10	3	5	8
80,000 - 84,999	5	4	9	4	2	6
85,000 - 89,999	9	-	9	14	6	20
90,000 - 94,999	-	1	1	1	4	5
95,000 - 99,999	1	-	1	2	-	2
105,000 - 109,999	1	-	1	-	-	-
115,000 – 119,000	-	-	-	1	-	1
125,000 - 129,999	1	-	1	1	-	1
130,000 – 134,999	-	-	-	2	-	2
140,000 - 144,999	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	**125**	**285**	**410**	**156**	**595**	**751**

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	2018/19 Total Remuneration Restated	2019/20 Total Remuneration
		£	£
James Logue	Leader of the Council	39,540	40,426
Paul Kelly	Depute Leader of the Council	29,656	30,457
Jean Jones	Provost	31,241	31,451
Tom Castles	Depute Provost	24,070	24,720
Robert Burrows	Convener of Finance and Resources Committee	13,453	30,457
Harry Curran	Convener of Planning Committee	24,070	24,720
William Shields	Convener of Local Review Body	24,070	24,720
David Stocks	Leader of SNP Group (to 18 March 2019)	23,144	-
Thomas Johnston	Leader of SNP Group (from 19 March 2019)	926	24,701
Thomas Morgan	Convener of Adult Health and Social Care Committee	24,070	24,720
Frank McNally	Convener of Education and Families Committee	29,656	30,457
Nicky Shevlin	Convener of Regulatory Committee	24,070	24,720
John McLaren	Convener of Licensing Board Committee	24,070	24,720
Allan Graham	Convener of Enterprise and Growth Committee	28,505	24,720
Michael McPake	Convener of Environment and Transportation Committee	28,505	24,720
Patrick O'Rourke	Convener of Social Work Committee (until 31 Dec 2018)	19,110	-
Heather Brannan McVey	Convener of Housing and Regeneration Committee	29,656	30,457
Angela Feeney	Convener of Community Safety Partnership Governance Committee (until 31 Dec 2018)	19,110	-
Tom Fisher	Convener of Finance and Organisational Business Committee (until 31 Dec 2018)	19,110	-
Meghan Gallacher	Convener of Audit and Scrutiny Panel	29,656	30,457
Louise Roarty	Business Manager	19,110	30,457
Kenneth Duffy	Convener of Transformation and Digitisation Committee	4,960	24,720
Angela Campbell	Convener of Community Empowerment Committee	4,960	24,720
Alex McVey	Convener of Lanarkshire Joint Valuation Board	4,251	4,188
Total		**518,969**	**530,708**

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 Leader of the SNP Group 2019/20 is £24,720.
7. The 2018/19 figures have been restated to correct an arithmetic error in the total, along with an understatement of £19,110 in the value disclosed for Thomas Morgan. The net impact of the restatement is an increase in total remuneration of £7,408.
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 2019/20:

- Councillor A McVey was the Convener of the Lanarkshire Joint Valuation Board from 26 June 2017 and the Council was reimbursed £4,188 for 2019/20 (£4,251 for 2018/19).

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	2018/19	2019/20
	£	£
Salaries	1,497,134	1,532,882
Expenses	61,475	62,550
Total	**1,558,609**	**1,595,432**

Note: The annual return of Councillors' salaries and expenses for 2019/20 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	2018/19	2019/20		
		Total remuneration[1]	Salaries, fees and allowances	Compensation for loss of office	Total remuneration
		£	£	£	£
Paul Jukes	Chief Executive (until 21 Sept 2018)	75,903	-	-	-
Desmond Murray	Assistant Chief Executive (Enterprise & Housing Resources) until 21 Sept 2018 and Chief Executive from 22 Sept 2018	140,947	165,532	-	165,532
Isabelle Boyd	Assistant Chief Executive (Education, Youth and Communities until 4 January 2019)	182,620	-	-	-
Robert Steenson	Executive Director (Enterprise and Communities)	128,448	132,663	-	132,663
Paul Hughes	Head of Financial Solutions until 28/04/2019 (Section 95 Officer)	97,628	7,714	12,104	19,818
Elaine Kemp	Head of Financial Solution from 29/04/2019 (Section 95 Officer)	-	79,232	-	79,232
Katrina Hassell	Head of Business Solutions		88,225	-	88,225
Fiona Whittaker	Head of People and Organisational Development	-	89,547	-	89,547
Stephen Penman	Head of Strategic Communications	-	93,042	-	93,042
Ross McGuffie	Chief Accountable Officer (Health and Social Care).	-	98,070	-	98,070
Derek Brown	Executive Director (Education and Families) from 08/04/2019	-	125,759	-	125,759
Alison Gordon	Head of Children, Families & Justice Social Work Services (Chief Social Work Officer)	86,735	92,048	-	92,048
Archie Aitken	Head of Legal & Democratic Solutions (Monitoring Officer)	86,735	93,042	-	93,042
Ken Adamson	Head of Audit and Inspection	63,182	65,790	-	65,790
Janice Hewitt	Chief Officer for Health & Social Care Integration	265,434	-	-	-
Total		**1,127,632**	**1,130,664**	**12,104**	**1,142,768**

1. Total remuneration disclosed relates to salary, fees and allowances and compensation for loss of employment.
2. Full year equivalent for the post of Head of Financial Solutions 2019/20 was £85,363.
3. Full year equivalent for the post of Executive Director (Education and Families) 2019/20 was £128,232
4. Further details on amounts in relation to Janice Hewitt are contained within the 2018/19 Audited Accounts
5. The 2019/20 remuneration in the table above includes election payments; Desmond Murray £4,326, Elaine Kemp £400, Katrina Hassell £580, Stephen Penman £3,460, Archie Aitken £3,460 and Ken Adamson £545. There were no election payments made in 2018/19.

d. Remuneration of Council's Subsidiary Bodies Senior Employees

Name	Post Title	2018/19 Total remuneration	2019/20 Total remuneration
		£	£
David Baird	General Manager, North Lanarkshire Properties	56,404	59,606
Murray Collins	Managing Director, Fusion Assets	68,970	71,552
Jillian Ferrie	Chief Executive, Culture and Leisure NL (formerly of Culture NL)	67,809	69,986
Emma Walker	Managing Director, Culture and Leisure NL (formerly of North Lanarkshire Leisure)	84,224	89,926
Total		**277,407**	**291,070**

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. Due to governance issues, the management arrangements following the merger of Culture NL and North Lanarkshire Leisure remained unchanged during the year.

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 2020 at the rate on the following bands of pay:

Band	Range	Contribution Rate
1	On earnings up to and including £21,800	5.50%
2	On earnings above £21,801 and up to £26,700	7.25%
3	On earnings above £26,701 and up to £36,600	8.50%
4	On earnings above £36,601 and up to £48,800	9.50%
5	On earnings above £48,801	12.00%

The pension entitlements for Senior Councillors, Senior Employees of the Council and Subsidiary Bodies for the year to 31 March 2020 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 For year to 31 March 2019	For year to 31 March 2020	Accrued pension benefits	As at 31 March 2019	Movement In Year	As at 31 March 2020
	£	£		£000	£000	£000
James Logue	7,631	7,802	Pension	7	1	8
			Lump Sum	2	1	3
Paul Kelly	5,724	5,878	Pension	5	1	6
			Lump Sum	2	-	2
Jean Jones	-	-	Pension	-	-	-
			Lump Sum	-	-	-
Tom Castles	-	-	Pension	-	-	-
			Lump Sum	-	-	-
Robert Burrows	3,776	5,878	Pension	5	1	6
			Lump Sum	2	-	2
Harry Curran	4,646	5,878	Pension	5	-	5
			Lump Sum	1	-	1
William Shields	4,646	4,771	Pension	4	1	5
			Lump Sum	1	-	1
David Stocks	4,646	3,362	Pension	3	-	3
			Lump Sum	-	-	-
Thomas Johnston	3,270	4,767	Pension	4	-	4
			Lump Sum	1	-	1
Thomas Morgan	4,646	4,771	Pension	3	-	3
			Lump Sum	-	-	-
Frank McNally	5,724	5,878	Pension	3	1	4
			Lump Sum	-	-	-
Nicky Shevlin	4,646	4,771	Pension	5	-	5
			Lump Sum	2	-	2
John McLaren	4,646	4,771	Pension	3	-	3
			Lump Sum	-	-	-
Allan Graham	5,501	4,771	Pension	3	1	4
			Lump Sum	-	-	-
Michael McPake	5,501	4,771	Pension	3	1	4
			Lump Sum	-	-	-
Patrick O'Rourke	4,362	-	Pension	-	-	-
			Lump Sum	-	-	-
Heather Brannan McVey	5,724	5,878	Pension	3	1	4
			Lump Sum	-	-	-
Angela Feeney	-	-	Pension	-	-	-
			Lump Sum	-	-	-
Tom Fisher	4,362	-	Pension	1	1	2
			Lump Sum	-	-	-
Meghan Gallacher	5,724	5,878	Pension	1	1	2
			Lump Sum	-	-	-
Louise Roarty	-	-	Pension	-	-	-
			Lump Sum	-	-	-
Kenneth Duffy	3,990	4,771	Pension	1	-	1
			Lump Sum	-	-	-
Angela Campbell	3,554	4,771	Pension	1	-	1
			Lump Sum	-	-	-
Alex McVey	4,088	4,199	Pension	1	1	2
			Lump Sum	-	-	-
Total	**96,807**	**93,566**		**72**	**12**	**84**

b. Pension Benefits of Council Senior Employees

Name	In-year pension contributions		Accrued pension benefits			
	For year to 31 March 2019	For year 31 March 2020		As at 31 March 2019	Movement in Year	As at 31 March 2020
	£	£		£000	£000	£000
Paul Jukes	15,789	-	Pension	69	-	69
			Lump Sum	128	-	128
Desmond Murray	27,320	32,466	Pension	44	5	49
			Lump Sum	55	3	58
Isabelle Boyd	19,639	-	Pension	11	-	11
			Lump Sum	16	-	16
Robert Steenson	24,697	25,434	Pension	57	2	59
			Lump Sum	105	3	108
Paul Hughes	18,779	2,263	Pension	51	-	51
			Lump Sum	98	-	98
Elaine Kemp	12,189	15,960	Pension	22	8	30
			Lump Sum	33	12	45
Katrina Hassell	12,764	16,782	Pension	36	3	39
			Lump Sum	67	3	70
Fiona Whittaker	16,322	17,160	Pension	3	2	5
			Lump Sum	-	-	-
Stephen Penman	16,682	17,174	Pension	14	4	18
			Lump Sum	-	-	-
Ross McGuffie	17,075	18,752	Pension	3	2	5
			Lump Sum	-	-	-
Derek Brown	10,547	24,488	Pension	1	3	4
			Lump Sum	-	-	-
Alison Gordon	17,276	17,747	Pension	24	2	26
			Lump Sum	23	1	24
Archie Aitken	16,682	17,174	Pension	35	2	37
			Lump Sum	57	2	59
Ken Adamson	12,144	12,511	Pension	26	2	28
			Lump Sum	43	1	44
Janice Hewitt	350,116	-	Pension	53	-	53
			Lump Sum	92	-	92
Total	**588,021**	**217,911**		**1,166**	**60**	**1,226**

1. Prior year pension contributions are included for all Senior Officers which include prior appointments.

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

Name	In-year pension contributions		Accrued pension benefits			
	For year to 31 March 2019	For year 31 March 2020		As at 31 March 2019	Movement in Year	As at 31 March 2020
	£	£		£000	£000	£000
David Baird	10,831	11,424	Pension	23	(1)	22
			Lump Sum	38	(4)	34
Murray Collins	17,863	22,306	Pension	-	-	-
			Lump Sum	-	-	-
Jillian Ferrie	13,965	12,572	Pension	27	2	29
			Lump Sum	45	1	46
Emma Walker	14,857	15,163	Pension	23	3	26
			Lump Sum	24	2	26
Total	**57,516**	**61,465**		**180**	**3**	**183**

5. Exit Packages

North Lanarkshire Council terminated the contracts of a number of employees in 2019/20 and 2018/19 as part of a service of workforce change exercises which gave rise to voluntary severance agreements.

Exit package costs in the tables below 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.
- 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 as required by the Local Authority Accounts (Scotland) Regulations 2014:

Exit Packages 2019/20

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	25	169	-	11	-	**180**
£20,001-£40,000	49	1,440	2	36	15	**1,493**
£40,001-£60,000	18	560	20	180	165	**925**
£60,001-£80,000	11	311	4	403	35	**753**
£80,001-£100,000	10	249	28	391	234	**902**
£100,001-£150,000	7	145	37	324	323	**829**
£150,001-£200,000	6	127	47	455	413	**1,042**
£200,001-£250,000	11	274	108	1,136	990	**2,508**
£250,001 - £300,000	2	45	34	167	288	**534**
£300,001 - £350,000	1	25	18	123	150	**316**
£350,001 - £400,000	1	24	17	162	151	**354**
	141	**3,369**	**315**	**3,388**	**2,764**	**9,836**

Comparative 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**

Des Murray

Des Murray
Chief Executive
29 October 2020

James Logue

Councillor James Logue
Council Leader
29 October 2020

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 the Coronavirus (Scotland) Act, 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

James Logue

Councillor James Logue
Council Leader
29 October 2020

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 2020, and its income and expenditure for the year ended 31 March 2020.

Elaine Kemp

Elaine Kemp, CPFA
Head of Financial Solutions
29 October 2020

1. Scope of Responsibility

1.1 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.

1.2 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).

1.3 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.

1.4 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.

1.5 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.

1.6 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 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.

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

2. The Governance Framework

2.1 In February 2020, Audit and Scrutiny Panel approved a Strategic Governance Framework. This further strengthens the council's governance arrangements and brings together legislative requirements, governance principles and management processes. Together with the other three frameworks which support the Plan for North Lanarkshire, the Strategic Governance Framework will promote good practice and monitor progress with priorities to help achieve the ambitions in the plan.

2.2 The council recognises that good corporate governance comes from a culture of openness, respect and integrity, accountability and inclusiveness, whilst focussing on performance, managing risks effectively and being committed to assisting and improving the communities of North Lanarkshire.

2.3 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 council's 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

2.4 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 is periodically updated to reflect evolving issues and changes.

2.5 The internal audit function was the subject of an independent External Quality Assurance Review (EQAR) in 2019, and was assessed as fully conforming to the relevant national standards.

3. Effectiveness of Governance Arrangements

3.1 When reviewing the effectiveness of the governance framework and internal control systems and processes the following are 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
- Self-evaluation work undertaken by the council as part of its governance and performance management arrangements
- Issues considered by the Audit and Scrutiny Panel
- The review of customer and stakeholder feedback

4. Continuous Improvement and Performance Measurement

4.1 In February 2019, Elected Members approved The Plan for North Lanarkshire. This place based strategy outlines a future of inclusive growth and prosperity for all, and to make North Lanarkshire the place to Live, Learn, Work, Invest, and Visit www.northlanarkshire.gov.uk/theplan. The plan comprises five priorities supported by 25 ambition statements. The statements focus on activities and resources and are supported by a high-level Programme of Work.

4.2 The Programme of Work brings together 75 elements to support all strategic planning, development, and enterprise activities. This One Place approach to investment - integrating planning, aligning infrastructure, and targeting entire communities - aims to address the complex economic, social, and health issues, and achieve change that is sustainable in the longer-term.

4.3 A Strategic Performance Framework, comprising a wide range of performance indicators and targets, is aligned to the ambition statements. This allows regular reporting on progress with the Programme of Work to be reported to service committees and the Audit and Scrutiny Panel to enable Elected Members to monitor, assess, scrutinise and inform decision making.

4.4 In March 2020, the next phase of the *Programme of Work for 2020 and beyond* was approved.

4.5 Towards the end of 2019/20, the emergence of COVID-19 began to have a significant impact on the council's delivery of planned day to day activities and achievement of strategic priorities, which is expected will be reflected in subsequent levels of performance.

4.6 As the council moves through the recovery and renewal phase, and new service operating models are developed, the four Frameworks are being kept under review and will be updated, where required, in line with the work of the Recovery Group and ensuing amendments to the *Programme of Work for 2020 and beyond*.

4.7 In May 2019, the Accounts Commission's Best Value Assurance Report for North Lanarkshire Council was published by Audit Scotland (https://www.audit-scotland.gov.uk/report/best-value-assurance-report-north-lanarkshire-council).

4.8 Eight recommendations for improvement were identified and work commenced to align these with the Programme of Work or one of the four frameworks that support the Plan for North Lanarkshire.

4.9 Updates on work undertaken to implement these were reported to Policy and Strategy Committee in September 2019 and again in March 2020.

5 Prior Year Issues (2018/19)

The table below outlines issues identified during the Internal Audit programme of work for 2018-19 and provides details of the actions taken to address each issue.

Issue Raised	Action Taken
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.	Significant management attention has been focused on delivering improvements in the council's business continuity and disaster recovery arrangements. An annual report is now prepared and submitted to elected members providing an overview of the council's arrangements and current and planned actions.
HR Systems – Recruitment Practice Weaknesses in key controls for recruitment within the Education Service were 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.
Performance Management The 2018-19 annual audit opinion was qualified in respect of one issue, the transitional nature of the Council's performance management arrangements.	The SPF comprises a suite of measures of success across three levels to reflect the strategic and operational requirements of the council and to enable it to demonstrate the impact of its programmes and activities on the people and communities of North Lanarkshire. A suite of strategically focused performance information has also been identified to enable the council's Audit and Scrutiny Panel to effectively discharge its' scrutiny role in respect of council performance. Detail in relation to the SPF was presented to the Policy and Strategy Committee for consideration and approval in September 2019.

6 Current Year Issues (2019/20)

The table below outlines progress on significant governance issues highlighted as part of the 2019-20 audit programme.

	Issue Raised	Planned Action
1	**Performance Management** Development of reporting arrangements in line with business and legislative requirements were expected to follow but have not yet been fully integrated into the council's governance arrangements. Progress to date in this area has been slower than expected.	Following approval of the detail within the Strategic Performance Framework, which included a wide range of performance indicators and targets aligned to each of the 25 Ambition Statements, a range of performance information was reported through service committees and the Audit and Scrutiny Panel in cycle 4 of 2019 and cycle 1 of 2020. This allowed for performance in terms of day to day activities, and progress towards achieving the shared ambition articulated in The Plan for North Lanarkshire, to be regularly monitored, reported, assessed and scrutinised.
2	**Impact of the COVID-19 pandemic** The national public health emergency has and will continue to create significant governance and operational challenges and pressures for the council.	Management will, as part of its standard resilience arrangements, undertake a review in due course of its response to the pandemic with a view to assessing performance, and identifying any lessons to be learned and/or areas for improvement. This review will be undertaken when the immediate health emergency has decreased. Work is also ongoing to ensure that the council's corporate risk register is updated to reflect the number of significant new and changed risks which the current public health emergency has created.

7. Review of Effectiveness

7.1 There were no other weaknesses, material frauds or irregularities resulting in financial loss to the council identified in 2019-20.

7.2 The council's Audit and Risk Manager has reviewed the effectiveness of the council's governance arrangements and reported the results to Audit and Scrutiny Panel. The most recent assurance statement contained in the 2019-20 Internal Audit Annual Report concluded 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 2020.

7.3 The Audit and Risk Manager also commented that the COVID-19 pandemic has, from mid-March 2020 onwards, impacted significantly on normal business operations and risk assessments. As a result of changes to the governance and service delivery arrangements arising from the council's response to the pandemic, many of the normal expected systems and controls have been subject to change and not all these revised arrangements have been reviewed by Internal Audit in the limited time available. The assurance and declaration expressed therefore relate to the council's established arrangements that were in place throughout most of 2019-20 and exclude those arrangements introduced in response to the pandemic from mid to late March 2020 onwards.

7.4 On 19 March 2020, council approved temporary emergency delegated authority to the Chief Executive and, in his absence, Executive Directors and the Chief Officer, Health and Social Care to make decisions which would otherwise require council or committee approval, in the event of a requirement to suspend decision making processes due to COVID-19.

7.5 On 23 March 2020, committee meetings were suspended and a process to ensure Elected Members continued to have a role in decision making established. Six days before the original committee date, reports were published and members invited to provide comments to Chief Officers. On the original committee date, the Chief Executive held a video conference where information on members' comments, together with any further narrative by officers in respect of the comments, were considered. The Chief Executive determined each report in turn, his decisions recorded and thereafter published on the council's website.

7.6 Council Committee Meetings recommenced on 13 August when, among other business, members received a summary of all decisions taken during this period.

7.7 Following the council's decision in 2018/19 to merge North Lanarkshire Leisure Ltd and CultureNL Ltd, with Culture NL Ltd as the retained entity, some governance challenges developed within the new CLNL arms-length body. When considering these alongside the requirement for CLNL strategy to more fully align with The Plan for North Lanarkshire, the council determined a re-examination of its previous options appraisal outcomes was essential. Following due consideration of all factors and emerging challenges, the council thereafter agreed, in January 2020, that an in-sourced model would achieve greater alignment between the council's ambitions and provision of cultural, sports and leisure services; increase the pace of transformational change required; and, support longer term cost effectiveness and sustainability.

7.8 Management recognises that the unprecedented events associated with the national response to the COVID-19 pandemic have created huge challenges for the council and that these will continue beyond the period covered by this statement. A formal review of the effectiveness of the council's response to identify lessons learned and any areas for improvement will be undertaken in due course when the scale of the current emergency is reduced. However, management's initial assessment is that within the constraints and pressures placed on the council by the public health emergency, the council's compliance with expected standards of governance remained high.

8. Certification

8.1 In compliance with the 'Delivering Good Governance in Local Government Framework' (2016) the council has systems in place to review and improve the governance and internal control environment throughout the year. Issues for action have been identified and implementation will be monitored and reported as part of the next annual review.

8.2 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

Des Murray
Chief Executive

29 October 2020

James Logue

Councillor James Logue

29 October 2020

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 2020 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 Account, Non-domestic Rates Income Statement, Sundry Account 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 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 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 2019/20 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 four 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.

Emphasis of matter: Additional uncertainty on property valuations

I draw attention to Note 4 in the financial statements, which describes the effects of material uncertainties that exist in property valuations due to the impact of the Covid-19 pandemic. My opinion is not modified in respect of this matter.

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 report in a separate Annual Audit Report, 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 applying 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, 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 1BT

29 October 2020

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.

Intangible Asset
Non-current asset belonging to the Council which lacks physical substance. Examples include computer software, licensing agreements, patents and copyrights.

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.

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corporatecommunications@northlan.gov.uk :ںیجیھب لیم یا

Produced by

NORTH LANARKSHIRE COUNCIL
Chief Executive's Office
Civic Centre
Windmillhill Street
Motherwell ML1 1AB
e. annualaccounts@northlan.gov.uk

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