

AGENDA

The **Annual General Meeting** of the **Shareholders of North Lanarkshire Municipal Bank Ltd** will be held remotely on **11 March 2021**.

1. Present
2. Apologies
3. Minutes of previous AGM, 12 March 2020
4. Report by Directors and Financial Statements for period ended 31 March 2020 (copy herewith) to be noted and approved.
5. Auditors Report to the members of North Lanarkshire Municipal Bank Ltd (copy herewith) to be noted.
6. Resolution to appoint Auditors. BDO LLP offer themselves for appointment in accordance with Section 485 of the Companies Act 2006. The Directors present a formal resolution to the Annual Meeting to appoint BDO LLP.

NORTH LANARKSHIRE MUNICIPAL BANK LTD

MINUTES OF ANNUAL GENERAL MEETING

OF THE SHAREHOLDERS

HELD, WEDNESDAY 12 MARCH 2020 AT 12.15 pm
CIVIC CENTRE MOTHERWELL

1 Present

Councillors: R Burrows, J Hume, T Castles, I McNeil, S Watson, N Pettigrew, J Ashraf

In Attendance

E Kemp (Business Finance Manager)
J Quinn (Treasury Manager)

2. Apologies

None

3. Approval of Minutes of Previous Meeting

The minutes of the meeting held on 13 March 2019 were approved.

4. Report by Directors and Statement of Accounts for Year to 31 March 2019

The Accounts for the period to 31 March 2019 have been duly considered and approved for submission to the General Meeting by the Board of Directors. The Report and Statement of Accounts were noted and unanimously approved by the shareholders.

5. Auditors Report

The Audit Report for the period to 31 March 2019 was noted and approved.

6. Resolution to Appoint Auditors

BDO LLP offered themselves for appointment in accordance with Section 485 of the Companies Act 2006. The formal resolution presented by the directors to appoint BDO LLP was unanimously approved.

**North Lanarkshire Municipal Bank
Limited**

Report and Financial Statements

Year Ended

31 March 2020

Company Number: SC013128

Directors

Councillor J Ashraf
Councillor R Burrows
Councillor T Castles
Councillor J Hume
Councillor I McNeil
Councillor N Pettigrew
Councillor S Watson

Secretary and registered office

Elaine Kemp, Head of Financial Solutions, Civic Centre,
Windmillhill Street, Motherwell, ML1 1AB

Company number

SC013128

Auditor

BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX

Clearing Bank

Royal Bank of Scotland

Branches	Bank Hours	
	Monday to Thursday	Friday
10 Bank Street, Airdrie	9.00 to 16.30	9.00 to 16.00
26 Motherwell Road, Bellshill	9.00 to 16.30	9.00 to 16.00
Buchanan Centre, 126-130 Main Street, Coatbridge	9.00 to 16.30	9.00 to 16.00
2 Tryst Road, Cumbernauld	9.00 to 16.30	9.00 to 16.00
9 Parkfoot Street, Kilsyth	10.15 to 13.45	10.15 to 13.45
Blackwoods Crescent, Moodiesburn	10.15 to 13.45	10.15 to 13.45
Dalziel Building, 7 Scott Street, Motherwell	9.00 to 16.30	9.00 to 16.00
162 Station Road, Shotts	10.15 to 13.45	10.15 to 13.45
135 Burnhead Street, Viewpark	10.15 to 13.45	10.15 to 13.45
Houldsworth Centre, Kenilworth Avenue, Wishaw	9.00 to 16.30	9.00 to 16.00

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Introduction

The directors are pleased to report that the company has had a successful performance during the 2019 / 2020 financial year.

Business review

During the year to 31 March 2020, the Municipal Bank continued to monitor its investment strategy within its existing banking structure and operations, to ensure adequate protection against interest rate risk.

A periodic review of the level of customer balances, comparative interest rates and movements in the Bank of England base rate was undertaken, providing the bank with a firm base to establish its own interest rate policy for interest payable to customers. During the year, there was an interest rate change from 0.55% to 0.20% in December 2019.

The directors intend to continue with the company's existing activities, to continue to promote the current services offered and to achieve natural growth by continuing to offer competitive interest rates.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

- Competition from high street banks
- Loss of key financial and administrative staff
- Legislative and Regulatory changes

These principal risks and uncertainties are mitigated by the following review processes:

The company maintains its competitive advantage, meeting the challenge from its high street competitors by offering a competitive interest rate, which is usually a small margin above the interest rates offered by its competitors. To ensure this margin is maintained, interest rates offered by competitors are continually monitored with regular interest rate review reports presented to directors at their meetings, which will also take into account the outlook for interest rates based on the latest economic forecasts. A monthly analysis of depositor balances is also undertaken, which informs whether there are any potential issues with the interest rates being offered, in particular, if balances are falling significantly, providing an early indicator that the interest rate environment may have changed and the company's competitive position altered.

The company currently utilise key financial and administrative staff under an agreement with its controlling local authority, the company benefiting from highly qualified and experienced staff, its IT infrastructure and risk control arrangements. In the event that the current key point of contacts were no longer available, the Council has a significant staff resource of accountants and reconciliation staff that would enable it to provide the same level of support with many of the current tasks procedural in nature.

The company also benefit from accessing the most up to date information affecting the banking sector and the legal and regulatory framework as the management and administrative functions are carried out, primarily by the Councils Treasury Management team. This team receive daily / weekly / monthly updates on all matters which affect the banking, legal and regulatory framework from their Treasury Management advisors and other networking partners, including banking service providers, money market brokers and other local authority and government partners.

COVID-19

The company has considered the implications of COVID-19 and the impact on operational capability, market demand and structural finance.

To date, the company has remained operational with reduced branch opening hours. The company has no employees as staff are employees of North Lanarkshire Council ('NLC') and have been able to continue working under Government health and safety guidance. The Directors are monitoring the operational situation regularly and are adopting a prudent approach.

COVID-19 (continued)

Marked-based demand for the company's products has been unchanged. There has been no significant change to the level of deposits held by the bank since the year end and based on current customer activity the bank does not anticipate a material change in balances held for at least 12 months from sign off.

The company has maintained a strong financial position. The amounts owed to the company are from North Lanarkshire Council. A letter of support has been provided, see the going concern note for further information.

Based on the above, the Directors are confident that the actions and strategies in place result in the company being able to mitigate business threats as they arise. The Directors consider that unknowns with regards COVID-19 do not at present represent material uncertainty to the Company's ability to continue as a going concern.

'Brexit'

The company continues to monitor the potential impacts of the UK exiting the European Union on the company and mitigating these where possible. The directors do not foresee Brexit leading to a material change in demand for the company's products.

Key performance indicators

Balance due to customers has decreased from £28.383m to £21.873m.

The amount of temporary loans repayable on demand is £21.898m (2019: £28.405m).

Interest received from monies advanced to the Council is £0.259m (2019: £0.311m)

Interest paid to customers £0.093m (2019: £0.141m).

Accounts**Customer accounts repayable on demand**

During the year, there was a decrease of £6,483,986 (2019: £12,695,850 decrease) in net deposits taken from customers. The following is a summary of business transacted during the year:

	2020	2019
	£	£
Balance due to customers at start of year	28,382,824	41,080,484
Interest accrued at start of year	(108,824)	(110,634)
Interest accrued at end of year	82,525	108,824
	28,356,525	41,078,674
Net decrease in deposits during the year	(6,483,986)	(12,695,850)
Balance due to customers at year end	21,872,539	28,382,824

The opening accrued interest was settled in the period, with the closing balance sheet accrual being outstanding and included within creditors, 'customer accounts repayable on demand' as at 31 March 2020.

Key performance indicators (continued)

Number of accounts

The number of active accounts at 31 March 2020 was 5,321. The table below indicates the number of accounts since the year ended 31 March 2010:

	Customers
31 March 2010	8,307
31 March 2011	8,144
31 March 2012	7,925
31 March 2013	7,702
31 March 2014	7,476
31 March 2015	7,142
31 March 2016	6,821
31 March 2017	6,416
31 March 2018	6,099
31 March 2019	5,706
31 March 2020	5,321

Interest on deposits

The rates of interest paid to customers during the year were as follows:

From 1 April 2019 until 30 November 2019

£1+	0.55%
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From 1 December 2019

£1+	0.20%
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The current interest rate of 0.20% is paid on sums deposited for a minimum of one calendar month. The minimum deposit is £1 and fourteen days' notice of withdrawal may be required. All customer accounts have interest paid gross.

Future Developments

NLC reviewed the company's operations and identified that the company 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, NLC's 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.

By order of the board



R Burrows
Director
23 October 2020

The directors present their report together with the audited financial statements for the year ended 31 March 2020.

Results and dividends

The Statement of Comprehensive Income is set out on page 13 and shows the result for the year of £nil (2019: £nil). The directors did not recommend a dividend payment in the year.

Principal activities

The company's principal activities are the accepting of deposits and the investing of those funds (with the exception of working balances) with North Lanarkshire Council.

Directors

The directors of the company during the current year were as follows:

Councillor J Ashraf
Councillor R Burrows (appointed 4 April 2019)
Councillor T Castles
Councillor J Hume
Councillor I McNeil
Councillor N Pettigrew
Councillor S Watson
Councillor T Fisher (resigned 4 April 2019)

Each director is required to hold one Ordinary share of 5p. This Ordinary share must be relinquished on retirement as a director. The remaining shares are held by councillors that make up the North Lanarkshire Council.

Status of the company

The company is a municipal bank as defined by Part 1, Section 3 of the Payment Services Regulation 2009 and as such is exempt from the prohibition comprised in Section 19 of the Financial Services and Markets Act 2000 ("the Act"), by means of Exemption Order (SI 2001/1201) issued in accordance with Section 38 of the Act. It is not a banking company for the purposes of the Companies Act 2006.

Going concern

These financial statements have been prepared on a going concern basis. It is the directors' view that the company will be able to continue as a going concern for at least a period of 12 months from the date that these financial statements are approved.

The company relies upon the support of its parent, North Lanarkshire Council ('NLC'). The company has received a letter of support, that is legally binding, that confirms North Lanarkshire Council will continue to provide financial support for a period of at least 12 months from the date of approval of these financial statements. The letter also confirms that NLC will repay amounts owed to the Company when required. The directors consider that NLC have the wherewithal to provide this support.

As detailed in the Strategic Report, the Directors have also completed a thorough assessment of the impact of COVID-19 on the company. The Directors have assessed that the impact demonstrate that the company can continue operate. Therefore, as there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, the Directors have concluded this does not represent a material uncertainty with regards to going concern.

Accordingly, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis.

Financial risk management objectives and policies

The company uses various financial instruments which include loans, cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

Currency risk

The company is not exposed to currency risk.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the company. Short-term flexibility is achieved by amounts being due on demand.

Interest rate risk

The company finances its operations through borrowings. The company's policy is discussed in more detail in the financial statements.

Credit risk

The principal credit risk arises from its loan receivable and the directors have concluded that the counter-party has a worthy credit rating.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

Directors' responsibilities statement (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the preventions and detection of fraud and other irregularities.

Financial statements are published on the dedicated NLMB Ltd webpages within North Lanarkshire Council's website, www.northlan.gov.uk, in accordance with legislation in the United Kingdom, governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of these webpages is the responsibility of the directors, which also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to the auditor

Each of the persons who are directors at the time when the directors' report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- that directors have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



R Burrows, Director
23 October 2020

Opinion

We have audited the financial statements of North Lanarkshire Municipal Bank Limited ("the Company") for the year ended 31 March 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the strategic report and the directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine 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 Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Mark McCluskey (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Glasgow, UK

30 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income for the year ended 31 March 2020

	Note	2020 £	2019 £
Interest receivable:			
North Lanarkshire Council – short term advances	4	258,525	310,792
Interest payable:			
Interest paid to customers	5	(93,378)	(141,258)
Net interest income		165,147	169,534
Administrative expenses:			
Management expenses		1,977	2,152
Audit fee and expenses	6	8,264	9,850
Printing and stationery		6,016	5,822
Payment to Agencies and Other Bodies		124,600	124,600
Publicity campaign		4,290	7,110
Rental of premises		20,000	20,000
		165,147	169,534
Profit on ordinary activities before taxation		-	-
Taxation on profit on ordinary activities		-	-
Profit for the financial year		-	-
Total comprehensive income for the year		-	-

All amounts relate to continuing activities for the current and prior year.

There were no items of other comprehensive income for the current and prior year.

The notes on pages 17 – 22 form part of these financial statements.

North Lanarkshire Municipal Bank Limited

Balance Sheet as at 31 March 2020

Company number: SC013128

	Note	2020 £	2019 £
<u>Financial Assets measured at amortised cost</u>			
Loans and advances to North Lanarkshire Council repayable on demand	7	21,897,833	28,405,233
Sundry debtors		-	2,291
		21,897,833	28,407,524
<u>Liabilities</u>			
Customer accounts repayable on demand	8	21,872,539	28,382,823
Accruals and deferred income	9	25,290	24,697
		21,897,829	28,407,520
<u>Equity</u>			
Called up share capital	11	4	4
		21,897,833	28,407,524

The financial statements were approved by the Board and authorised for issue on its behalf on 23 October 2020.



Robert Burrows
Director

The notes on pages 17 – 22 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2020

	Share Capital £	Retained earnings £	Total equity £
As at 1 April 2018 and 1 April 2019	4	-	4
Profit for year	-	-	-
Other comprehensive income for the year	-	-	-
As at 31 March 2019 and 31 March 2020	4	-	4

The notes on pages 17 – 22 form part of these financial statements.

Statement of cash flow for the year ended 31 March 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the financial year		-	-
Adjustments for:			
Interest receivable	4	(258,525)	(310,792)
Interest payable	5	93,378	141,258
Sundry debtor		2,291	(2,291)
Decrease in trade and other creditors		594	1,709
Decrease in deposits by customers		(6,483,986)	(12,695,850)
Decrease in loans advanced to NLC		6,507,400	12,698,242
Net cash generated from operating activities		(138,848)	(167,724)
Cash flows from investing activities			
Interest paid		(119,677)	(143,068)
Interest received		258,525	310,792
Net cash generated from investing activities		138,848	167,724
Net cash generated before financing activities		-	-
Cash flows from financing activities			
Allotment of shares		-	-
Net cash flow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-

The notes on pages 17 – 22 form part of these financial statements.

1 Accounting policies

North Lanarkshire Municipal Bank Limited (SC013128) is a private company registered in Scotland under the Companies Act 2006. The address of the registered office is given on page 2 and the nature of the company's principal activities is set out in the directors' report on page 7.

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and with Companies Act 2006.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement and estimation in applying the Company's accounting policies. Details of the judgement and estimates are disclosed in note 2 below.

The presentational currency is GBP and nearest £ has been applied to the figures within the financial statements.

The following principal accounting policies have been applied.

Interest receivable

Interest is charged on short term advances provided to North Lanarkshire Council and is recognised by the bank in the period in which the interest is earned.

Interest payable

Interest is paid on customer accounts based on the minimum monthly deposit held by the customer throughout the year. Interest payable is recognised on an accruals basis and applies only to those customer accounts with greater than £1 in their deposit account. Interest rate is set based on Bank of England Base Rate plus an additional nominal rate to allow the bank to remain competitive.

Debtors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk in charge of value.

Creditors

Short term creditors are measured at transaction price.

Financial instruments

The company enters into basic financial transactions that result in the recognition of financial assets and liabilities such as other liabilities and accruals and deferred income.

In respect of financial liabilities represented by customer deposits repayable on demand, interest is paid on customer accounts based on the minimum monthly deposit held by the customers throughout the year. Interest payable is recognised on an accruals basis and applies only to those customer accounts with greater than £1 in their deposit account.

1 Accounting policies (continued)

Financial assets, represented by short term advances provided to North Lanarkshire Council are repayable on demand, are measured at cost which is considered to be equal to its fair value and are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income. Interest is charged on these advances and recognised by the Bank in the period in which the interest is earned.

For the financial assets, the impairment loss is measured at the difference between an asset's carrying amount and the present value of estimated cash flows, discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Going concern

These financial statements have been prepared on a going concern basis. It is the directors' view that the company will be able to continue as a going concern for at least a period of 12 months from the date that these financial statements are approved.

The company relies upon the support of its parent, North Lanarkshire Council ('NLC'). The company has received a letter of support, that is legally binding, that confirms North Lanarkshire Council will continue to provide financial support for a period of at least 12 months from the date of approval of these financial statements. The letter also confirms that NLC will repay amounts owed to the Company when required. The directors consider that NLC have the wherewithal to provide this support.

As detailed in the Strategic Report, the Directors have also completed a thorough assessment of the impact of COVID-19 on the company. The Directors have assessed that the impact demonstrate that the company can continue operate. Therefore, as there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, the Directors have concluded this does not represent a material uncertainty with regards to going concern.

Accordingly, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key sources of estimation are based around the setting of interest rates. Interest received from North Lanarkshire Council (from the temporary loans) is generated at such a rate to ensure the profit and loss account reaches a £nil net position. The interest paid to customers aims to offer a stronger return than high street banks, in order to retain customers. The high street interest rate is considered by North Lanarkshire Municipal Bank whose aim is to offer a stronger rate.

3 Staff costs

The Bank's staff are employees of North Lanarkshire Council and their remuneration is incorporated into the staff costs of that Council. North Lanarkshire Council recharged an amount of £124,600 (2019: £124,600) in respect of staff costs.

North Lanarkshire Municipal Bank Limited employs no employees (2019: nil).

The directors received no fees or other emoluments in respect of their services during the year (2019: £nil).

4 Interest receivable

	2020 £	2019 £
Short term advance interest	258,525	310,792
	<hr/>	<hr/>

5 Interest payable and similar charges

	2020 £	2019 £
Interest payable on customer deposits	93,378	141,258
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Interest payable for 31 March 2020 £82,525 was accrued at the end of the year and interest for 31 March 2019 £108,824 was accrued in the prior year.

6 Auditor's remuneration

	2020 £	2019 £
Auditor's remuneration – audit services	8,264	9,850
Auditor's remuneration – non-audit services	1,830	1,683
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7 Short term advances repayable on demand

	2020	2019
	£	£
Short term advances repayable on demand	21,897,833	28,405,233

Short term advances represent amounts cash advanced to the related party and ultimate controlling party, North Lanarkshire Council, which are repayable on demand.

8 Customer deposits

	2020	2019
	£	£
Customer deposits repayable on demand	21,872,539	28,382,823

At 31 March 2020, the company's principal financial liabilities comprise customer deposits repayable on demand. All customer account balances are guaranteed by North Lanarkshire Council.

9 Other creditors

	2020	2019
	£	£
Accruals and deferred income	25,290	24,697

10 Financial Instruments

As at 31 March 2020, the company's principal financial instruments comprise short term advances and the receipt of monies held on deposit from account holders. The main purpose of the bank is to provide finance to North Lanarkshire Council at favourable interest rates.

The main risk arising to the company is interest rate risk. The company holds funds on behalf of its customer account holders which are subject to interest at predetermined interest rates set by the directors. The interest rates applicable on customer account balances held during the year ended 31 March 2020 are as follows:

From 1 April 2019

£1+ 0.55%

From 1 December 2019

£1+ 0.20%

Throughout 2019/20, the relationship for investing funds with North Lanarkshire Council remained prudent and met the requirements of the Financial Services and Markets Act 2000 (Exemption) Order 2001.

	2020	2019
	£	£
Financial Assets		
Financial assets measured at amortised cost	21,897,833	28,407,524
Financial Liabilities		
Financial liabilities measured at amortised cost	21,897,829	28,407,520

Financial assets measured at amortised cost comprise short term advances repayable on demand and mortgages repayable after more than one year.

Financial liabilities measured at amortised cost comprise customer accounts repayable on demand, accruals and other creditors. Customer accounts repayable on demand are considered by the directors to have a fair value equivalent to the treatment under amortised cost. Customer accounts are recognised at sterling value at the reporting date and include interest accrued in the period from 1 April to 31 March. All accounts must have at least £1 deposit, otherwise the account is closed automatically by the bank and no interest is accrued. Financial liabilities measured at amortised cost also include accruals and other creditors.

11 Called up share capital

	Allotted, called up and fully paid	
	2020	2019
	£	£
77 Ordinary shares of 5p	4	4
	<u>4</u>	<u>4</u>

All North Lanarkshire councillors are automatically enrolled as shareholders of North Lanarkshire Municipal Bank Limited. The number of electoral wards in North Lanarkshire is 77, each councillor is allotted a share to the value of £0.05.

12 Related party transactions

During the year two directors held deposits within North Lanarkshire Municipal Bank Limited.

North Lanarkshire Municipal Bank was charged £124,600 (2019: £124,600) in the form of a management charge in relation to staffing and support costs and £20,000 (2019: £20,000) for rental of premises by North Lanarkshire Council. North Lanarkshire Municipal Bank Limited received £258,525 (2019: £310,792) in the form of interest from North Lanarkshire Council due to the temporary loan balance to North Lanarkshire Council. Expenses and repayments of customer deposits of £6,597,911 (2019: £12,862,042) were incurred by North Lanarkshire Council on behalf of North Lanarkshire Municipal Bank Limited, consisting of repayments, interest on customer deposits and admin expense payments. The balance owed by North Lanarkshire Council to North Lanarkshire Municipal Bank Limited at 31 March 2020 amounted to £21,897,833 (2019: £28,405,233) and is included within note 7 to these financial statements.

13 Financial risk management

A periodic review of the level of customer balances, comparative interest rates and movements in the Bank of England base rate was undertaken, providing the bank with a firm base to establish its own interest rate policy for interest payable to customers. The Directors approved an interest rate change from 0.55% to 0.20% from 1 December 2019.

14 Ultimate controlling party

The directors, who are all elected Councillors of North Lanarkshire Council, regard North Lanarkshire Council as the ultimate controlling party.

NORTH LANARKSHIRE MUNICIPAL BANK LTD

MINUTES OF ANNUAL GENERAL MEETING

OF THE SHAREHOLDERS

HELD, THURSDAY 11 MARCH 2021 AT 12.50 pm

VIRTUAL MEETING BY WEBINAR SESSION

1. Present

Councillors: R Burrows, J Hume, T Castles, N Pettigrew, J Ashraf

In Attendance

E Kemp (Head of Financial Solutions)

J Quinn (Finance Manager)

2. Apologies

Councillors: I McNeil, S Watson, A Beverage, C Cameron, D Cullen, T Douglas, T Fisher, F Fotheringham, A Graham, P Hogg, J McLaren, P O'Rourke, D Stocks, A Valentine

3. Approval of Minutes of Previous Meeting

The minutes of the meeting held on 12 March 2020 were approved.

4. Report by Directors and Statement of Accounts for Year to 31 March 2020

The Accounts for the period to 31 March 2020 have been duly considered and approved for submission to the General Meeting by the Board of Directors. The Report and Statement of Accounts were noted and unanimously approved by the shareholders.

5. Auditors Report

The Audit Report for the period to 31 March 2020 was noted and approved.

6. Resolution to Appoint Auditors

BDO LLP offered themselves for appointment in accordance with Section 485 of the Companies Act 2006. The formal resolution presented by the directors to appoint BDO LLP was unanimously approved.