

ANNUAL ACCOUNTS

2020/2021



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Front cover image: 1140 Switch On at Stane Nursery

Photograph: @ North Lanarkshire Council

Annual Accounts 2020/21

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Management Commentary

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 341,140 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 2021. 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 to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also reflects 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 £781.441m, and other corporate charges totalling £48.995m. These were funded by Taxation and Non-Specific Grant Income (including Council Tax, General Revenue Grant and Non Domestic Rates) of £869.506m. This resulted in an accounting surplus on the provision of services for the year of £39.070m.

Other net expenditure not related to the provision of services totalling £52.899m was also accounted for, resulting in the Total Comprehensive Income and Expenditure for the year showing a surplus of £91.969m, a reduction of £106.329m from 2019/20, primarily due to a reduction in the actuarial valuation of the Council's share of pension scheme liability offset by an increased surplus on revaluation of non current assets.

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 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 £68.350m (page 18).

The net General Fund surplus for the year has been added to the surplus of £48.401m brought forward from 2019/20 resulting in an overall surplus of £116.751m (page 18) to be carried forward into 2021/22. This balance is represented by:

	£m	£m
Earmarked COVID Funding	36.065	
Earmarked for Service Expenditure	35.793	71.858
Change Management Fund		22.042
Contingency		8.000
Unallocated		14.851
Total General Fund Balance		116.751

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, housing rents, Council Tax and Non-Domestic Rates) in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting

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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

The Council has a statutory requirement 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 76. These reflect the transactions involved in managing the Council's housing stock. The account shows an in year surplus of £13.307m, which when added to the 2019/20 balance brought forward results in a cumulative surplus of £27.453m within the Council's Usable Reserves. Of this surplus, £24.581m has been approved for specific purposes including temporary accommodation (£8.348m) and Council Ambition (£5.054m). In addition, there is an approved £1.470m contingency reserve, which leaves an unallocated balance of £1.402m.

The opening 2020/21 equal pay provision included £0.124m in relation to the Housing Revenue Account. There was no movement on the provision during the year and no further changes made to the level required resulting in the £0.125m balance carrying forward to 2021/22.

Capital Account

Details of Capital Expenditure and Capital Financing are shown on page 68. Total gross expenditure for Housing and Composite Services amounted to £135.642m. This was funded as summarised below:

	£m
Sale of Council Assets	0.024
Contributions from Revenue Budgets	27.418
Donated Asset	0.105
Capital Grants and Other Income	50.842
PPP & Similar Contract Advances	2.592
Loans Fund Advances	54.661
	<hr/>
	135.642

The 2020/21 loans fund advance of £54.661m was funded primarily from a combination of internal cash balances/reserves and short-term borrowing in lieu of future long-term borrowing from the Public Works Loan Board (PWLB). Financial year 2020/21 was the third year of the Council's approved 5 year composite capital programme covering financial years 2018/19 to 2022/23. However, in response to the COVID-19 health crisis the Council in July 2020 undertook a review of all existing capital expenditure legal commitments and essential expenditure requirements recognising the longer-term nature of capital investment plans, linkages to the delivery of revenue savings and the Plan for North Lanarkshire. Following this review a decision was taken by the Strategic Capital Delivery Group (SCDG), at its meeting on the 15 July 2020, to fund only essential and legally committed capital programme expenditure for 2020/21. In addition it was agreed a revised Strategic Capital Investment Plan for 2021/22 to 2025/26 would be developed by the Council's Strategic Capital Delivery Group with the revised plan for 2021/22 to 2025/26 being approved at Policy and Strategy Committee in March 2021.

Cash Flow Statement

The Council's cash and cash equivalent balance (detailed on page 20) increased by £48.848m during 2020/21. This represents a net cash inflow from operating activities of £173.141m, a net cash outflow in investing activities of £89.200m and a cash outflow from financing activities of £35.093m with a further non cash adjustment of £0.025m in respect of accrued interest made to the closing cash and cash equivalents.

Long-Term Borrowing

The Council's annual borrowing strategy is outlined 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 2020/21 were approved by the Finance and Resources Committee on 13 March 2020. 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 2020/21 the approach to borrowing was in line with the approved strategy, with the Council taking advantage of long-term

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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 58 to 62) for employers participating in the Strathclyde Pension Fund is based on a snapshot valuation as at 31 March 2021. 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 2020/21 took place as at 31 March 2020 with no change to the employer's contribution which remains at 19.3%. The latest funding position as at 31 March 2020 is 106% compared to the previous triennial review position at March 2017 of 105%. The improvement is explained as being a result of better than anticipated investment returns on the Fund's assets and changes in future inflation expectations.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £417.190m 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 estimated fair value of the fund's assets has increased by £430.535m as shown in note 26.3 and the estimated fair value of future liabilities has increased by £519.980m as shown in Note 26.2, which together result in a net increase in liability of £89.445m. This reflects an increased assumption on the pension increase rate as a result of increase inflation and a decrease in discount rate as a result of falling yields from corporate bonds, partially offset by increased investment returns.

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.

After consolidation the Group balance sheet shows net assets of £1,799.051m as at 31 March 2021, an increase of £134.482m on the single entity position, representing the Council's share of the net assets of these entities. Further detailed information on the Group performance, along with the summarised group financial statements, is available on pages 80 to 92.

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.

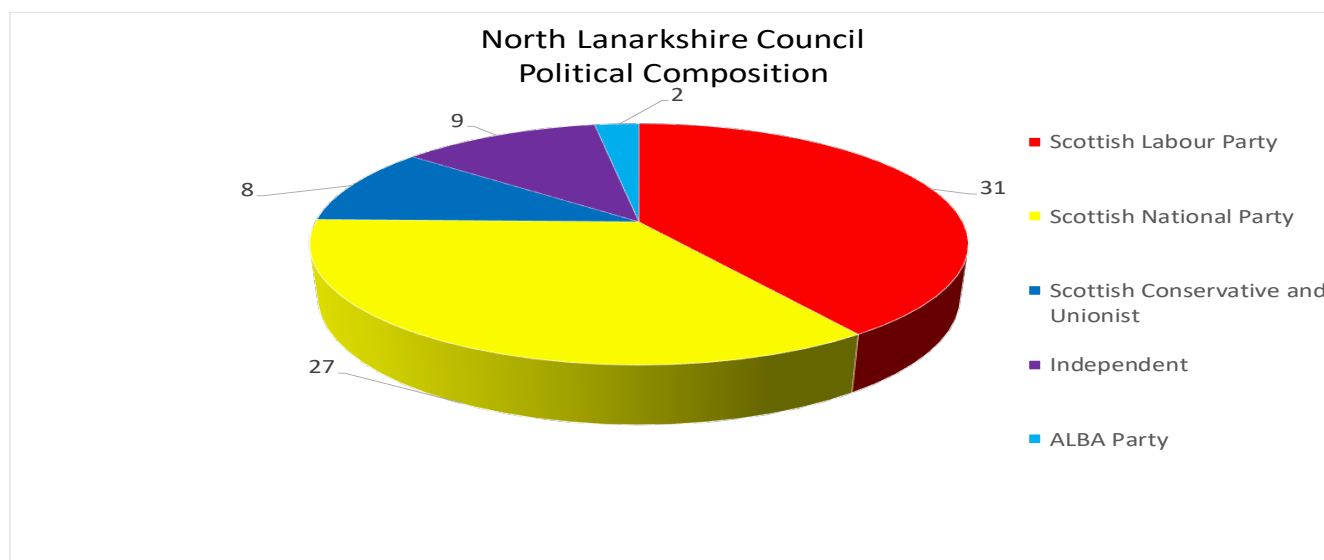
The 2020/21 opening provision value of £5.757m comprised of £5.632m in relation to General Fund and £0.125m for HRA. Total claims paid out during 2020/21 equated to £0.151m in total. The existing level of provision was assessed and concluded to be reasonable to cover outstanding claims and the expected pension cost for previously settled claims. Note 22 on page 54 provides the detail of the 2020/21 closing provision for Equal Pay of £5.606m.

Political Composition and Council Structure

The Council is overseen by 77 elected members as at the balance sheet date. At the date of issue, the political composition of the elected members for North Lanarkshire Council is shown overleaf:

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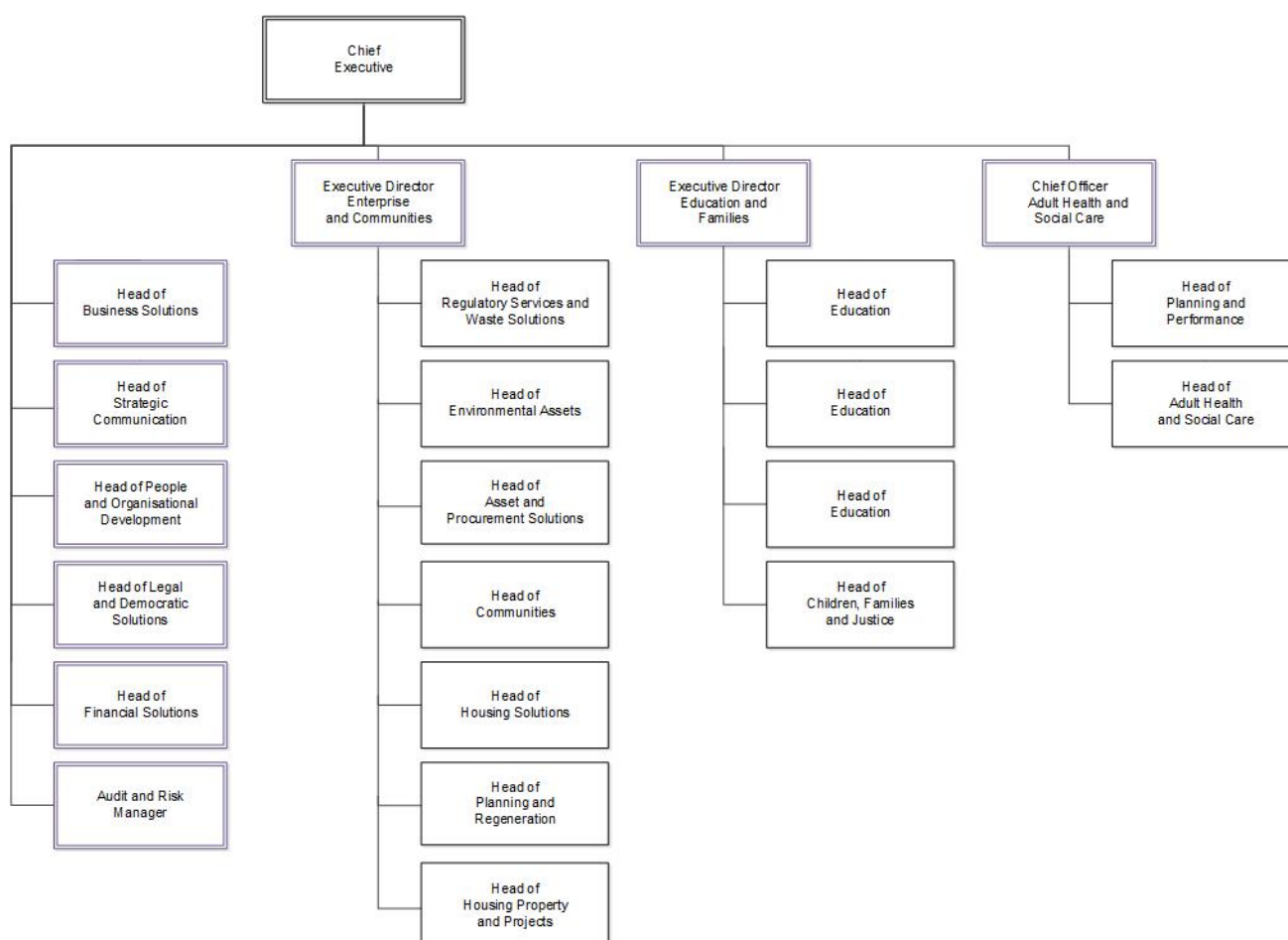
Management Commentary



Since the elections in May 2018, the Council 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 Council's reporting structure during 2020/21 is illustrated in the diagram below and is reflected in the Financial Statements.



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Since the approval of the long-term vision for North Lanarkshire through We Aspire - a Shared Ambition for North Lanarkshire (in September 2018), significant progress has been made towards realising inclusive growth and prosperity for all. The Policy & Strategy Committee approved the Delivering for Communities report in December 2020, setting out proposals for a future operating model and the required next stages of structural realignments to further support the delivery of the shared ambition. Evolution of the Council's senior management structure is required to align these roles with the Community Board model and support this evolution, while recognising the challenges and changes accelerated by the coronavirus pandemic and its impact on communities across North Lanarkshire. The new approved organisational and reporting structure will be implemented from 1 April 2022.

The Plan for North Lanarkshire and Programme of Work

The Plan for North Lanarkshire, launched in 2019, established the long-term vision for North Lanarkshire which is centred around a place based strategy that provides 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 vision has been shaped by the area's demographic, social, and economic profile. An update on this profile was presented to the Policy and Strategy Committee in March 2021 through the suite of indicators designed to provide a high-level impact assessment of the work of the Council and partners on North Lanarkshire's economy, its people, and communities. This suite of indicators collectively provided the North Lanarkshire context and therefore the context within which the Council delivers its portfolio of plans, projects, and programmes.

Delivery of these plans, projects, and programmes were further realised during the year following Committee approval of the Programme of Work for 2020 in March 2020. In this respect a wide range of reports have been presented to their respective Committees throughout 2020/21 in line with the approved Programme of Work timetable. This has enabled Elected Members to have an ongoing review of progress in the delivery of the ambitions outlined in The Plan for North Lanarkshire. This includes oversight of the next phase of delivery for integrated investment (through *The Place The Vision*) in respect of town centre and community regeneration, town and community hubs, schools new build programme, and parks master planning as well as the associated active travel plans.

Annual review and evaluation work highlighted the successes achieved from the Programme of Work for 2020 which were reported to the Policy and Strategy Committee in March 2021. This summarised some of the achievements from the Programme of Work 2020 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 successes both supported the long-term vision and intentions laid out in The Plan for North Lanarkshire and demonstrated the extent of the response locally to the coronavirus pandemic in terms of maintaining the provision of critical frontline care, supports, and services, and enabling the ongoing safety and wellbeing of service users and staff. The third annual iteration of the Programme of Work (for 2021/22) was approved in March 2021.

The *Programme of Work* to deliver on the ambition set out in The Plan for North Lanarkshire has a focus on Delivering for Communities - setting local communities at the heart of public services and strengthening the delivery of care, supports, and services for those people in the most vulnerable situations through an integrated Council, partnership, and community approach. In December 2020, the Policy and Strategy Committee approved the implementation of a Delivering for Communities operating model. This aims to further strengthen the focus on communities, by ensuring that the structure of the Council's senior management team fully reflects the model of 9 Community Boards established for North Lanarkshire's communities. These arrangements are designed to ensure everyone is given equality of opportunity and individuals are supported, encouraged, and cared for at each key stage of their life and will be further rolled out during 2021/22.

Strategy and Performance

Key to assessing the success of The Plan for North Lanarkshire and monitoring delivery of the Programme of Work (while ensuring each stage of delivery towards achieving the overall ambitions is appropriately planned, guided, implemented, and governed) are five inter-related corporate frameworks:

- Strategic Policy Framework
- Strategic Governance Framework
- Programme and Project Management Framework
- Strategic Performance Framework
- Strategic Self-Evaluation Framework

To ensure these frameworks remain aligned to The Plan for North Lanarkshire and Programme of Work, all five are on an annual review and refresh programme. This also helps the Council to ensure it is proactive in

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responding to social, economic, and environmental trends and changes in legislation and governance, as well as the broad range of national policy changes and new developments.

During 2020/21, 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 was reflected in subsequent levels of performance. Following a desktop review of the performance indicators in the Strategic Performance Framework to identify those relating to services impacted by the pandemic, the Corporate Management Team identified a tailored suite of measures for monthly management monitoring purposes. This included a national data dashboard through which important aspects of the local government response were monitored.

With approval of Delivering for Communities in December 2020, and the Programme of Work reviewed and updated for 2021/22, the opportunity was taken to re-evaluate aspects of the Strategic Performance Framework in light of the current local and national context and to develop and implement a Performance Reporting Schedule for 2021/22. This comprises arrangements for regular strategic performance reviews at the Corporate Management Team, service, statutory, and Strategic Performance Framework reporting to Committee, and a set of five non-negotiable standards to be applied when reporting performance. This allows regular reporting on progress of 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 areas requiring improvement and future decision making.

Performance Overview

The Accounts Commission defines requirements for reporting performance information under the Local Government Act 1992 in terms of improving local services and local outcomes and demonstrating Best Value. Developed by the Improvement Service at the request of the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the Local Government Benchmarking Framework (LGBF) provides a suite of high level performance indicators, comparable across other councils, that are designed to help inform improvements in services and outcomes. The North Lanarkshire context in this respect was presented to the Council's Audit and Scrutiny Panel in March 2021 to allow for scrutiny of data on costs, outputs, and outcomes.

The 2020/21 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](https://scotland.mylocalcouncil.info/) and the online data tool (<https://scotland.mylocalcouncil.info/>) 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.

The coronavirus pandemic led to difficulties in progressing the strategic self-evaluation programme as originally planned, however the Council maintained its commitment to self-evaluation by undertaking an exercise to assess the Council's response to the pandemic. This was carried out at a point in time during the year in order to reflect on the Council's approach and identify lessons to be learned that could be implemented moving forward. The results of this self-evaluation was reported to the Policy and Strategy Committee in October 2020. The report identified the lessons learned and an improvement plan is now in place to monitor the actions identified.

Covid-19 Response

As a Category 1 Responder (along with emergency services, health authorities and SEPA), North Lanarkshire Council was at the forefront of the local response to the Covid-19 health pandemic throughout 2020/21. The Council's long-established Corporate Resilience Plan provided a sound basis for the level of response that was required during the health emergency that facilitated the provision of as many essential frontline services as possible. This included, but wasn't limited to:

- NLC was one of very few councils to keep a full kerbside waste collection service operation, allowing residents to continue to dispose of all their waste as usual.
- Almost 700,000 home care visits were undertaken over the initial three-month lockdown period alone, ensuring North Lanarkshire's most vulnerable people were looked after,
- 830 meals were delivered every week to sheltered housing residents, racking up a total of over 13,000 meals during lockdown,
- Key worker hubs were in operation in some areas from week 1, allowing parents working in the frontline of essential services, including the NHS, to get to work. This provision then extended to 10 hubs providing support to the children of key workers from Monday to Friday (and at the 3 central hubs on a Saturday and Sunday) for early year's children, primary and secondary aged children, and young people. In total this provided essential childcare to over 31,000 children and young people.

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- While schools across the country were forced to close, figures from GLOW indicate that around 67% of North Lanarkshire's children and young people were plugged in and online doing home learning over the lockdown period.
- Even during lockdown, tenants still received emergency repairs to their homes where required - contractors carried out 5,670 emergency gas works, 2,698 empty house works, 10,567 emergency repairs, and 2,995 routine works.
- Ensuring support for those most vulnerable meant processing 472 homeless applications and providing 164 permanent lets to homeless people. Over 100 new properties were identified as new temporary accommodation to meet this demand.

The Council also supported emerging priorities to ensure communities were protected, and that support and advice was provided including:

- The establishment of the Council's Community Assistance Helpline for inbound and outbound calls for those identified by the NHS as being in vulnerable categories. The helpline was supported by the Helping Hands system to track the outreach support provided to residents and the specific needs of each.
- Working with the NHS and Voluntary Action North Lanarkshire (VANL), the Council worked closely with local community anchor organisations to support individuals and communities most in need during the outbreak, including befriending calls, wellbeing calls, food, meal and medication deliveries and other tasks such as dog walking.
- The Council facilitated a range of financial supports to individuals including crisis grants through the Scottish Welfare Fund, the Rent Relief Fund and Universal Credit Assistance Fund.
- The Council put in place processes to assess and award non-domestic rates relief to thousands of businesses across North Lanarkshire.

In addition, the Council administered a range of grants totalling a further £68.433 million on behalf of the Scottish Government (£2.690m in 2019/20) which it introduced to support both businesses and individuals throughout the pandemic. These have been assessed as agency payments and are not recognised as part of the Council's financial position for the year. A net debtor of £15.262m is shown on the Council's balance sheet in relation to reimbursement outstanding as at 31st March 2021 (£2.690m in 2019/20).

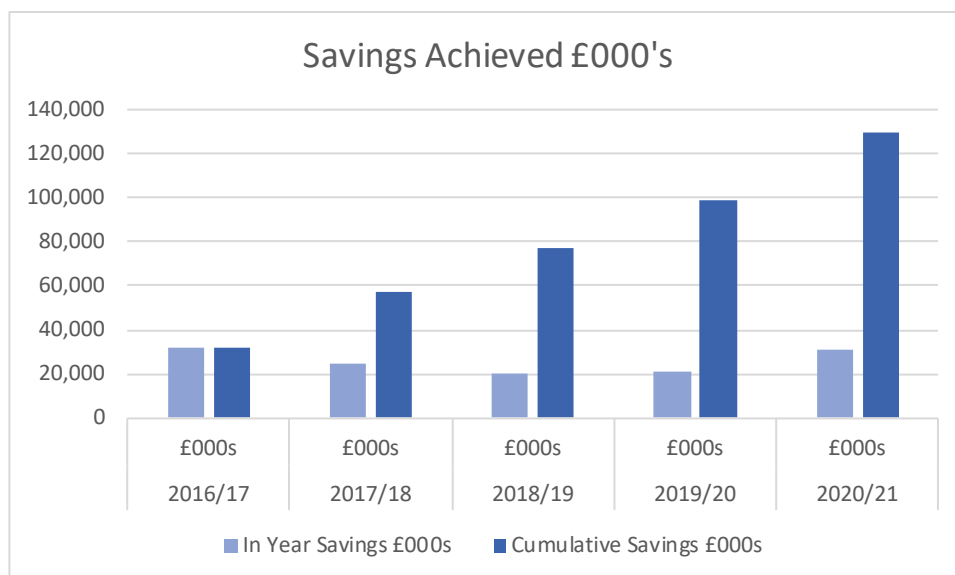
Financial Planning

In line with the Strategic Policy Framework the Council has an overarching Financial Strategy, which clearly sets 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 on 1 October 2020 covering financial years 2021/22 to 2025/26. Given the level of uncertainty surrounding funding and difficulty forecasting too far into the future a 5 year plan is considered most 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 also has an approved Reserves Policy which aims to ensure available balances are managed and utilised in accordance with effective governance principles, and continue to ensure financial plans 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 2020/21 budget setting and this level continues to be considered appropriate.

The Council has been required to make significant budget savings over a number of years 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 following chart illustrates the significant value of savings achieved over the past 5 years. For 2020/21, Services have achieved total savings of £25.284m against the approved target of £31.213m (81%) with the shortfall of £5.929m also achieved through alternative savings and management action.

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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. An annual update details the continuing progress and highlights further considerations for moving forward with future financial plans. Notable progress and achievements include:

- The Council has benefited from having a well developed medium term financial planning arrangement in place with the rolling five year Medium Term Financial Plan informing a three year savings agenda and the setting of the annual budget.
- Service redesign and savings proposals were considered by various Committees throughout 2020/21 in accordance with one of the key principles that service redesign and efficiency should be an ongoing consideration throughout the financial year. These reviews ensure delivery models are prudent, affordable and sustainable, and drive out efficiency savings to support the management of future forecast budget gaps.
- The consideration of revenue consequences linked to capital investment has also been embedded in capital planning arrangements with due consideration given to recurring revenue consequences when evaluating investment proposals for the recently approved five year Community Investment Programme 2021/22 to 2025/26.
- In line with the Council's approved Reserves Policy and a key principle of this Strategy to continue to give consideration to the planned, sustainable use of available balances, Financial Solutions has further developed forecasting and financial planning arrangements in relation to Change Management Fund reserve requirements. A four year forecast position was reported as part of the 2021/22 budget setting report, indicating that forecast one-off costs of implementing the savings and transformation agenda, can be managed within existing forecast reserves balances. This further demonstrates the sustainability of approved plans and associated one-off costs.

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 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. The Council Tax Income Statement for the year is provided on page 77 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,

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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.

Adopting flexibilities within the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (the 2016 Regulations) which came into force on 1 April 2016 which allow a local authority to subsequently vary either the period or the amount of the repayment (or both) if it considers it prudent to do so. A Council's loans funds review was undertaken in 2020/21 and a revised Loans Fund Advance Repayments Policy (the Policy) approved by Finance and Resources Committee on 26 November 2020 and incorporated within the Treasury Management Strategy. The revised policy includes the application of a fixed average life to all loans fund advances, and changes to the annuity rate adopted to calculate loans fund advance repayments, including the retrospective adjustment to the period over which historic loans fund advance repayments were made and applying this approach to future loans fund advances. This resulted in revised loans fund advance repayment profiles with the Council applying a prudent approach specific to the Council's financial position including an assessment of the whole life impact both in nominal and NPV terms of options considered.

Capital Strategy

Following a review of the Council's capital programme and emergence of the Plan for North Lanarkshire, the Council's Strategic Capital Delivery Group developed a revised Strategic Capital Investment Plan for 2021/22 to 2025/26 that was approved at Policy and Strategy Committee in March 2021. This plan will deliver record General Fund investment of £521.724m over the 5 year period including the first phase of funding in support of the Council's ambitions for Town and Community Hubs, Town Centres and Parks Masterplan. The capital programme continues to be monitored and managed by the Council's Strategic Capital Delivery Group that 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 strategy is subject to ongoing review and the main principles outlined and adopted within the strategy remain unchanged.

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 2020/21 to take account of Scottish Government redeterminations and additional funding made available to assist with managing the cost pressures of the COVID-19 pandemic.

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 2020/21, the Council was allocated general funding as follows:

- General Revenue Grant Funding (£628.356m): 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;

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- Non-Domestic Rates Pool Income (NDR) (£71.360m): 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 (£32.581m); Pupil Equity Fund (£9.110m); and Criminal Justice Social Work (£5.452m). 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.

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 may be required. The Council approved the proposed General Fund Revenue Budget of £827.661m including savings of £26.484m on 24 February 2020 and subsequently 19 March 2020. The 2020/21 budget has been closely monitored through the management and budgetary processes which are embedded within the Council's existing reporting arrangements.

The Provisional Outturn position reported to Corporate Management Team anticipated a combined surplus of £27.072m on the General Fund and HRA. This position is against the amended budget (updated to take account of the latest position contained in the Scottish Government Local Government Finance Circular 5/2021 and additional funding streams to offset costs incurred as a result of the COVID-19 pandemic). The movement to final outturn position reported per the Movement in Reserves Statement is illustrated in the following table.

	Budget 2020/21	Provisional Outturn 2020/21	(Under)/ Overspend
	£m	£m	£m
Education and Families	434.666	426.824	(7.842)
Enterprise and Communities	164.862	170.919	6.057
Chief Executives and Other Corporate Services	78.863	81.181	2.318
Social Work (non Integrated)	151.172	151.172	-
Social Work (Integrated)	-	-	-
HRA	-	(13.821)	(13.821)
Covid Grants	5.683	5.683	-
Financing Costs and Other Budgetary Issues	16.983	(0.071)	(17.054)
Total Expenditure (Provisional Outturn)	852.229	821.887	(30.342)
Sources of Funding	(852.229)	(848.959)	3.270
(Surplus)/Deficit (Provisional Outturn)			(27.072)
Use of Earmarked Reserves			18.952
Additional Earmarked Reserves Requests			(25.108)
Earmarking:			
- Covid Funding		(29.565)	
- Covid Recovery Budget		(6.500)	
- Top Up Change Management		(11.669)	(47.734)
Other GF/HRA Movements & Use of Reserves			(0.600)
Movement on General Fund and HRA Services			(81.562)

Early in the financial year it was anticipated that the Council's financial position for 2020/21 would be severely impacted by both loss of income and the need to incur significant additional costs in the response to the pandemic. The financial position was closely monitored throughout the year with the forecast position reported to Members at Finance and Resources Committee and Full Council as well as regular updates to Corporate Management Team and the Budget Recovery Group. The gross cost of COVID to the Council was £49.475m (excluding the mobilisation of the IJB). It was originally anticipated that councils would need to use their own

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resources to fund the costs incurred, initiating immediate action by the Corporate Management Team to curtail all non-essential expenditure and to freeze recruitment.

The Scottish Government subsequently announced additional funding streams to assist with the financial pressure of costs incurred and through representative bodies such as COSLA, SOLACE and CIPFA Directors of Finance, the Council sought support for the cost of both initial response and longer term recovery. Total COVID-19 grant funding provided by Scottish Government during 2020/21 was £75.995m however this included a number of funding streams that were due to be paid in 2021/22 but were accelerated and paid within the 2020/21 General Revenue Grant to allow Councils to manage costs over the course of the COVID pandemic. Funding included £26.811m general COVID funding as well as net £5.088m received as part of the Scottish Government's Loss of Income Scheme. In addition, Scottish Government proposed some funding flexibilities to councils to manage any unfunded costs. However, as a result of the additional Scottish Government funding made towards the end of the financial year, the use of the flexibilities was not required. It should be noted that the flexibilities remain available for use within 2021/22, should there be a requirement to manage any forecast unfunded cost of COVID. The additional funding combined with the Council's own resources of £3.045m for COVID costs, resulted in a COVID surplus of £29.565m, which will be carried forward to 2021/22 as part of the COVID Recovery Budget.

Arms-Length External Organisations (ALEOs) Activity

During the year, Service delivery and operational management arrangements in each of the Council's ALEOs and strategic partnerships have been impacted by the COVID-19 pandemic to varying levels depending on the nature of the business and the extent to which services could be provided remotely, or whether there is a requirement for face to face interaction with clients. In addition, availability of alternative funding streams such as parent company support, and the extent to which companies rely upon regular income, had a material impact on some businesses. A summary of the in year activity of all Council Arm's Length External Organisations (ALEOs) is provided below.

Within **Culture and Leisure NL (CLNL) Ltd** (now in-sourced from 1 April 2021) services initially closed to the public, resulting in a significant number of employees being placed on the UK Government's Coronavirus Job Retention Scheme (furlough). The restrictions had a significant impact on the CLNL's financial performance resulting in the Council granting supplier relief payments of £6.7m. An extension to the Coronavirus Job Retention Scheme, alongside curtailment of non-essential expenditure by CLNL and higher than anticipated income generation during the period that Government guidance allowed facilities to re-open, reduced the levels of potential Council support required by CLNL.

Routes to Work Ltd continued to support existing clients throughout the restrictions with employees working from home and engaging with clients remotely. Despite the restrictions, Routes to Work continued to secure employment for several clients in sectors that were able to operate and also supported the Council in providing redundancy advice to individuals where employers were reducing their workforce or ceasing trading. Routes to Work continued to support the Council's Pathways Programme, providing face-to-face engagement and employability services for students.

Amey Public Services (APS) LLP delivered restricted services during the first quarter of 2020/21, concentrating solely on emergency works, with the resultant requirement to furlough employees. From July 2020 onwards APS was largely able to return to business as usual, undertaking its full contractual responsibilities, whilst adhering to Scottish Government and Construction Scotland work restrictions and safety guidance. The Council provided supplier relief payments to APS totalling £1.688m during the restricted service period, in addition to the company securing further financial support through the Coronavirus Job Retention Scheme.

During the initial lockdown **MEARS** operations were restricted to emergency and essential services only. As a result a number of employees were furloughed until July 2020. Thereafter MEARS worked with the Council to implement a structured approach that allowed all employees to return to work safely by October 2020. The Council agreed a Defined Service Agreement with MEARS to facilitate company trading on a no-profit/no-loss basis. In December 2020 MEARS returned to providing emergency and external works only. Despite an increase in works to vacant council house properties to enable these to be re-let quickly, the overall reduction in work volumes, coupled with limited redeployment or alternative work requirements, required MEARS to reintroduce furlough measures for a number of its workforce until to 31 March 2021.

In addition, in May 2020 the Council agreed to extend its partnership agreement with MEARS, for a period of up to three years. The extension period is designed to ensure continuity of service and alignment with the Enterprise Strategic Commercial Partnership. In February 2021 the Council approved a further year's extension to the

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Housing and Corporate Property Repairs and Maintenance partnership agreement with MEARS from January 2022 until January 2023.

North Lanarkshire Properties (NLP) LLP continued to trade throughout the restricted periods in 2020/21, although the company experienced a material reduction in rental income collected due to direct debit suspensions and cancellations. NLP focused on recovery of rental income engaging with tenants to establish rent recovery and agreeing repayment plans for outstanding debt coupled with tenants resuming rental payments of their own accord. In addition, the company received income of £0.300m as a result of the Scottish Government compensation for loss of income scheme.

North Lanarkshire Municipal Bank Ltd reduced its opening hours during the first six months of 2020/21 in response to the pandemic, however, as Covid-19 restrictions were lifted, banking operations and customer services were increased to almost business as usual and continued to operate at these levels for the remainder of the financial year. The earlier ALEO review of the Municipal Bank, reported to Council in March 2020, confirmed 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. The Council agreed to carry out a further review to monitor customer trends and later agreed in May 2020 to analyse the impact of Covid-19 on bank transactions. This review has not yet been undertaken mainly due potential distortions to the trading environment as a result of Covid-19. It is anticipated this work will be undertaken during financial year 2021/22.

The **Fusion Assets Ltd** Board of Directors closely monitored the economic effects of the pandemic, however the industrial sector, which is Fusion Assets' primary business area, remained relatively strong with demand for distribution warehousing growing.

Due diligence to wind-up the affairs of **Campsies Centre Cumbernauld Limited** and transfer the assets and undertaking to the Council, in line with the findings of the earlier ALEO review in 2018, continued during 2020/21. It is envisaged that the formal transfer will take place in the first quarter of 2021/22 with the company formally dissolved towards the end of the financial year.

Following the in-sourcing of CCTV monitoring and town centre services, previously provided by the Council's wholly owned ALEO, **Town Centre Activities (TCA) Ltd**, the company and its subsidiaries (Northguard Ltd and Garrison Monitoring Services Ltd) were formally dissolved in September 2020.

Throughout the pandemic ALEOs supported the Council by releasing their employees to work alongside Council employees and partners in maintaining critical services and providing support and care services for vulnerable individuals, communities and people who were shielding.

Looking forward to 2021/22, strategic management and support for the Council's externalised service delivery arrangements will sit within the Business Partnership team within Business Solutions. The team works with client service functions within Council services and ALEOs to ensure that service delivery and future developments are fully aligned to help inform, shape effective routes to recovery and support the Council's *The Place, The Vision* shared ambitions for inclusive growth and prosperity for all. Key actions for 2020/21 include;

- Concluding the transfer of assets and undertaking from Campsies Centre Cumbernauld Ltd to the Council and dissolution of Campsies Centre Cumbernauld Ltd
- Completing the 2021/22 review into the continued effectiveness of Council provision of strategic business management support services to NLP LLP
- Undertaking a further review activity of customer trends within North Lanarkshire Municipal Bank Ltd.

Risk Management

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



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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 corporate risk register is formally reviewed on an annual basis to ensure completeness and continuing relevance and alignment to the Council's strategic objectives, The Plan for North Lanarkshire and the annual Programme of Work. The register is monitored throughout the year to ensure it reflects any new or emerging risks, including those arising due to any change in context or operating environment.

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2021/22 Budget

The Council approved a composite General Fund Revenue budget of £849.369m for 2021/22 at a special meeting of the Council on the 2 March 2021 prior to the conclusion of the Scottish Budget. In addition, the 2021/22 budget incorporates approved savings of £22.242m represented by £11.795m of savings previously approved in February 2020, and £10.447m base budget adjustments as well as new net investment of £8.233m.

In setting the 2021/22 budget, the Council decided that Council Tax would be frozen at 2020/21 rates, maintaining a Band D charge of £1,221.25. By freezing the rates, the Scottish Government will provide £4.640m – approximately equivalent to a 3% increase.

In addition, £36.065m of the General Fund balance has been Earmarked for COVID-19 Recovery Budget, as well as £22.042m for Change Management and a further £35.793m carried forward to 2021/22 to fund specific future commitments:

2021/22 Earmarked Funds	£m	£m
COVID-19 Directed Funding	15.203	
COVID-19 General Funding	14.362	
COVID-19 Recovery General Fund Contribution	6.500	36.065
Total Change Management Fund		22.042
Early Years & Childcare Expansion	11.256	
Digitisation	2.953	
Balances held by Schools under Devolved School Management	4.545	
Pupil Equity Fund	3.984	
School Contractual Obligations	3.600	
Enterprise Contract	1.701	
Business Gateway and Business Recovery	1.510	
Dilapidations	0.524	
CLNL Insourcing	0.763	
Rapid Rehousing (Non-COVID)	0.752	
Other Earmarked Funds	4.205	35.793
Contingency Reserve		8.000
Unallocated Balance		14.851
General Fund Surplus as at 31 March 2021		116.751

Financial Sustainability

Taking a strategic and longer term approach to budget setting remains a sound financial management principle and is essential to ensuring ongoing financial sustainability. However, applying this principle is increasingly challenging, particularly due to the absence of a multi-year funding package. Also, it should be recognised that the financial impact of COVID-19 has presented new and additional challenges which have the potential to impact on the Council's finances over an extended planning period. The effect on service delivery and financial sustainability remains unclear.

The full economic impact of COVID-19 and the resulting effect on future financial settlements for Local Government remains unknown. However, the reality for Local Government is that cost pressures due to COVID-19 continue to emerge and the impact of the economic situation may mean further pressures in areas such as Scottish Welfare Fund and the Council Tax Reduction Scheme, as government support such as the Coronavirus Job Retention Scheme come to an end. In addition, the delivery of approved savings will be increasingly challenging as staff and resources continue to be diverted from the programmes and projects that would have generated recurring savings, placing further pressure on budgets.

COVID Recovery Budget

Given the ongoing uncertainties associated with COVID-19, the Council set a core budget for 2021/22 on 2 March 2021 and agreed that COVID-19 funding and associated costs would be considered as part of a separate exercise once there was greater clarity over cost profiles and funding settlements. Therefore to ensure ongoing financial sustainability, the Council is developing a COVID-19 Recovery Budget for 2021/22 and 2022/23. A full

Annual Accounts 2020/21 Management Commentary

action plan has been developed to enable the Council to achieve this and to ensure that robust, prudent and affordable COVID plans are put in place. This process has allowed the Council to assess the likely financial impact of COVID during 2021/22 and 2022/23 and match resources provided by the Scottish Government in support of COVID financial impacts. As part of this process the Council will assess whether there any resources for investment to support recovery in North Lanarkshire's communities in relation to the physical environment, business support for recovery and employability. The Council aims to set a COVID Recovery Budget in the summer of 2021.

Revenue Resources Budget Strategy

An update to the [Revenue Resources Budget Strategy](#) was taken to Policy and Strategy Committee in June 2021 and remains an integral part of the Council's overarching Financial Strategy developed to ensure robust governance in financial planning and to ensure 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 2021, which will outline the revised forecast budget gaps based on a number of planning scenarios. This will support members in determining any savings necessary to ensure a balanced budget is set moving forward.

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 recovery from COVID-19
- Supporting the economic recovery including supporting people, business and organisations
- Continuing to provide priority services
- 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
- Impact of Brexit
- Implementation of legislative and policy changes of both UK and Scottish Governments
- 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 103 to 111.

Acknowledgements

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



Elaine Kemp CPFA
Head of Financial Solutions
09 December 2021



Des Murray
Chief Executive
09 December 2021



Councillor James Logue
Council Leader
09 December 2021

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Comprehensive Income and Expenditure Statement

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

2019/20			2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
457,922	(54,760)	403,162	Education & Families	464,693	(75,095)	389,598
201,329	(30,201)	171,128	Enterprise & Communities	234,518	(30,468)	204,050
4,157	(4,157)	-	- Trading Operations	3,245	(3,245)	-
161,101	(98,075)	63,026	Chief Executives & Other Corporate Services	158,566	(96,225)	62,341
162,918	-	162,918	Adult Health & Social Care (Non-Integrated)	151,848	-	151,848
224,400	(211,290)	13,110	Adult Health & Social Care (Integrated)	214,737	(206,716)	8,021
115,331	(137,233)	(21,902)	Housing Revenue Account	115,075	(146,339)	(31,264)
(16,057)	-	(16,057)	Non Service-Specific Costs	(3,120)	(33)	(3,153)
1,311,101	(535,716)	775,385	Net Cost of Services	1,339,562	(558,121)	781,441
-	240	240	Other Operating Expenditure	8	-	(1,375)
104,657	(52,040)	52,617	Financing and Investment Income and Expenditure	9	96,846	(46,476)
-	(807,801)	(807,801)	Taxation and Non-specific Grant Income	10,11	-	(869,506)
		20,441	(Surplus) or Deficit on the Provision of Services			(39,070)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(6,000)	(Surplus) or deficit on the revaluation of non current assets	28		(105,007)
		(212,739)	Re-measurement of the net defined benefit liability	26		52,108
		(218,739)	Other Comprehensive Income and Expenditure			(52,899)
		(198,298)	Total Comprehensive Income and Expenditure			(91,969)

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Balance Sheet

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

31 March 2020			31 March 2021	
£000		Note	£000	£000
	Property, Plant and Equipment	13,14		
1,073,187	Council Dwellings		1,102,141	
1,433,336	Other Land and Buildings		1,504,711	
47,524	Vehicles, Plant and Equipment		47,884	
263,394	Infrastructure Assets		261,004	
11,384	Community Assets		12,360	
16,784	Surplus Assets		22,252	
26,994	Assets Under Construction		46,668	2,997,020
	Intangible Assets	15		
-	Software Licences		123	
169	Software/Solution Development		1,544	
2,629	Intangibles Under Development		6,502	8,169
2,036	Long-Term Debtors	16		1,535
1,315	Long-Term Investments	17		1,189
2,878,752	Long-Term Assets			3,007,913
64	Short-Term Investments	17	88	
1,728	Inventories	18	1,891	
103,725	Short-Term Debtors (net of impairment)	19	114,710	
61,958	Cash and Cash Equivalents	20	110,781	
167,475	Current Assets			227,470
(253,889)	Short-Term Borrowing	17	(263,140)	
(187,066)	Short-Term Creditors	21	(202,266)	
(6,051)	Short-Term Provisions	22	(13,372)	
(6,829)	Short-Term Finance Lease Liabilities	24,25	(7,258)	
-	Revenue Grant Receipts in Advance	11	(2,957)	
(453,835)	Current Liabilities			(488,993)
(513,058)	Long-Term Borrowing	17	(490,575)	
(253)	Long-Term Provisions	22	(151)	
(178,736)	Other Long-Term Liabilities (Finance Leases)	24,25	(173,905)	
(327,745)	Other Long-Term Liabilities (Pensions)	26	(417,190)	
(1,019,792)	Long-Term Liabilities			(1,081,821)
1,572,600	Net Assets			1,664,569
	Usable Reserves			
48,401	General Fund Reserve		116,751	
14,146	Housing Revenue Account Balance		27,453	
1,154	Capital Fund		4,470	
672	Repairs and Renewals Fund		11,651	
13,000	Insurance Fund		13,000	
17,724	Capital Grants Unapplied Accounts		12,421	
95,097	Total Usable Reserves	27		185,746
1,477,503	Unusable Reserves	28		1,478,823
1,572,600	Total Reserves			1,664,569

The unaudited accounts were issued on 30 June 2021 and the audited accounts were authorised for issue on 9th December 2021.

Elaine Kemp

Elaine Kemp, CPFA
Head of Financial Solutions
 09 December 2021

Annual Accounts 2020/21

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 2021

	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 2020	48,401	14,146	1,154	672	13,000	-	17,724	1,477,503	1,572,600
Movement in Reserves during 2020/21									
Surplus / (Deficit) on Provision of Services	12,546	26,524	-	-	-	-	-	-	39,070
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	52,899	52,899
Total Comprehensive Income and Expenditure	12,546	26,524	-	-	-	-	-	52,899	91,969
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 31)	65,629	(13,217)	-	-	-	4,470	(5,303)	(51,579)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	78,175	13,307	-	-	-	4,470	(5,303)	1,320	91,969
Transfers to and from Other Statutory Reserves (Note 32)	(9,825)	-	3,316	10,979	-	(4,470)	-	-	-
Increase / (Decrease) in the Year	68,350	13,307	3,316	10,979	-	-	(5,303)	1,320	91,969
Balance at 31 March 2021 Carried Forward	116,751	27,453	4,470	11,651	13,000	-	12,421	1,478,823	1,664,569

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Comparative Figures for 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

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Cash Flow Statement

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

2019/20			2020/21	
£000		Note	£000	£000
	OPERATING ACTIVITIES			
	Cash Inflows:			
80,383	Rents (after rebates)		89,736	
121,203	Council Tax receipts		121,769	
512,589	Revenue Support Grant		628,153	
88,156	DWP grants for Housing Benefits		88,971	
102,994	Non Domestic Rates Receipts		71,438	
48,485	Other government grants		83,639	
25,800	Cash received for goods and services		19,753	
82,801	Other operating cash receipts		80,188	
1,479	Interest received		256	
1,063,890				1,183,903
	Cash Outflows:			
(536,307)	Cash paid to and on behalf of employees		(551,245)	
(396,910)	Other operating cash payments		(372,654)	
(38,596)	Housing Benefit paid out		(36,383)	
(14,277)	Precepts paid		(13,305)	
(37,896)	Interest Paid		(37,175)	
(1,023,986)				(1,010,762)
39,904	Net Cash Inflow / (Outflow) from Operating Activities	33		173,141
	INVESTING ACTIVITIES			
	Cash Inflows:			
1,631	Sale of non-current assets		3,340	
64,454	Capital grants received		40,675	
1,959	Other capital cash receipts		2,478	
11	Proceeds from Investments redeemed		465	
68,055				46,958
	Cash Outflows:			
(164,081)	Purchase of non-current assets			(136,158)
-	Long- term Investments			-
-	Investment in Subsidiary			-
(96,026)	Net Cash Inflow / (Outflow) from Investing Activities			(89,200)
(56,122)	Net Cash Inflow / (Outflow) before Financing Activities	34		83,941
	FINANCING ACTIVITIES			
	Cash Inflows:			
382,695	New Loans Raised			271,000
	Cash Outflows:			
(316,316)	Repayments of amounts borrowed		(283,676)	
(6,202)	Capital payments of finance leases		(6,994)	
-	Net Agency Grants		(15,423)	
(322,518)				(306,093)
60,177	Net Cash Inflow / (Outflow) from Financing Activities	34		(35,093)
4,055	Net Increase / (Decrease) in cash and cash equivalents	34		48,848
57,905	Cash and Cash Equivalents at the beginning of the year	34		61,958
(2)	Increase / (Decrease) Non-cash in cash equivalents	34		(25)
61,958	Cash and Cash Equivalents at the end of the year	34		110,781

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Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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

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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.

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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)

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- 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 2021.

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 30 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;

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adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

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

f) Charges Made to Revenue

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

Investment Properties

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

Heritage Assets

The Council's collections are held within the stores at Summerlee Museum 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 were managed by the Council subsidiary Culture and Leisure NL Ltd (CLNL) on behalf of the Council prior to insourcing on 1 April 2021. CLNL had 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 up 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

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- 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, generally does not 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

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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, the loss is not taken to the Surplus or Deficit on the Provision of Services but treated as an additional investment by the Council in its subsidiary. The difference between the loan amount and the fair value of the loan is 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 generally 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.

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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 2020/21, 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

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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 2021.

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 2.0%. The discount rate used by the appointed actuaries to place a value on the liability is based on Corporate bond yields

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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);

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- 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.

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2. Expenditure and Funding Analysis

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

2019/20			2020/21		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (Note 2.2) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (Note 2.2) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
374,707	28,455	403,162	352,037	37,561	389,598
127,376	43,752	171,128	156,568	47,482	204,050
(291)	291	-	(7)	7	-
58,188	4,838	63,026	57,248	5,093	62,341
156,624	6,294	162,918	148,434	3,414	151,848
120	12,990	13,110	(397)	8,418	8,021
(13,336)	(8,566)	(21,902)	(28,331)	(2,933)	(31,264)
(2,537)	(13,520)	(16,057)	1,582	(4,735)	(3,153)
700,851	74,534	775,385	687,134	94,307	781,441
(697,992)	(56,952)	(754,944)	(778,616)	(41,895)	(820,511)
2,859	17,582	20,441	(91,482)	52,412	(39,070)
(57,299)		Opening General Fund and HRA Balance	(62,547)		
2,859		Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	(91,482)		
(8,107)		Transfers to/(from) other statutory reserves	9,825		
(62,547)		Closing General Fund and HRA Balance at 31 March*	(144,204)		

*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

2020/21	Adjustments for Capital Purposes ¹	Net Change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments
Education & Families	24,977	9,727	2,857	37,561
Enterprise & Communities	37,074	9,686	722	47,482
Trading Accounts	(7)	-	14	7
Chief Executives & Other Corporate Services	824	3,818	451	5,093
Adult Health & Social Care (Non-Integrated)	3,414	-	-	3,414
Adult Health & Social Care (Integrated)	-	7,411	1,007	8,418
Housing Revenue Account	(6,148)	2,949	266	(2,933)
Other Segments	(3)	(4,732)	-	(4,735)
Net Cost of Services	60,131	28,859	5,317	94,307
Other Income and Expenditure	(48,675)	8,480	(1,700)	(41,895)
Surplus or Deficit	11,456	37,339	3,617	52,412

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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

¹ Adjustments for capital purposes – this column adds in depreciation, amortisation 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

The 2021/22 code is due to introduce the following standards with an effective date of 1 April 2021:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

There is not expected to be any material change resulting from the introduction of these standards.

In addition, the Council will adopt IFRS 16 Leases with effect from 1 April 2022. Implementation was expected to take effect from 1 April 2021 however at its meeting on 3 November 2020 CIPFA/LASAAC agreed to defer the implementation of IFRS 16 Leases until the 2022/23 financial year in response to pressures on council finance teams as a result of the COVID-19 pandemic. This aligns with the decision at the Government's Financial Reporting Advisory Board to establish a new effective date of 1 April 2022 for the implementation of IFRS 16.

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.

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Current estimates indicate that had implementation not been deferred, adoption of this standard from 1 April 2021 would have recognised a right of use asset and related liability of £3.391m in respect of properties leased by the Council and a right of use asset of £0.573m and liability of £0.411m for vehicles plant and equipment leased by the Council with the difference of £0.162m due to prepayments at 31 March 2021 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:

- There is 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. Payments from ESF to Scottish Government were suspended by the European Commission EC in June 2019 pending an ongoing investigation, with the suspension remaining in place at the time of issue of the unaudited accounts. There is a risk that should the issue not be resolved, income of £3.587m 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.
- The Council is deemed to control the services provided under the agreements for the provision of educational establishments and for the Clyde Valley Waste Recycling Plant. The accounting policies for PPP schemes and similar arrangements have been applied with the assets under the contracts included within Property, Plant and Equipment on the Council's Balance Sheet. Further details are shown in a separate note to the accounts for Public Private Partnerships and Similar Contracts.

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

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

The COVID-19 pandemic has had a significant impact on Council service provision. The full extent of the pandemic and the Council's response to COVID-19 is subject to regular monitoring with plans in place to facilitate recovery and maintain Council Services in light of ongoing restrictions. 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, with a further £36.065m earmarked within the General Fund balances to assist with the additional costs resulting from the pandemic in future years.

The items in the Council's Balance Sheet at 31 March 2021 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
Provisions	The Council holds provisions of £13.523m including £5.606m for the settlement of Equal Pay claims, based on the number of claims received and £7.663m for restoration of the Council's former landfill sites, based on an externally sourced estimate of these costs .	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. A change in the likely cost of claims in respect of Pay Protection and Job Evaluation categories would result in a change in the Provision required of £0.561m. A change in the likely future costs of landfill restoration would result in a change in the provision required. For instance, a 10% increase in the restoration costs would result in an increase in provision required of £0.766m.

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The impact of the current Coronavirus pandemic is not fully known and as a result there continues to be uncertainty surrounding the position of the property market. There remains transactional activity, albeit less frequent, with a similar range of yields being obtained in the reported transactions. However, given the reduced activity, there is less evidence available to inform judgement on the impact, if any, on current and future property valuations. 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 2021. 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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for property, plant and equipment would increase by £7.865m for every year that useful lives had to be reduced.</p> <p>A 1% change in the value of the Council's Property, Plant and Equipment would result in a movement on the Council's balance sheet of £29.970m.</p>
Fair Value Measurement	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 17.3.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. For further information refer to Note 17.2.</p>

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Net Pension 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 net pension liability of £2.821m and a 0.1% change in the value of the scheme assets would result in a change in the net pension liability of £2.403m.
Employee Benefits	The Council has used a sampling approach to calculating the accrual for short-term compensated absences. A random sample of employees has been used to calculate the accrual necessary for annual leave owed as at 31 March 2021.	A 10% change in annual leave owed compared to the value accrued would result in a movement in the net cost of services of £2.300m.

6. Events After the Balance Sheet Date

The Head of Financial Solutions issued the unaudited Statement of Accounts on 30 June 2021.

There have been no material events since the date of the Balance Sheet which necessitate revision to the figures in the financial statements.

7. Restatement

7.1. Single Entity Restatement

The figures for 2019/20 have been restated to reflect a number of minor adjustments to the notes to the accounts and the Remuneration Report. Further details of these restatements are set out in the table below. It should be noted that these restatements do not have an impact on the Surplus or Deficit on the Provision of Services, nor on the closing General Fund and HRA Balance as at 31st March 2020

Restatement	Reason	Amount £000	Statements Affected
Restatement of Financial Assets shown at Amortised Cost and at Fair Value through Profit & Loss	Transposition of figures	43,672, 31,143	Note 17.1 First & Third table
Change in presentation of reconciling timing differences to remove bank overdraft classification where no overdraft facility was in use	To improve reader understanding	11,964	Note 17.1 First Table Note 17.2 (Bank Overdraft and Financial Assets shown at Amortised Cost), Note 20
Reclassification of Impairment of Financial Assets line	Inconsistent treatment between Balance Sheet and note 17.1	3,727	Note 17.1, Second table
Reclassification of VAT accrued income	VAT income from HMRC included within Trade Debtors in error	5,668	Note 19 (Central Government Bodies and Trade Debtors, Other Entities and Individuals)
Reclassification of Operating Activities Cash Inflows	Incorrect analysis of a small number of transactions	1,671, 13, 1,684	Cash Flow Statement (Revenue Support Grant, Non Domestic Rates Receipts, Other government grants)
Restatement of HRA Earmarked Reserve balances	Misclassification	788	Note 27.2
Restatement of transactions for Companies Controlled or Significantly influenced by the Council	Omission from figures disclosed	398, 2, 160, 2,	Note 37, Second & Third table (Culture and Leisure NL Expenditure, NL Properties Income, Culture & Leisure NL Creditor, NL Properties Debtor)
Restatement of 2019/20 Pension Benefits of Senior Councillors	Error in figure disclosed	1	Section 4a within Remuneration Report

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7.2. Group Accounts Restatement

Following a review of the Group consolidation process a number of amendments were made to restate the 2019/20 Group Financial Statements. The restatements reflect the final 2019/20 audited accounts of the Group Entities. This has resulted in a net decrease to the Group Balance Sheet of £0.020m, decreasing the uplift to the single entity position for 2019/20 to £115.340m; the Group Comprehensive Income and Expenditure Statement surplus has increased by £0.106m; the Group Cash Flow Statement cash position has increased by £0.038m. The various adjustments have been reflected in the Group Movement in Reserves Statement and associated notes to the Group Accounts.

8. Other Operating Expenditure

	2019/20	2020/21
	£000	£000
(Gains) or losses on disposal of non-current assets	240	(1,375)
Total	240	(1,375)

9. Financing and Investment Income and Expenditure

	2019/20		2020/21	
	Expenditure	Income	Expenditure	Income
	£000	£000	£000	£000
Interest Payable and similar charges	38,741	-	37,352	-
Pensions interest income on plan assets	-	(49,406)	-	(45,307)
Pension interest cost on defined benefit obligation	61,871	-	53,584	-
Interest receivable and similar income	-	(954)	-	(727)
Surpluses on Trading Undertaking not included in Net Cost of Services	318	(645)	216	(326)
Income from dissolution of group entities	-	(924)	-	-
Financial Guarantee	-	(111)	-	(106)
Gain on De-recognition of Financial Asset	-	-	-	(10)
Impairment of Financial Assets	3,727	-	5,694	-
Total	104,657	(52,040)	96,846	(46,476)

10. Taxation and Non-Specific Grant Income

	2019/20	2020/21
	£000	£000
Income from Council Tax	(119,797)	(122,490)
Distribution from Non-Domestic Rates pool	(107,252)	(71,360)
General Revenue Grant	(512,789)	(628,356)
Recognised capital grants and contributions	(67,963)	(47,300)
Total	(807,801)	(869,506)

It should be noted that the General Revenue Grant recognised in the CIES has been adjusted from that shown in Local Government Finance Circular 5/2021 to reflect proper accounting practice. In accordance with LASAAC guidance, income included within the circular totalling £2.243m has been treated as relating to an agency arrangement and therefore not reflected within the Councils CIES. Income not included in the circular of £1.513m has been accrued in relation to the final Discretionary Housing Payment claim.

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11. Grant Income

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

	2019/20	2020/21
	£000	£000
Credited to Comprehensive Income and Expenditure Statement		
General Revenue Grant	512,789	628,356
Distribution from Non-Domestic Rates pool	107,252	71,360
Capital - Scottish Government General Grant	35,947	22,704
Capital - Scottish Government Other Grants	31,031	23,318
Capital – Other Grants	985	1,173
Donated Assets	-	105
Total	689,004	747,016
Credited to Services		
Housing Benefit	89,832	88,832
1140 Hours Early Years	19,126	32,581
Pupil Equity Fund	8,764	9,110
Scottish Attainment Challenge	7,350	8,199
Offenders / Criminal Justice Grant	6,357	6,589
Scotland's Schools for the Future	3,981	4,761
COVID 19 - Additional Teachers and Support	-	3,772
European Grant Income	2,125	2,062
Regeneration Capital Grant Fund	1,126	1,735
COVID 19 - Discretionary Fund	-	1,710
Education Maintenance Allowance	1,116	1,321
COVID 19 - Vulnerable Children and Young People - Winter Protection	-	1,318
COVID 19 - Food Fund - Holidays	-	1,303
Vacant and Derelict Land Fund	481	1,287
Fleet	249	1,132
Home Energy Efficiency Programme	2,742	1,087
NSS Donated PPE	-	1,085
Physical Education, Physical Activity & Sport	779	922
Young Person's Guarantee	-	816
City Deal	-	815
COVID 19 - Furlough Income	-	788
COVID 19 - Vaccination Centre	-	536
Syrian Vulnerable Persons Relocation Scheme	516	448
Other Miscellaneous Grants and Contributions	2,208	3,570
Total	146,752	175,779

In addition to the amounts noted above, £2.957m of revenue grants have been received from the Scottish Government but not yet recognised as income within the Council's CIES as there are conditions attached which have not yet been met. Furthermore, £55.860m of income was received in the year as reimbursement/advance funding for payments which were assessed representing an agency arrangement. Of this, £2.243m was initially received as part of the Council's General Revenue Grant, but reclassified in line with LASAAC guidance and proper accounting practice For further details refer to Note 10 - Taxation and Non-Specific Grant Income, and Note 12 – Agency Services.

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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 2020/21 the Council collected and paid over £51.248m (2019/20 £47.988m) and received £1.137m (2019/20 £1.153m) for providing this service.

In addition, throughout the course of the COVID-19 pandemic, the Council has been asked by Scottish Government to administer a number of grant schemes on their behalf to a wide range of recipients; most notably targeted business support funding such as the strategic framework, but also including grants to the newly self employed, and low income families. The Council made payments of £68.433m (£2.690m in 2019/20), with a net debtor of £15.262m shown on the Council's balance sheet in relation to reimbursement outstanding as at 31st March 2021 (£2.690m in 2019/20). Further detail is shown in the table below.

	Net Debtor at 31 March 2019	Payments Made in 2019/20	Funding Received in 2019/20	Net Debtor at 31 March 2020	Payments Made in 2020/21	Funding Received in 2020/21	Net Debtor at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Business Grant Scheme	-	2,690	-	-	39,532	(42,187)	35
Strategic Framework	-	-	-	-	11,703	-	11,703
Retail, Hospitality Top Up Support	-	-	-	-	9,184	(9,390)	(206)
Taxi and Private Hire Vehicle Driver Support	-	-	-	-	2,313	-	2,313
£100 Hardship Payments	-	-	-	-	2,154	(2,243)	(89)
Other	-	-	-	-	3,547	(2,040)	1,506
Total Provisions	-	2,690	-	2,690	68,433	(55,860)	15,262

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13. Property, Plant and Equipment

13.1. Movement on Balances in 2020/21

	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 2020	1,122,536	1,566,339	87,963	451,108	11,384	16,908	26,994	3,283,232
Additions in year	47,449	22,399	9,990	12,834	745	11	36,721	130,149
Donated assets	-	-	105	-	-	-	-	105
Disposals in year	-	(2,593)	(8,743)	-	-	(245)	-	(11,581)
Revaluation and impairment adjustments to revaluation reserve	8,745	90,081	66	-	111	5,724	-	104,727
Revaluation and impairments adjustments to CIES	-	(6,571)	-	-	(11)	(7)	(1,587)	(8,176)
Transfer to/ from AUC	924	13,710	578	213	131	-	(15,556)	-
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Other reclassifications	-	-	-	(96)	-	-	96	-
At 31 March 2021	1,179,654	1,683,365	89,959	464,059	12,360	22,391	46,668	3,498,456
Depreciation At 1 April 2020	49,349	133,003	40,439	187,714	-	124	-	410,629
Depreciation charge for the year	28,164	46,127	10,377	15,341	-	15	-	100,024
Revaluation and impairment adjustments to revaluation reserve	-	-	-	-	-	-	-	-
Revaluation and impairments adjustments to CIES	-	(476)	-	-	-	-	-	(476)
On disposals	-	-	(8,741)	-	-	-	-	(8,741)
Other reclassifications	-	-	-	-	-	-	-	-
At 31 March 2021	77,513	178,654	42,075	203,055	-	139	-	501,436
Net Book Value At 31 March 2021	1,102,141	1,504,711	47,884	261,004	12,360	22,252	46,668	2,997,020
At 31 March 2020	1,073,187	1,433,336	47,524	263,394	11,384	16,784	26,994	2,872,603
Nature of Asset Holding at 31 March 2021								
Owned	1,102,141	1,227,237	47,884	261,004	12,360	22,252	46,668	2,719,546
Finance Lease	-	-	-	-	-	-	-	-
PPP	-	277,474	-	-	-	-	-	277,474

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13.2. 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

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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	-	124,944	45,933	261,004	9,941	747	46,668	489,237
Valued at current value plus additions less depreciation as at:								
31 March 2021	12,733	241,656	292	-	112	11,915	-	266,708
31 March 2020	-	37,665	-	-	-	-	-	37,665
31 March 2019	-	1,008,282	-	-	-	-	-	1,008,282
31 March 2018	1,089,408	7,865	126	-	-	-	-	1,097,399
31 March 2017	-	84,299	1,533	-	2,307	9,590	-	97,729
Total Value as at 31 March 2021	1,102,141	1,504,711	47,884	261,004	12,360	22,252	46,668	2,997,020

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

2020/21 was the third year of the Council's rolling five year revaluation programme and will continue in 2021/22 with Leisure Properties and Open Spaces, in line with the five year valuation programme outlined above.

At 31 March 2021, a BCIS indexation adjustment was made of £50.896m (4.78%) for Education properties within Other Land & Buildings and £12.733m (1.25%) for Council Dwellings to reflect estimated material movements in current value since the last valuation under the depreciated replacement cost, which was undertaken in 2018/19 for primarily Education Properties and 2017/18 for Council Dwellings.

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.

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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 licences and software development costs as intangible assets. There are no internally generated intangible assets.

	2019/20				2020/21			
	Software Licences	Software Development Costs	Intangibles Under Development	Total	Software Licences	Software Development Costs	Intangibles Under Development	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1st April	-	-	107	107	-	169	2,629	2,798
Additions in year	-	169	2,522	2,691	123	248	5,017	5,388
Transfers	-	-	-	-	-	1,144	(1,144)	-
Amortisation	-	-	-	-	-	(17)	-	(17)
Balance at 31st March	-	169	2,629	2,798	123	1,544	6,502	8,169
Represented by:								
Gross Carrying Amount	-	169	2,629	2,798	123	1,561	6,502	8,186
Accumulated amortisation	-	-	-	-	-	(17)	-	(17)
Balance at 31st March	-	169	2,629	2,798	123	1,544	6,502	8,169

At 31 March 2021, the Council had contractual capital commitments of £2.917m in respect of the acquisition of intangible assets.

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16. Long-Term Debtors

	2019/20	2020/21
	£000	£000
Balance at the start of the year	2,539	2,036
Recorded debt	(545)	(259)
Bad debt provision	42	(242)
Balance at the end of the year	2,036	1,535

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 2020	At 31 March 2021	At 31 March 2020 (Restated)	At 31 March 2021
Financial Liabilities	£000	£000	£000	£000
Borrowings at amortised cost :				
- Principal Sum Borrowed	513,058	490,575	246,553	256,361
- Accrued Interest	-	-	4,773	4,242
- EIR Adjustments	-	-	2,563	2,537
Total Borrowings	513,058	490,575	253,889	263,140
- Provisions :Financial Guarantees	253	152	106	101
Other Long-term Liabilities at amortised cost:				
- Finance Leases	1,901	1,711	177	190
- PPP and similar arrangements	176,835	172,194	6,652	7,068
Total Other Long-term Liabilities	178,736	173,905	6,829	7,258
*Creditors	-	-	163,559	171,465
Total Financial Liabilities	692,047	664,632	424,383	441,964
Financial Assets:				
At amortised cost :				
- Principal Sum Invested	1,207	1,189	30,489	70,386
- Accrued Interest	-	-	12	3
At fair value through profit & loss :				
- Principal Sum Invested	-	-	31,132	40,000
- Accrued Interest	-	-	11	-
**Debtors	-	-	49,464	39,974
Interest in Subsidiaries Associates and Joint Ventures.	108	-	-	-
Total Financial Assets	1,315	1,189	111,108	150,363

For the year ended 31 March 2021 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 £27.236m of principal, and accrued PWLB interest of £3.260m. This category also includes market loan debt of £10.000m, accrued market loan interest of £0.930m and a cumulative effective interest rate adjustment of £2.537m 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 £0.088m in relation to subordinated debt investments under 'hubco' arrangements as described later in the section below.

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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 assets 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.

Those Financial Assets measured at amortised cost or fair value through profit and loss shown within current, where appropriate, are included within the 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 the overall balance invested of £1.277m outstanding, shown as £1.189m long-term and £0.088m 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 takes into 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, at the commencement of the financial year, long-term investments included an investment of £0.108m, which represented the difference between the loan amount and the fair value of a soft loan granted of £0.804m in 2018/19 to one of its subsidiaries North Lanarkshire Leisure Limited. During 2020/21, following the Council's decision to insource Culture and Leisure NL (CLNL) Ltd from the 1st April 2021, the balance remaining on this soft loan was repaid early on the 24 March 2021. In 2018/19 the amount advanced was adjusted by £0.108m to reflect the notional loss, and as stated previously, this amount represents the difference between the loan amount and the fair value of the soft loan granted. This was treated as an additional investment by the Council in its subsidiary, in accordance with IFRS9 Financial Instruments and was shown at historic cost under a group accounts exemption. In 2020/21 the loan was derecognised and a credit loss applied to the associated additional investment. In settlement of the loan the Council received £0.495m comprising £0.465m in respect of the soft loan outstanding, interest due of £0.021m, and a gain on early de-recognition of the financial asset of £0.009m. An expected credit loss of £0.108m was applied to the investment, which is included within the Council's impairment of financial assets total of £5.694m.

* 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.

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Income, Expense, Gains and Losses on Financial Instruments

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

	31 March 2020 (Restated)				31 March 2021			
	Financial Liabilities Measured at amortised cost	Financial Assets Measured at amortised cost	Financial Assets Measured at FV through Profit and Loss	Total	Financial Liabilities Measured at amortised cost	Financial Assets Measured at amortised cost	Financial Assets Measured at FV through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expenses PPP Unitary	(25,601)	-	-	(25,601)	(23,248)	-	-	(23,248)
Charge Interest Finance Lease	(12,981)	-	-	(12,981)	(13,957)	-	-	(13,957)
Interest Impairment of Financial Assets	(159)	-	-	(159)	(147)	-	-	(147)
	-	(3,727)	-	(3,727)	-	(5,694)	-	(5,694)
Total Expense	(38,741)	(3,727)	-	(42,468)	(37,352)	(5,694)	-	(43,046)
Interest Income	-	800	154	954	-	566	161	727
Gain on De-recognition Financial Guarantee Premium	-	-	-	-	-	9	-	9
	-	111	-	111	-	106	-	106
Total Income	-	911	154	1,065	-	681	161	842
Net (Loss) / Gain for the year	(38,741)	2,816	154	(41,403)	(37,352)	(5,013)	161	(42,204)

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, it also includes an expected credit loss for the amount treated as an additional investment by the Council in its subsidiary. This is linked to the accounting treatment of the soft loan advance of £0.804m during 2018/19 to North Lanarkshire Leisure Limited which has now been fully repaid. For its other financial assets measured at amortised cost 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 following table.

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.

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	Fair Value Level	31 March 2020			31 March 2021		
		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	470,486	473,925	587,546	434,585	437,844	551,896
Non PWLB Debt	2	289,126	293,022	349,118	312,351	315,871	368,707
Financial Guarantee	-	359	359	359	253	253	253
Finance Leases	2	2,078	2,078	2,556	1,901	1,901	2,443
PPP & similar arrangements	2	183,487	183,487	216,835	179,262	179,262	230,734
Creditors ¹	-	163,559	163,559	163,559	171,465	171,465	171,465
Total Financial Liabilities		1,109,095	1,116,430	1,319,973	1,099,817	1,106,596	1,325,498
Financial Assets							
At Amortised Cost	1	30,637	31,708	31,708	71,575	71,578	71,578
At Fair Value through Profit and Loss	1	31,132	31,143	31,143	40,000	40,000	40,000
Debtors ²	-	49,464	49,464	49,464	39,974	39,974	39,974
Total Financial Assets		111,233	112,315	112,315	151,149	151,552	151,552

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 of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the Council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value which is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2021.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low 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

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categorised as long-term, given the size and nature of the investment under consideration with any differential likely to be immaterial.

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 2021 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 2021.

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 2020/21 have been calculated.

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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 2020/21 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 2020/21 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 2020			31 March 2021		
	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	10,075	11,284	9,556	9,715	27,598	6,454
Three to six months	1,842	-	1,571	3,027	-	628
Six to twelve months	2,015	-	1,590	1,854	-	567
More than one year	2,232	-	5,405	1,238	-	6,073
Debt Outstanding	16,164	11,284	18,122	15,834	27,598	13,722
Expected Credit Losses	(7,320)	-	(3,202)	(8,778)	-	(3,774)
Average allowance for Expected Credit Loss (%)	45.3%	0%	17.7%	55.4%	0%	27.5%
Total Debtors	8,844	11,284	14,920	7,056	27,598	9,948

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, adjusted to reflect current and forecast economic conditions, including the ongoing potential impact of the COVID-19 pandemic on recovery rates (+0% for Integration Joint Board and +20% for all other debt). 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 £0.253m.

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

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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 £0.151m and a short-term debtor of £0.101m within the Balance Sheet to reflect this arrangement.

Soft Loans

The Council has recognised an amount receivable of £1.384m within Long-Term Debtors (2019/20 – £1.331m), 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 £2.330m of amounts recoverable (2019/20 - £2.035m) adjusted to reflect an expected credit loss allowance of £0.946m (2019/20 - £0.704m). 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.

During 2020/21, following the Council's decision to insource Culture and Leisure NL (CLNL) Ltd from the 1st April 2021, the balance remaining on a soft loan which the Council advanced in 2018/19 of £0.804m to one its subsidiaries, North Lanarkshire Leisure Ltd was repaid early on the 24 March 2021. In 2020/21 the loan was derecognised, the Council receiving £0.496m comprising £0.465m representing the balance of the soft loan outstanding plus interest due of £0.021m and a gain on early de-recognition of the financial asset of £0.009m.

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.

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

	At 31 March 2020	At 31 March 2021
	£000	£000
Less than one year	246,553	256,361
Between one and two years	37,484	50,642
Between two and seven years	118,747	98,422
Between seven and fifteen years	104,881	100,564
More than fifteen years	251,947	240,947
Total	759,612	746,936

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 2021, the Council as permitted by its investment strategy, as outlined within section 17.1, has a total investment of £1.277m 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 £0.917m at 31 March 2021 which includes accrued interest due of £0.046m with the balance of £0.871m 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 completed in August 2020 with the outstanding balance due of £0.358m at 31 March 2021 which includes accrued interest due of £0.018m with the balance of £0.350m repayable on an annuity basis over 25 years from the initial recognition date.

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.

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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. The Council will monitor its interest rate exposure by the local indicator shown in Table 3 below. To monitor its interest rate exposure, the proportion of fixed interest rate costs to variable interest costs is monitored on a quarterly basis to identify if there are any potential risks if interest rates were to move significantly upwards.

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	267
Increase in interest receivable on variable short-term investments	(601)
Overall Impact on Comprehensive Income and Expenditure Statement	(334)
Share of Overall impact debited to the HRA	(129)

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	(266)
Decrease in interest receivable on variable short-term investments	112
Overall Impact on Comprehensive Income and Expenditure Statement	(154)
Share of Overall impact debited to the HRA	(60)

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	(83,417)	105,924

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.

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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:

	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	1,395	1,728
Purchases	10,336	7,925
Donations	-	1,085
Recognised as an expense in the year	(9,994)	(8,840)
Write Off Balances	(9)	(7)
Closing Balance at 31 March	1,728	1,891

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:

	2019/20		2020/21	
	(Restated)			
	£000	£000	£000	£000
Central Government Bodies		32,673		46,556
Other Local Authorities		2,859		1,687
NHS Bodies		1,440		8,401
Public Corporations and Trading Funds		3		26
Trade Debtors, Other Entities and Individuals		43,796		39,974
Provision for Expected Credit Losses		(4,465)		(4,751)
House Rents Receivable:				
Rents Receivable	16,164		14,014	
Less Expected Credit Losses	(7,317)	8,847	(8,778)	5,236
Arrears in Local Taxation:				
Council Tax	108,974		115,598	
Less Provision	(90,639)	18,335	(98,017)	17,581
NNDR Statutory Addition	5,078		5,035	
Less Provision	(4,841)	237	(5,035)	-
Total Debtors		103,725		114,710

20. Cash and Cash Equivalents

	31 March 2020	31 March 2021
	£000	£000
Cash held by the Council	377	480
Bank current accounts / call accounts	30,438	70,301
Money Market Funds	31,143	40,000
Net Cash and Cash Equivalents	61,958	110,781

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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:

	2019/20 £000	2020/21 £000
Central Government	(2,508)	(2,961)
Other local authorities	(2,448)	(4,048)
NHS Bodies	(176)	(318)
Public Corporations and Trading Companies	(700)	(762)
Trade Creditors, Other Entities and Individuals	(163,559)	(171,182)
Short-term compensated absences (1)	(17,675)	(22,995)
Total Creditors	(187,066)	(202,266)

- (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 2019 £000	Additional Provisions Made in 2019/20 £000	Amounts Used in 2019/20 £000	Balance at 31 March 2020 £000	Additional Provisions Made in 2020/21 £000	Amounts Used in 2020/21 £000	Balance at 31 March 2021 £000
Equal Pay (1)	7,465	-	(1,708)	5,757	-	(151)	5,606
Landfill (2)	456	-	(268)	188	7,734	(258)	7,664
Financial Guarantee (3)	470	-	(111)	359	-	(106)	253
Total Provisions	8,391	-	(2,087)	6,304	7,734	(515)	13,523

- (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 2020/21 £0.258m of the provision was utilised and a further £7.734m added to the provision following revised restoration cost estimates for all former landfill sites for which the Council is responsible and an updated assessment of the appropriate accounting treatment of costs associated with these sites.
- (3) Refer to Provisions: Financial Guarantee note within Note 17 Financial Instruments

23. Contingent Assets and Liabilities

Contingent assets represent items that at 31 March 2021 are not recognised in the Council's Annual Accounts because there is significant uncertainty at that date as to the likelihood that the Council will receive payments in respect of them. Contingent liabilities represent items that at 31 March 2021 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 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.

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. The Goodwin

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Tribunal was in relation to the Teachers Pension Scheme, however the WMS confirmed that this difference in treatment would also need to be remedied in other public sector pension schemes. Whilst there is still uncertainty surrounding the potential remedy, the Council's actuaries carried out some approximate analysis and concluded that the impact of the judgement is likely to be very small and therefore have not accounted for this within their calculations. This could have a financial impact on future years' costs, however given the uncertainty no provision has been made in the Accounts.

The Limitation (Childhood Abuse) (Scotland) Act 2017 which came into force in October 2017 removed the time bar for survivors of historical child abuse to make a claim for compensation in the civil courts. On 23 April 2021 the Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021 received Royal Assent. The Act introduces a scheme to make financial payments to survivors of historical child abuse in care in Scotland and sets out that Scottish Ministers must establish a list of organisations who have agreed to make a fair and meaningful contribution towards the funding of the redress payments. In return, survivors who accept a redress payment agree not to take legal action against these organisations or the Scottish Government. It is expected that Local Authorities will participate in the scheme, however until such time as this is formally agreed it is not possible to attribute a value to any potential liability.

The Council is unaware of any other material contingent asset or liability as at 31 March 2021.

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:

	2019/20	2020/21
	£000	£000
Finance lease liabilities		
▪ Current	177	190
▪ Non-current	1,901	1,711
Finance costs payable in future years	790	643
Minimum lease payments	2,868	2,544

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
Not later than one year	325	325	177	190
Later than one year and not later than five years	1,299	1,299	845	905
Later than five years	1,244	920	1,056	806
Total	2,868	2,544	2,078	1,901

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 2020/21 were £3.419m (2019/2020 £3.161m). The Council also leases various vehicles, plant and equipment on lease terms that are typically between one and five years. The rentals payable in 2020/21 were £1.210m (2019/20 £1.712m). 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:

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	Operational Buildings		Vehicles, Plant & Equipment	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
Not later than one year	854	854	1,229	921
Later than one year and not later than five years	2,294	2,294	1,118	666
Later than five years	1,699	1,002	53	-
Total	4,847	4,150	2,400	1,587

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 (2019/20 £0.026m).

The Council has no sub-leases of vehicles, minimum lease payments expected to be received from sub leasing agreements is £nil (2019/20 £0.122m).

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 2020/21 was £1.289m (2019/20 £1.359m) 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 2020	31 March 2021
	£000	£000
Within one year	868	901
Later than one year and not later than five years	1,497	1,530
Later than five years and not later than ten years	1,677	1,769
Later than ten years and not later than fifty years	12,294	12,526
Later than 50 years	8,670	8,372
Total	25,006	25,098

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 following table.

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 a capital value of £1.176m being completed in August 2020. As a result in 2020/21 there was an addition of £1.176m 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 four other 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 with an addition of £1.416m in 2020/21 representing the Council's share of capitalised interest recognised in 2020/21 excluded from the capitalised value in 2019/20.

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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:

	2019/20	2020/21
	£000	£000
Opening Net Book Value	228,007	268,058
Additions	45,075	2,592
Disposals	-	-
Depreciation charge for the year	(5,024)	(5,861)
Revaluations in year	-	12,685
Closing Net Book Value	268,058	277,474

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 2021 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	18,349	7,068	14,345	39,762
Payable within two to five years	81,162	29,634	56,962	167,758
Payable within six to ten years	109,911	47,460	73,699	231,070
Payable within eleven to fifteen years	135,933	52,869	69,081	257,883
Payable within sixteen to twenty years	83,451	30,641	19,416	133,508
Payable within twenty one to twenty five years	50,509	11,590	2,656	64,755
Total	479,315	179,262	236,159	894,736

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:

	2019/20	2020/21
	£000	£000
Balance outstanding at the start of the year	(144,449)	(183,487)
Additions during the year	(45,075)	(2,592)
Payments during the year	6,037	6,817
Balance outstanding at year-end	(183,487)	(179,262)
Included in Balance Sheet		
Current	(6,652)	(7,068)
Non-current	(176,835)	(172,194)

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. Property and Private equity comprise £625m of total NLC assets in the pension fund of £2.4bn (26%). These assets are valued at Level 3 of the Fair Value hierarchy, meaning they are valued using unobservable inputs and are therefore more volatile in nature. In 2020/21, Strathclyde Pension Fund (SPF) indicated that private equity and infrastructure funds have a potential sensitivity of +/- 28.5% and so the council's Level 3 investments have potential to significantly fluctuate in value (+/- £178m). In 2020/21, the Council paid £36.931m (£31.742m in 2019/20) to the Scottish Public Pensions Agency in respect of teachers' retirement benefits, representing an employer contribution of 23.0% (2019/20 rates: 17.2% up to 31/8/2019, 23.0% from 1/9/2019 onwards). The figures for 2019/20 were £31.742m and 19.37%. In addition, the Council is responsible for all pension payments relating to previously awarded added years. In 2020/21, these amounted to £5.070m (£5.036m for 2019/20).

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:

	2019/20	2020/21
	£000	£000
Comprehensive Income and Expenditure Statement (CIES)		
Included within Net Cost of Service within CIES:		
• Current service cost	92,639	77,503
• Past service cost/(gain) including curtailments	(10,098)	2,785
• Effect of Settlements	-	-
	82,541	80,288
Included within Financing and Investment Income & Expenditure in CIES:		
• Net interest expense	12,465	8,277
	12,465	8,277
Total Post-employment Benefit charged to Surplus or Deficit on the Provision of Services	95,006	88,565
Other Post-employment Benefits charged to the CIES:		
Re-measurement of the net defined benefit liability	(212,739)	52,108
Total Post-employment Benefits charged to the CIES	(117,733)	140,673
Less Employer's contributions payable to pension scheme	(50,928)	(51,228)
Movement in Pension Reserve	(168,661)	89,445

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26.2. Assets and Liabilities in Relation to Post Employment Benefits

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

	2019/20	2020/21
	£000	£000
Opening balance at 1 April	(2,552,950)	(2,300,643)
Current service cost	(92,639)	(77,503)
Interest cost	(61,871)	(53,584)
Contributions from scheme participants	(12,612)	(13,033)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	85,164	72,363
Actuarial gains/losses arising from changes in financial assumptions	256,508	(566,193)
Actuarial gains/losses arising from changes in other experience	8,249	50,414
Past service cost including gains/losses on curtailment	10,098	(2,785)
Benefits paid	59,410	70,341
Effect of settlements	-	-
Closing Balance at 31 March	(2,300,643)	(2,820,623)

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

	2019/20	2020/21
	£000	£000
Opening balance at 1 April	2,056,544	1,972,898
Interest income	49,406	45,307
Return on assets	(137,182)	448,679
Contributions from employer	43,527	43,711
Contributions from scheme participants	12,612	13,033
Contributions in respect of Unfunded Benefits	7,401	7,517
Benefits paid	(59,410)	(70,341)
Effect of settlements	-	-
Actuarial gains/losses arising from changes in other experience	-	(57,371)
Closing Balance at 31 March	1,972,898	2,403,433

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26.3. Local Government Pension Scheme assets

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

	31 March 2020	31 March 2021
	£000	£000
Cash and cash equivalents	199,444	40,349
Equity instruments (by industry type)		
• Consumer	126,700	138,388
• Manufacturing	102,676	137,096
• Energy utilities	26,374	25,104
• Financial institutions	85,051	85,076
• Health and care	50,463	67,049
• Information technology	65,035	111,210
Sub-total equity	456,299	563,923
Bonds (by sector)		
• Corporate	61,903	1
Sub-total bonds	61,903	1
Property	178,627	194,730
Private equity	235,753	429,880
Other investment funds		
• Equities	608,896	840,611
• Bonds	228,417	325,057
• Commodities	989	1,017
• Infrastructure	-	2,429
• Other	2,529	5,003
Sub-total other investment funds	840,831	1,174,117
Derivatives	41	433
Total assets	1,972,898	2,403,433

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

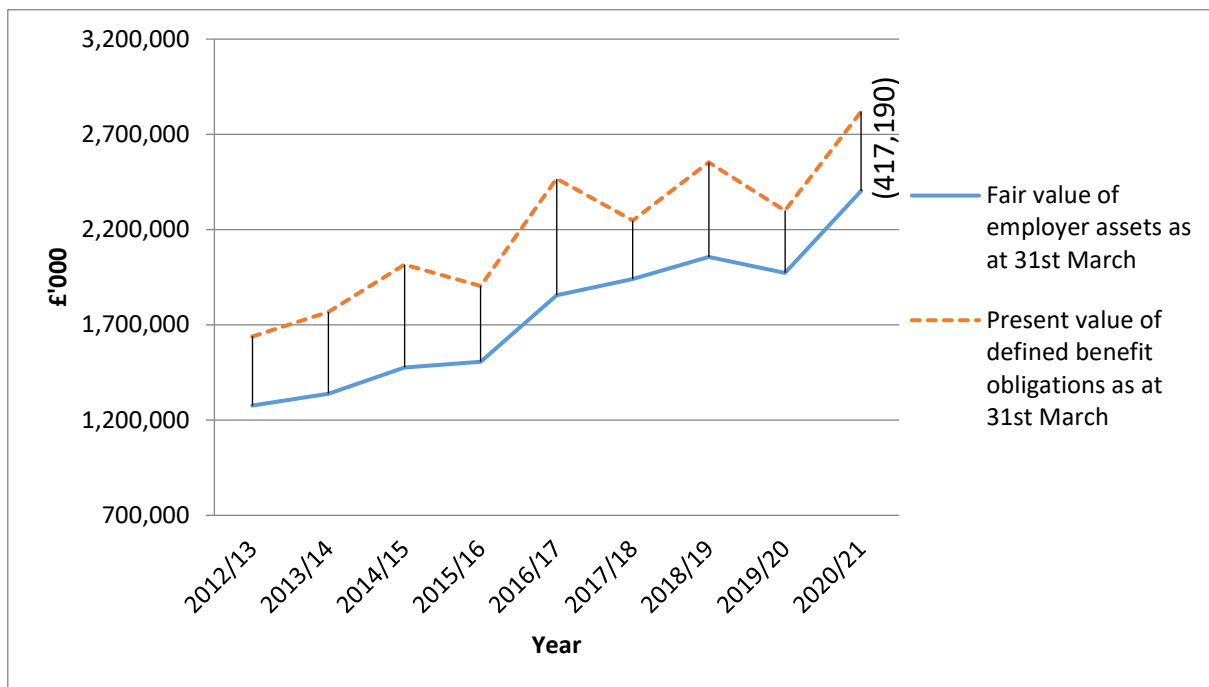
The present value of unfunded liabilities comprises approximately £44.270m, £92.855m and £17.148m in respect of LGPS, Teachers' and Pre-LGR unfunded pensions. For unfunded liabilities as at 31 March 2021, it is assumed that all unfunded pensions are payable for the remainder of the member's life.

	2019/20	2020/21
	£000	£000
Fair Value of Employer Assets	1,972,898	2,403,433
Present Value of Funded Liabilities	(2,159,087)	(2,666,350)
Net (under)/Overfunding in Funded Plans	(186,189)	(262,917)
Present Value of Unfunded Liabilities	(141,556)	(154,273)
Net Asset/(Liability)	(327,745)	(417,190)
Amount in Balance Sheet:		
Liabilities	(327,745)	(417,190)
Assets	-	-
Net Asset/(Liability)	(327,745)	(417,190)

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26.5. Fund History

Triennial valuations provide one basis for assessing the overall position of funds (funding basis). Actuaries also prepare a valuation at 31st March each year on an accounting basis (IAS19 basis). This approach uses a lower discount rate for long-term liabilities and this tends to produce a more cautious result. The graph below shows the underlying commitments that the Council has to pay in retirement benefits on an accounting basis. The net liability of £417.190m has a substantial impact on the net worth of the Council as recorded in the balance sheet, however the most recent triennial valuation as at March 2020 shows a funding position of 106% therefore it is expected that future contributions will be sufficient to meet the liabilities.



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 2021.

	31 March 2020	31 March 2021
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
• Men	20.7	19.8
• Women	22.9	22.6
Longevity at 65 for future pensioners:		
• Men	22.2	21.2
• Women	24.6	24.7
Rate of increase in salaries	3.00%	3.55%
Rate of increase in pensions	1.90%	2.85%
Discount Rate	2.30%	2.00%

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.

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	Approximate Monetary Amount £000	Approximate % Increase to Employer Liability
Rate of increase in salaries (increase by 0.5%)	37,434	1%
Rate of increase in pensions (increase by 0.5%)	226,064	8%
Rate for discounting scheme liabilities (decrease by 0.5%)	270,077	10%

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 (76%) and bonds (14%). The comparative year's figures are 66% and 15%. The scheme also invests in properties (8%) and cash (2%), 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 2022 is £42.017m. 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 19 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 2020), or at any other time as instructed to do so by the administering authority. The contributions payable over the period to 31 March 2024 are set out in the Rates and Adjustments certificate.

The most recent triennial valuation was completed as at March 2020. This shows a funding position of 106% (March 2017; 105%). Employer contributions remain at 19.3% for 2021/22 to 2023/24, the following three years will be set following completion of the next triennial valuation in 2023/24. 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.

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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 2020	Transfers Out	Transfers in	Balance at 31 March 2021
	£000	£000	£000	£000
Earmarked General Fund Reserves				
Change Management Fund	8,614	(412)	1,819	10,021
COVID-19 Directed Funding	-	-	15,203	15,203
COVID-19 General Funding	-	-	14,362	14,362
COVID-19 Recovery General Fund Contribution	-	-	6,500	6,500
One off Costs of Savings Programme	6,595	(4,424)	9,850	12,021
Early Years & Childcare Expansion	6,000	(3000)	8,256	11,256
Balances held by Schools under Devolved School Management	3,072	(2,601)	4,074	4,545
Pupil Equity Fund	2,132	(2,132)	3,984	3,984
Schools Contractual Obligations	-	-	3,600	3,600
Digitisation	5,758	(2,805)	-	2,953
Enterprise Contract	106	(105)	1,700	1,701
Business Gateway and Business Recovery	1,510	-	-	1,510
Insourcing of CLNL	2,000	(1,237)	-	763
Rapid Rehousing (non-COVID)	435	(148)	465	752
Dilapidations	619	(156)	61	524
City Deal	777	(777)	-	-
Other Earmarked Funds	2,783	(1,546)	2,968	4,205
Total Earmarked	40,401	(19,343)	72,842	93,900
Contingency Reserve	8,000			8,000
Unallocated Balance	-			14,851
Total General Fund Balance	48,401			116,751

It should be noted that the balances as at 31 March 2020 remain unchanged from those reported within the 2019/20 audited accounts, however those summarised within the Other Earmarked Funds line is reviewed annually on the basis of value.

27.2. HRA Balance

	Balance at 31 March 2020 (restated)	Transfers Out	Transfers in	Balance at 31 March 2021
	£000	£000	£000	£000
Earmarked HRA Balance				
Temporary Accommodation	5,502	-	2,846	8,348
Welfare Changes and Financial Insecurity	1,462	(1,502)	2,800	2,760
Ambition	3,172	(618)	2,500	5,054
Housing Repairs (Potential Demand Increase)	-	-	2,500	2,500
HRA Capital Programme (Energy Efficiency)	-	-	2,500	2,500
Other	1,759	(1,035)	2,695	3,419
Total Earmarked	11,895	(3,155)	15,841	24,581
Unallocated/Held for Risks and Uncertainties	801	-	601	1,402
Contingency Reserve	1,450	-	20	1,470
Total HRA Balance	14,146	(3,155)	16,462	27,453

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27.3. Capital Grants Unapplied Account

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

	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	11,329	17,724
Capital grants received in the year but unapplied	14,325	8,476
Capital grants received in previous years now applied	(7,930)	(13,779)
Closing Balance at 31 March	17,724	12,421

27.4. Repairs and Renewals Fund

The Repairs and Renewals Fund represents a resource to fund crematorium equipment replacement and recognises the prepayments for lifecycle replacement costs.

	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	599	672
Transfers in year (see Note 32)	73	10,979
Closing Balance at 31 March	672	11,651

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.

	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	4,506	1,154
Amounts expended on principal repayments	(4,506)	(1,154)
Transfer from Capital Receipts Reserve	1,154	4,470
Closing Balance at 31 March	1,154	4,470

27.6. Insurance Fund

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

	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	16,674	13,000
Amounts expended on premiums and claims settlements	(3,082)	(3,309)
Contributions to / from Insurance Fund	(592)	3,309
Closing Balance at 31 March	13,000	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.

	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	-	-
Capital receipts received in the year	1,631	4,494
Amount applied to finance new capital investment	(477)	(24)
Amount transferred to Capital Fund	(1,154)	(4,470)
Closing Balance at 31 March	-	-

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28. Unusable Reserves

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

	2019/20	2020/21
	£000	£000
Revaluation Reserve	553,724	646,564
Capital Adjustment Account	1,299,393	1,300,938
Financial Instruments Adjustment Account	(30,192)	(28,494)
Pensions Reserve	(327,745)	(417,190)
Employee Statutory Adjustment Account	(17,677)	(22,995)
Total Unusable Reserves	1,477,503	1,478,823

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.

	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	566,876	553,724
Upward revaluation of assets	6,918	109,813
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on Provision of Services	(918)	(4,806)
Surplus / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on Provision of Services	6,000	105,007
Difference between fair value depreciation and historical cost depreciation	(17,787)	(9,324)
Accumulated gains on assets sold	(1,365)	(2,843)
Closing Balance at 31 March	553,724	646,564

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.

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	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	1,261,521	1,299,393
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	(106,605)	(107,740)
• Net book value of non-current assets written off on disposal or sale	(1,871)	(3,119)
Donated assets	-	105
Adjusting amounts written out of the Revaluation Reserve	19,153	12,167
Net transfer to Capital Grants Unapplied Account	(6,395)	3,647
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	477	24
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	67,963	47,195
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (Loans Fund repayments)	37,601	21,848
• Capital expenditure charged against the General Fund and HRA balances	27,549	27,418
Closing Balance at 31 March	1,299,393	1,300,938

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.

	2019/20	2020/21
	£000	£000
Balance at 1 April	(31,887)	(30,192)
Premiums / Discounts Annual Write-Off	1,675	1,674
Re-measurement of LOBO loans	20	24
Balance at 31 March	(30,192)	(28,494)

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.

	2019/20	2020/21
	£000	£000
Balance at 1 April	(496,406)	(327,745)
Re-measurement of net defined pension liability	212,739	(52,108)
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	(95,006)	(88,565)
Employers' pensions contributions paid to Strathclyde Pension Fund	50,928	51,228
Balance at 31 March	(327,745)	(417,190)

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28.5. Employee Statutory Adjustment Account

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

	2019/20	2020/21
	£000	£000
Balance at 1 April	(16,209)	(17,677)
Settlement or cancellation of accrual made at the end of the preceding year	16,209	17,677
Amounts accrued at the end of the current year	(17,677)	(22,995)
Balance at 31 March	(17,677)	(22,995)

29. Capital Commitments

At 31 March 2021, the Council was contractually committed to the following significant capital works.

	£000
HRA – New Build Programme	15,025
HRA – Heating	7,529
HRA – Re-wiring	3,129
HRA – Bathrooms	2,000
HRA – Kitchens	2,000
HRA – Windows and Doors	3,410
HRA – Tower Strategy	13,340
HRA – Lead Pipe	1,022
HRA – Community Care	1,833
HRA – Security & DE Systems	898
HRA – Estate Regeneration	300
HRA – Other	241
School Alterations and Upgrades	1,064
Redevelopment and Office Upgrades	136
Other Projects	255
Schools Modernisation	21,942
Early Years Expansion	5,367
City Deal	1,243
Regeneration Capital Grant Fund	250
Other Regeneration Projects	821
Digital NL	2,917
Road Operations-LED Lighting	803
Litter Bin Rationalisation	952
Garrell Burn Project	722
Park Path Widening	339
Wardpark Welfare Unit	138

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30. Capital Expenditure and Capital Financing

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

	2019/20	2020/21
	£000	£000
Net Book Value of Property, Plant & Equipment	2,777,975	2,872,603
Intangible Assets	107	2,798
Transfer of Property Plant & Equipment to Held for Sale	-	-
Capital Adjustment Account	(1,261,520)	(1,299,393)
Revaluation Reserve	(566,876)	(553,724)
Opening capital financing requirement	949,686	1,022,284
Capital investment		
Property, plant and equipment	197,103	130,149
Donated Asset	-	105
Intangible assets	2,691	5,388
Sources of Finance		
Capital Receipts	(477)	(24)
Government Grants and Other Contributions	(61,568)	(50,842)
Donated Asset		(105)
Sums set aside from revenue		
Direct revenue contributions	(27,549)	(27,418)
Repayment of loans fund advances	(37,602)	(21,848)
Closing capital financing requirement	1,022,284	1,057,689
Explanations of movements in year		
Increase in underlying need to borrow	27,523	32,813
Assets acquired under finance leases	-	-
Assets acquired under PPP contracts	45,075	2,592
Increase / (decrease) in capital financing requirement	72,598	35,405

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31. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2020/21	Usable Reserves					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the CI&E Statement:</i>						
Charges for depreciation and impairment of non-current assets	78,823	28,917	-	-	-	(107,740)
Capital grants and contributions applied	(35,733)	(9,911)	-	-	(5,303)	50,947
Amounts written off as part of gain/loss on disposal	3,119	-	-	-	-	(3,119)
Movements in the fair value of Investment properties	-	-	-	-	-	-
Statutory provision for the financing of capital investment	(13,929)	(7,919)	-	-	-	21,848
Capital expenditure funded from current revenue	(272)	(27,146)	-	-	-	27,418
Adjustments primarily involving the capital receipts reserve or capital fund:						
Transfer of capital receipts credited to CIES as part of gain or loss on disposal	(4,470)	(24)	-	4,494	-	-
Use of capital receipts to finance new capital expenditure	-	-	-	(24)	-	24
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Movements recognised under statutory provisions relating to Financial Instruments	(1,041)	(658)	-	-	-	1,699
Adjustments primarily relating to the Pensions Reserve:						
Reversal of items relating to retirement benefits charged to the CI&E Statement	80,837	7,728	-	-	-	(88,565)
Employer's pensions contributions and direct payments to pensioners payable in the year	(46,758)	(4,470)	-	-	-	51,228
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	5,053	266	-	-	-	(5,319)
Total Adjustments	65,629	(13,217)	-	4,470	(5,303)	(51,579)

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2019/20	Usable Reserves					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the CI&E Statement:</i>						
Charges for depreciation and impairment of non-current assets	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/capital fund to finance new capital expenditure	-	-	-	(477)	-	477
Adjustment primary 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)

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32. Transfers to/from Statutory Reserves

This note sets out the amounts set aside from the General Fund statutory reserves to provide financing for future expenditure plans and the amounts transferred back to meet General Fund expenditure in 2020/21. Figures for 2019/20 are provided in an additional table for comparison purposes:

2020/21	Transfers to / (from) General Fund	Transfers (from) / to Other Statutory Reserves				
		HRA	Capital Fund	Repairs & Renewals Fund	Insurance Fund	Capital Receipts Reserve
	£000	£000	£000	£000	£000	£000
Amounts expended on repairs and renewals on Council facilities	-	-	-	-	-	-
Contributions to Repairs & Renewals Fund from General Fund	(10,979)	-	-	10,979	-	-
Contributions to Insurance Fund	(1,455)	(1,854)	-	-	3,309	-
Amounts expended on premiums and claims settlements	1,455	1,854	-	-	(3,309)	-
HRA Contribution to General Fund	-	-	-	-	-	-
Amounts expended on principal repayments	1,154	-	(1,154)	-	-	-
Contribution to Capital Fund	-	-	4,470	-	-	(4,470)
Total Adjustments	(9,825)	-	3,316	10,979	-	(4,470)

2019/20	Transfers to / (from) General Fund	Transfers (from) / to Other Statutory Reserves				
		HRA	Capital Fund	Repairs & Renewals Fund	Insurance Fund	Capital Receipts Reserve
	£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 Insurance Fund	2,446	(1,854)	-	-	(592)	-
Amounts expended on premiums and claims settlements	1,228	1,854	-	-	(3,082)	-
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	10,201	(2,094)	(3,352)	73	(3,674)	(1,154)

33. Reconciliation of 2020/21 Comprehensive Income and Expenditure Statement to Cash Flow Operating Activities

	£000	£000
Surplus on the Provision of Services		39,070
Non-Cash Transactions		
Items Relating to Loans Fund	(441)	
Adjustment relating to Provisions	10,176	
Adjustment relating to Non Domestic Rates	77	
Adjustment relating to Capital Items	69,292	
Adjustment relating to Pensions Reserve	37,337	
		116,441
Items on an Accruals Basis		
Increase in Inventories	(163)	
Decrease in Debtors	7,584	
Increase in Creditors	10,209	
Net Cash Inflow from Operating Activities		173,141

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34. Reconciliation of Financing Activities to Balance Sheet

	Balance at 31 March 2020	Cash Flow	Non-Cash	Balance at 31 March 2021
Cash and Cash Equivalents	61,958	48,848	(25)	110,781
	61,958	48,848	(25)	110,781
Financing Activities:				
Borrowing short-term	253,889	(18,500)	27,751	263,140
Borrowing long-term	513,058	5,824	(28,307)	490,575
Net Agency Grants	-	(15,423)	-	(15,423)
Finance leases short-term	6,829	(6,994)	7,423	7,258
Finance leases long-term	178,736	-	(4,831)	173,905
	952,512	(35,093)	2,036	919,455
Total cash outflow from financing activities		(35,093)		
Total cash inflow before financing activities		83,941		

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).

Net Agency Grants represents financing whereby the Council has been asked by Scottish Government to administer a number of COVID-19 grant schemes on their behalf to a wide range of recipients, with the amount shown representing the balance due to be reimbursed to the Council for payments made in advance of receipt of external funding.

35. External Audit Costs

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

	2019/20	2020/21
	£000	£000
Agreed fee for the year	514	530
Total	514	530

The external audit costs include a fee of £4,100 (£4,100 2019/20) 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. The Council's 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 2020/21 is £0.125m. The financial results for the last three years of the Trading Operation can be summarised as follows:

	Turnover	Expenditure	(Surplus)/ Deficit
	£000	£000	£000
Trading Operation			
2018/19	(4,939)	4,694	(245)
2019/20	(4,802)	4,472	(330)
2020/21	(3,572)	3,447	(125)
(Surplus) / Deficit over 3 years	(13,313)	12,613	(700)

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 49 building locations, with an overall staffing complement of 250 staff (83.07 FTE). Some of these locations also receive a janitor/cleaning service. The operation delivers cleaning services on behalf of Engie to schools in the Education 2010 project.

The Waste Solutions section of the Trading Operation provides refuse collection and disposal services for approximately 1600 traders. The service is provided by 11 staff (11 FTE). Each trader is offered multiple collection frequencies and types. The section is working towards the full implementation of the requirements of the Waste

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(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 and 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 365 day per year service to users and has approximately 81 vehicles, dropping to approximately 16 vehicles at the year end as MSL and Saltire contracts come to an end.

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:

	2019/20	2020/21
	£000	£000
Strathclyde Partnership for Transport	5,421	5,411
Strathclyde Concessionary Travel Scheme	567	568
Lanarkshire Valuation Joint Board	2,103	2,195

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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.

	2019/20 Restated		2020/21	
	Income	Expenditure	Income	Expenditure
	£000	£000	£000	£000
Amey Public Services LLP	440	15,894	260	14,087
Culture and Leisure NL Ltd	3,110	20,599	2,683	27,289
Fusion Assets Ltd	110	473	111	809
Mears Scotland LLP	3,148	55,916	102	39,878
North Lanarkshire Integration Joint Board	158,026	156,615	136,461	148,430
North Lanarkshire Municipal Bank Ltd	120	259	144	200
NL Properties	505	475	952	1,626
Routes to Work	30	2,122	25	2,244
The Campsies Centre (Cumbernauld) Ltd	64	-	77	-
Town Centre Activities Ltd	31	74	-	-

Outstanding balances for each of these entities are as follows:

	2019/20 Restated		2020/21	
	Debtor	Creditor	Debtor	Creditor
	£000	£000	£000	£000
Amey Public Services LLP	500	347	116	660
Culture and Leisure NL Ltd	1,569	1,898	913	64
Fusion Assets	33	-	34	132
Mears Scotland LLP	1,458	445	13	-11
North Lanarkshire Integration Joint Board	-	4,749	-	16,718
North Lanarkshire Municipal Bank Ltd	-	-	-	-
NL Properties	2,004	98	1,727	1,143
Routes to Work	1	1	21	-
The Campsies Centre (Cumbernauld) Ltd	16	-	87	-
Town Centre Activities Ltd	-	-	-	-

On 30 June 2019 Town Centre Activities Limited ceased trading and the main functions were insourced to the Council during 2019/20. Therefore no transactions for 2020/21 financial year.

The Council's financial statements show no debtor or creditor balances for North Lanarkshire Municipal Bank Ltd. However, at the 31 March 2021 the Council's short-term borrowing included £21.871m (£21.898m in 2019/20) of Municipal Bank deposits which are invested in the Council.

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The Council is also represented on the Boards of various companies detailed below that have no share capital.

Company Name	Status	Function
Environmental Key Fund	Limited by guarantee (financial risk not material to Council)	Provide grants to community organisations undertaking environmental projects.
Scotland Excel	Joint committee formed under Local Govt Act 1973	Not-for-profit procurement organisation serving Local Authorities and related organisations across Scotland.
Glasgow and the Clyde Valley Strategic Development Planning Authority	Joint committee formed under Local Govt Act 1973	Partnership of 8 local authorities working together on strategic development planning matters.
Glasgow and the Clyde Valley City Deal Cabinet	Joint committee formed under Local Govt Act 1973	Partnership of 8 local authorities oversee the delivery of the City Deal programme.
West of Scotland Loan Fund	Limited by guarantee (financial risk not material to Council)	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	Registered charity	Charitable trust providing grants for further/higher education for those who live in the old county area of Dumbarton.
SEEMIS Group Plc	Limited liability partnership	Provides education management information software to local authorities across Scotland.
Stirlingshire Educational Trust	Registered charity	Charitable trust providing grants for education for those who live in the old county area of Stirling.
Business Loans Scotland	Limited by guarantee (financial risk not material to Council)	Provides pan-Scotland loan funding to businesses.
Continuing Education Gateway/ Gateway Shared Services	Consortium of local authorities	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	Joint committee formed under Local Govt Act 1973	Develops positive links between the communities of the region and the institutions of the European Union.

Annual Accounts 2020/21 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

2019/20		2020/21	2020/21
£000		£000	£000
134,895	Dwelling Rent Income	143,586	
1,090	Non-Dwelling Rent Income	1,077	
1,248	Other Income	1,676	
137,233	Total Income		146,339
49,414	Repairs and Maintenance	45,569	
39,120	Supervision and Management	40,589	
25,856	Depreciation	28,264	
666	Revaluations	653	
275	Other Expenditure	-	
115,331	Total Expenditure		115,075
(21,902)	Net Cost of HRA Services per Income and Expenditure Account		(31,264)
342	HRA Service Share of Corporate and Democratic Core	404	
(1,418)	HRA Share of other amounts included in the whole authority Net Cost of Services but not specifically allocated to specific services	(413)	
(22,978)	Net Cost of HRA Services		(31,273)
(174)	Gains or Losses on disposal of non-current asset	(24)	
9,153	Interest Payable (Including Amortisation of Premiums)	9,191	
(154)	Interest and Investment Income	(161)	
4,065	Impairment of Financial Assets	4,932	
1,010	Net Interest on the Net Defined Benefit Liability/Asset	722	
(13,390)	Recognition of Capital Grant	(9,911)	
(22,468)	(Surplus)/Deficit for the year on HRA Services		(26,524)

1.1. Statement of Movement on the Housing Revenue Account Balance

2019/20		2020/21	2020/21
£000		£000	£000
(12,927)	Balance on the HRA at the end of the previous year		(14,146)
(22,468)	(Surplus) / Deficit for the year on the HRA Income and Expenditure Statement	(26,524)	
19,155	Adjustments between accounting basis and funding basis under regulations (see Note 31)	13,217	
2,094	Transfer to and (from) other statutory reserves (see Note 32)	-	(13,307)
(14,146)	Balance on the HRA at the end of the current year		(27,453)

1.2. Housing Stock

The Council's housing stock at 31 March 2021 was 36,792 (36,808 at 31 March 2020) in the following categories:

House Numbers 31 March 2020	Property Types	House Numbers 31 March 2021
327	1 Apartment	305
6,691	2 Apartment	6,687
18,981	3 Apartment	18,935
9,764	4 Apartment	9,811
1,014	5 Apartment	1,022
31	Other	32
36,808	Total	36,792

1.3. Rent Arrears

Current rent arrears outstanding as at 31 March 2021 amounted to £5.049m. This represented 3.52% of rents paid during the year (the comparative figures for the 2019/20 year were £5.128m and 3.80% respectively).

1.4. Impairment of Financial Assets

The expected credit losses at 31 March 2021 amounted to £8.778m (£7.317m as at 31 March 2020).

1.5. Void Rents

The level of income lost from unlet Council Dwellings during 2020/21 amounted to £0.965m (2019/20 £0.798m).

Annual Accounts 2020/21 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.

	2019/20	2020/21
	£000	£000
Gross Council Tax levied and contributions in lieu	167,058	176,528
Adjustments for prior years Council Tax	54	(2,120)
Adjusted for:		
Council Tax Benefits (Net of Government Grants)	-	-
Council Tax Reduction Scheme	(22,914)	(25,444)
Other discounts and reductions	(19,396)	(21,024)
Provision for Non-collection	(5,005)	(5,450)
Net Council Tax Income per the Comprehensive Income and Expenditure Account	119,797	122,490

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 a 50% reduction 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	53,046	2,736	(41)	7,065	381	42,905	0.6666	28,600
Band B	37,711	967	7	4,123	290	32,324	0.7777	25,138
Band C	19,754	459	30	1,929	125	17,211	0.8888	15,297
Band D	17,417	217	(49)	1,263	73	15,913	1.0000	15,913
Band E	16,993	155	44	790	71	15,933	1.3139	20,934
Band F	9,843	52	75	312	23	9,381	1.6250	15,244
Band G	3,071	19	49	90	10	2,903	1.9583	5,685
Band H	163	3	1	4	0	155	2.4500	380
				Total				127,191
				Provision for non-collection				(4,134)
				Council Tax Base				123,057

3. The Council Tax Charge

The charge for each band for 2020/21 was as follows:

	£ per Dwelling
Band A	£814.17
Band B	£949.86
Band C	£1,085.56
Band D	£1,221.25
Band E	£1,604.59
Band F	£1,984.53
Band G	£2,391.61
Band H	£2,992.06

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Non Domestic Rates Income Statement

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

	2019/20	2020/21
	£000	£000
Gross rates levied and contributions in lieu	146,871	145,451
Less:		
Reliefs and other deductions	(33,082)	(64,883)
Payments of interest	-	-
Provision of bad and doubtful debts	(3,414)	(2,417)
Net Non Domestic Rate Income	110,375	78,151
Adjustment to previous years' NNDR	(6,816)	(3,774)
Contribution to Non Domestic Rates	103,559	74,377
Distribution from Non Domestic Rate Pool	107,252	71,360
Adjustment for the years prior to the introduction of the pool	-	-
Income credited to the Comprehensive Income and Expenditure Statement	107,252	71,360

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 2020/21 is 49.8p for properties with a rateable value not greater than £51,000. The Intermediate Property Rate of 51.1p (1.3p supplement on the poundage) applies for properties with a rateable value between £51,001 and £95,000, and the Higher Property Rate of 52.4p (2.6p supplement on the poundage) is payable on properties with a rateable value greater than £95,000. 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. In response to the COVID-19 pandemic, in 2020/21, all non-domestic properties in Scotland received a 1.6% rates relief, with 100% rates relief available to a number of specific sectors including retail, hospitality, leisure and aviation.

Analysis of Rateable Values as at 1 April 2020:

	Number of Subjects	Rateable Value
		£000
Industrial and Freight	3,089	100,430
Commercial Subjects		
Shops (inc. Restaurants)	2,574	65,063
Offices	2,179	36,023
Hotels, Boarding Houses etc.	34	3,185
Others	1,205	26,730
Miscellaneous and Formula Valued Subjects	1,257	61,392
Total	10,338	292,823

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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 £0.177m and the Marshall (Education) Trust at £0.540m, 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 2021 was £1.007m (£0.748m at 31 March 2020) and is shown at book value on the balance sheet £0.032m (£0.032m 2019/20).

Summary Income and Expenditure Account

	2019/20	2020/21
	£000	£000
Education Trust Funds:		
Income		
Interest on Investments, etc.	23	13
Expenditure		
Grants, Prizes, Awards, etc.	(97)	(20)
Surplus / (Deficit) for the year	(74)	(7)
Other Sundry Trust Funds:		
Income		
Interest on Investments	-	-
Expenditure		
Grants, Prizes, Awards, etc.	-	-
Surplus / (Deficit) for the year	-	-

Balance Sheet at 31 March 2021

2019/20		2020/21	2020/21
£000		£000	£000
32	Investments		
1	Education Trust Funds	32	
	Sundry Trust Funds	1	
33			33
744	Advances to Council Loans Fund		733
67	Current Assets		71
844	Net Assets		837
	Education Trust Funds		
32	Capital	32	
739	Revenue	732	
771			764
	Sundry Trust Funds		
1	Capital	0	
72	Revenue	73	
73			73
844	Total Reserves		837

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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.

Gross Expenditure £000	2019/20 Restated	Net Expenditure £000		2020/21		Net Expenditure £000
	Gross Income £000			Gross Expenditure £000	Gross Income £000	
457,922	(54,760)	403,162	Education & Families	464,693	(75,095)	389,598
201,329	(30,201)	171,128	Enterprise & Communities	234,518	(30,468)	204,050
4,157	(4,157)	0	Trading Operations	3,245	(3,245)	-
161,101	(98,075)	63,026	Chief Executives & Other Corporate Services	158,566	(96,225)	62,341
162,918	-	162,918	Adult Health & Social Care (Non-Integrated)	151,848	-	151,848
224,400	(211,290)	13,110	Adult Health & Social Care (Integrated)	214,737	(206,716)	8,021
115,331	(137,233)	(21,902)	Housing Revenue Account	115,075	(146,339)	(31,264)
(16,057)	-	(16,057)	Non Service-Specific Costs	(3,120)	(33)	(3,153)
24,978	(16,627)	8,351	Subsidiaries	9,774	(6,260)	3,514
1,336,079	(552,343)	783,736	Net Cost of Services	1,349,336	(564,381)	784,955
-	240	240	Other Operating Expenditure	-	(1,375)	(1,375)
106,614	(58,628)	47,986	Financing and Investment Income and Expenditure	99,768	(55,816)	43,952
127	(807,801)	(807,674)	Taxation and Non-specific Grant Income	23	(869,506)	(869,483)
		24,288	(Surplus) or Deficit on the Provision of Services			(41,951)
		(10,023)	Associates and Joint Ventures accounted for on an Equity Basis			(19,925)
		14,265	Group (Surplus) or Deficit			(61,876)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(6,000)	(Surplus) or deficit on the revaluation of non current assets			(105,007)
		(222,286)	Actuarial (gains) or losses on pension assets and liabilities			56,389
		(6,170)	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures			(617)
		(234,456)	Other Comprehensive Income and Expenditure			(49,235)
		(220,191)	Total Comprehensive Income and Expenditure			(111,111)

Annual Accounts 2020/21 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 2020 Restated £000		31 March 2021	
		£000	£000
	Property, Plant and Equipment		
1,073,187	Council Dwellings	1,102,141	
1,433,336	Other Land and Buildings	1,504,711	
48,490	Vehicles, Plant and Equipment	48,617	
263,394	Infrastructure Assets	261,004	
11,384	Community Assets	12,360	
16,784	Surplus Assets	22,252	
26,994	Assets Under Construction	46,668	2,997,753
	Intangible Assets		
-	Software Licences	123	
169	Software/Solution Development	1,544	
2,629	Intangibles Under Development	6,502	8,169
69,613	Investment Property		70,530
73,675	Investments in Associates and Joint Ventures		94,721
2,172	Long-Term Investments		2,179
1,330	Long-Term Debtors		1,384
3,023,157	Long-Term Assets		3,174,736
2,072	Short-Term Investments	88	
-	Assets Held for Sale	-	
4,726	Inventories	5,097	
103,051	Short-Term Debtors (net of impairment)	114,947	
79,773	Cash and Cash Equivalents	135,918	
189,622	Current Assets		256,050
(255,035)	Short-Term Borrowing	(264,398)	
(191,888)	Short-Term Creditors	(209,657)	
(6,095)	Short-Term Provisions	(13,421)	
(6,829)	Short-Term Finance Lease Liabilities	(7,258)	
-	Revenue Grant Receipts in Advance	(2,957)	
(459,847)	Current Liabilities		(497,691)
(549,449)	Long-Term Borrowing	(525,690)	
(103)	Liabilities in Associates and Joint Ventures	(607)	
(178,736)	Other Long-Term Liabilities (Finance Leases)	(173,905)	
(336,704)	Other Long-Term Liabilities (Pensions)	(433,842)	
-	Long-Term Provisions	-	
(1,064,992)	Long-Term Liabilities		(1,134,044)
1,687,940	Net Assets		1,799,051
	Usable Reserves		
48,401	General Fund Reserve	116,751	
14,146	Housing Revenue Account Balance	27,453	
1,154	Capital Fund	4,470	
17,724	Capital Grants Unapplied Accounts	12,421	
13,000	Insurance Fund	13,000	
672	Repairs and Renewals Fund	11,651	
95,097	Total Usable Reserves		185,746
1,477,503	Unusable Reserves		1,478,823
115,340	Group Reserves		134,482
1,687,940	Total Reserves		1,799,051

The unaudited accounts were issued on 30 June 2021 and the audited accounts were authorised for issue on 9th December 2021.

Elaine Kemp, CPFA
Head of Financial Solutions

Elaine Kemp

09 December 2021

Annual Accounts 2020/21

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 2021	Usable Reserves			Unusable Reserves	Total Reserves of the Council	Council Subsidiaries	Council's Share of Reserves of Associates and Joint Ventures	Total Reserves
	General Fund	Housing Revenue Account	Other Statutory Reserves					
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	48,401	14,146	32,550	1,477,503	1,572,600	41,768	73,572	1,687,940
Movement in Reserves during 2020/21								
Surplus / (Deficit) on Provision of Services	12,546	26,524	-	-	39,070	2,881	19,925	61,876
Other Comprehensive Income and Expenditure	-	-	-	52,899	52,899	(4,281)	617	49,235
Total Comprehensive Income and Expenditure	12,546	26,524	-	52,899	91,969	(1,400)	20,542	111,111
Adjustments between Accounting Basis and Funding Basis under Regulations	65,629	(13,217)	(833)	(51,579)	-	-	-	-
Net Increase or Decrease before Transfers to Other Statutory Reserves	78,175	13,307	(833)	1,320	91,969	(1,400)	20,542	111,111
Transfers to and from Other Statutory Reserves	(9,825)	-	9,825	-	-	-	-	-
Increase or Decrease in the Year	68,350	13,307	8,992	1,320	91,969	(1,400)	20,542	111,111
Balance at 31 March 2021 Carried Forward	116,751	27,453	41,542	1,478,823	1,664,569	40,368	94,114	1,799,051

Annual Accounts 2020/21
Movement in Group Reserves Statement

Year Ended 31 March 2020 Restated	Usable Reserves			Unusable Reserves	Total Reserves of the Council	Council Subsidiaries	Council's Share of Reserves of Associates and Joint Ventures	Total Reserves
	General Fund	Housing Revenue Account	Other Statutory Reserves					
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	44,372	12,927	33,108	1,283,895	1,374,302	36,068	57,379	1,467,749
Movement in Reserves during 2019/20								
Surplus / (Deficit) on Provision of Services	(42,909)	22,468	-	-	(20,441)	(3,847)	10,023	(14,265)
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	5,700	16,193	220,191
Adjustments between Accounting Basis and Funding Basis under Regulations	36,737	(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	5,700	16,193	220,191
Transfers to and from Other Statutory Reserves	10,201	(2,094)	(8,107)	-	-	-	-	-
Increase or Decrease in the Year	4,029	1,219	(558)	193,608	198,298	5,700	16,193	220,191
Balance at 31 March 2020 Carried Forward	48,401	14,146	32,550	1,477,503	1,572,600	41,768	73,572	1,687,940

Annual Accounts 2020/21

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.

2019/20 Restated		2020/21	2020/21
£000		£000	£000
38,401	Net Cash Inflow / (Outflow) from Operating Activities		183,034
	INVESTING ACTIVITIES		
	Cash Inflows:		
3,146	Sale of non-current assets	3,748	
64,497	Capital grants received	40,675	
3,426	Other capital receipts	2,487	
11	Investments redeemed	465	
71,080			47,375
	Cash Outflows:		
(164,435)	Purchase of non-current assets		(138,484)
-	Long-term investment		-
-	Investment in subsidiary		-
(93,355)	Net Cash Inflow / (Outflow) from Investing Activities		(91,109)
	FINANCING ACTIVITIES		
	Cash Inflows:		
382,695	New loans raised	271,000	
382,695			271,000
	Cash Outflows:		
(316,441)	Repayments of amounts borrowed	(284,319)	
(6,204)	Capital payments of finance leases	(7,013)	
-	Net Agency Grants	(15,423)	
(322,645)			(306,755)
60,050	Net Cash Inflow / (Outflow) from Financing Activities		(35,755)
5,096	Net Increase / (Decrease) in cash and cash equivalents		56,170
74,679	Cash and Cash Equivalents at the beginning of the year		79,773
5,096	Net Increase / (Decrease) in cash and cash equivalents		56,170
(2)	Increase / (Decrease) Non-cash in cash equivalents		(25)
79,773	Cash and Cash Equivalents at the end of the year		135,918

Group Comprehensive Income and Expenditure Statement to Cash Flow Operating Activities

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

	£000	£000
Surplus on the Provision of Services		41,951
Non-Cash Transactions		
Items Relating to Loans Fund	(441)	
Adjustment relating to Provisions	10,220	
Adjustment relating to Capital items	70,071	
Adjustment relating to National Non-Domestic Rates	77	
Adjustment relating to Pension Reserve	40,749	120,676
Items on an Accruals Basis		
Increase in Inventories	(371)	
Decrease in Debtors	10,558	
Increase in Creditors	10,220	20,407
Net Cash Inflow from Operating Activities		183,034

Annual Accounts 2020/21

Notes to the Group Accounts

1. Disclosure of Interest in Other Entities

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

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

2. Group Structure

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

Relationship with the Council

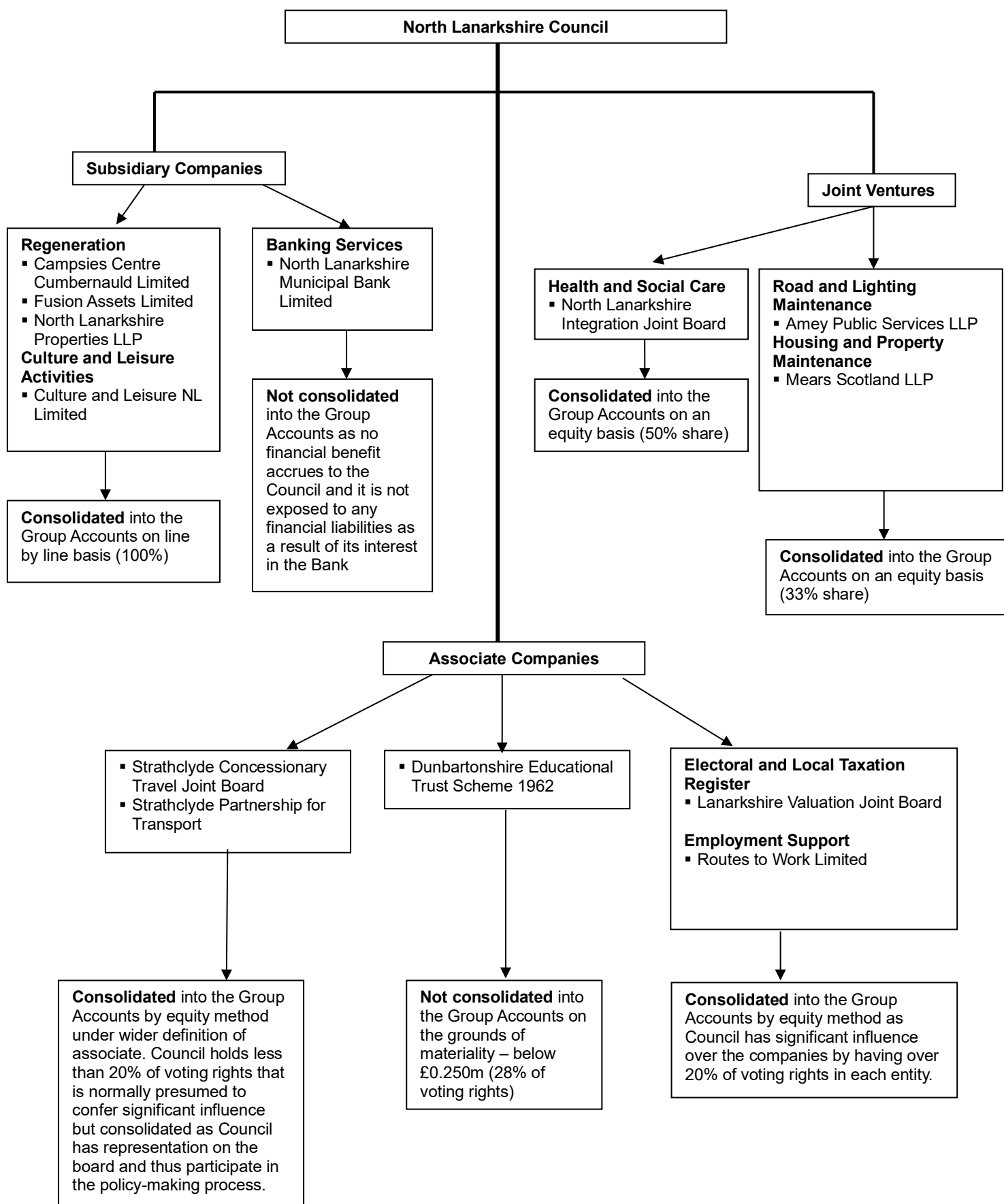
Subsidiary Companies: Entity controlled by the Council. Council has 100% interest in its subsidiaries.

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

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

The diagram overleaf illustrates the Council's group structure:

Annual Accounts 2020/21
Notes to the Group Accounts



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

Annual Accounts 2020/21

Notes to the Group Accounts

The Directors of the Bank are all Elected Members of North Lanarkshire Council. At 31 March 2021, there were 4,998 accounts held within the Bank, with a total of £21.845m on deposit. The Bank has total assets of £21.871m 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 2021 with the only exceptions being in respect of Amey Public Services LLP and Mears Scotland LLP which report to 31 December 2020. 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 no changes to the group structure during 2020/21.

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

Annual Accounts 2020/21
Notes to the Group Accounts

6. Reconciliation Statements

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

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

2019/20 Restated		2020/21
£000		£000
(198,298)	Total Comprehensive Income and Expenditure on the Council's Comprehensive Income and Expenditure Statement	(91,969)
	(Surplus)/Deficit arising from other entities included in the Group Accounts	
3,847	Subsidiaries	(2,881)
(9,808)	Associates	(1,573)
(215)	Joint Ventures	(18,352)
	Other Comprehensive (Income) and Expenditure	
(9,547)	Subsidiaries	4,281
(6,170)	Associates	(617)
(220,191)	Group total Comprehensive Income and Expenditure for the year	(111,111)

6.2 Council Balance Sheet to Group Balance Sheet

31 March 2020 Restated		31 March 2021
£000		£000
1,572,600	Net Assets on Council Balance Sheet	1,664,569
	Long Term Assets in Group Balance Sheet	
65,468	Investments in Associates	68,162
8,207	Investments in Joint Ventures	26,559
70,730	Subsidiary Non Current Assets	72,102
	Current Assets	
22,147	Subsidiaries	28,580
	Current Liabilities	
(6,012)	Subsidiaries	(8,698)
	Long Term Liabilities	
(103)	Associates	(607)
(45,097)	Subsidiaries	(51,616)
1,687,940	Net Assets on Group Balance Sheet	1,799,051
	Total Reserves on Council Balance Sheet	1,664,569
	Group Income and Expenditure and Other Reserves	
8,207	Joint Ventures	26,559
65,365	Associates	67,555
41,768	Subsidiaries	40,368
1,687,940	Total Reserves on Group Balance Sheet	1,799,051

Annual Accounts 2020/21

Notes to the Group Accounts

7. Further Details on Consolidation

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

7.1 Subsidiaries

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

	2019/20 Restated					2020/21				
	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 Properties LLP	Culture & Leisure NL Ltd
	£'000	£'000	£'000	£000	£000	£'000	£'000		£000	£000
Comprehensive Income and Expenditure Statement										
Surplus/ (Deficit) on Provision of Service Other	(416)	324	(954)	733	(3,534)	(388)	194		2,934	141
Comprehensive Income and Expenditure	-	-	238	346	8,963	-	-		(357)	(3,924)
Balance Sheet										
Non-Current Assets	-	2,654	-	67,565	511	-	2,786		68,584	732
Current Assets										
Inventories	-	2,900	-	2,008	98	-	3,148		-	58
Short-Term Debtors	(12)	487	-	(1,037)	(112)	(19)	479		(842)	619
Cash and Cash Equivalents	2,481	2,763	-	5,120	7,451	2,112	2,491		7,133	13,401
Current Liabilities										
Short-Term Creditors	(41)	(258)	-	(1,120)	(3,447)	(53)	(164)		(384)	(6,839)
Short-Term Borrowing	-	-	-	(1,146)	-	-	-		(1,258)	-
Long Term Liabilities										
Long Term Borrowing	-	-	-	(36,067)	(71)	-	-		(34,911)	(53)
Deferred Income	-	-	-	-	-	-	-		-	-
Capital Grants Received in Advance	-	-	-	-	-	-	-		-	-
Pensions	-	-	-	(27)	(8,932)	-	-		(449)	(16,203)
Reserves										
Income and Expenditure	(2,428)	(7,241)	-	(12,245)	(3,957)	(2,040)	(7,435)		(15,073)	(197)
General Fund	-	-	-	-	(1,572)	-	-		-	(8,139)
Pension	-	-	-	27	8,932	-	-		449	16,203
Revaluation Reserve	-	(211)	-	(23,077)	-	-	(211)		(23,248)	-
Other	-	(1,094)	-	(1)	1,099	-	(1,094)		(1)	418

Annual Accounts 2020/21 Notes to the Group Accounts

7.2 Joint Ventures

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

	2020/21		
	Council Payments to Entity	% of Entity's Annual Turnover	Council Share of Net Assets / (Liabilities)
	£000	%	£000
Amey Public Services LLP	14,087	88.26	(220)
Mears Scotland LLP	39,878	98.86	(182)
NL Integration Joint Board	148,430	21.45	26,559

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.

	2019/20 restated			2020/21		
	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	18,577	56,094	634,165	15,960	40,338	691,879
Net Profit/ (Loss) before Taxation	1,042	1,700	431	367	427	36,704
Taxation	-	-	-	-	-	-
Net Profit/ (Loss) after Taxation	1,042	1,700	431	367	427	36,704
Balance Sheet						
Non-Current Assets	284	1,703	-	87	119	-
Current Assets	2,699	9,933	16,414	3,245	12,730	53,117
Liabilities due within one year	(3,922)	(10,443)	-	(3,992)	(10,960)	-
Liabilities due after more than one year	(88)	(1,614)	-	-	(2,436)	-
Net Pension Asset Provision for Liabilities	-	-	-	-	-	-
Capital and Revenue Reserves	1,027	421	(16,414)	660	547	(53,117)

Group Accounts 2020/21 and Restated Group Accounts 2019/20

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.

Annual Accounts 2020/21

Notes to the Group Accounts

7.3 Associates

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

	2020/21				
	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	568	14.06	486	-	-
Strathclyde Partnership for Transport	5,411	10.48	67,457	-	-
Lanarkshire Valuation Joint Board	2,195	49.08	(607)	-	-
Routes to Work Limited	2,244	82.71	219	21	-

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.

	2019/20 restated		2020/21	
	Routes to Work Ltd.	Lanarkshire Valuation Joint Board	Routes to Work Ltd.	Lanarkshire Valuation Joint Board
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Gross Income	2,961	4,508	2,713	4,472
Net Surplus / (Deficit)	21	2,810	37	(1,008)
Balance Sheet				
Non-Current Assets	38	2	21	-
Current Assets	1,160	1,042	1,305	1,466
Liabilities due within one year	(136)	(131)	(228)	(479)
Long-Term Liabilities	-	-	-	-
Retirement Benefit Asset / (Liabilities)	-	(1,118)	-	(2,200)
Accumulating Compensated Absences	-	36	-	121
Capital, Revenue & Pension Reserves	(1,062)	169	(1,098)	1,092

Annual Accounts 2020/21 Notes to the Group Accounts

7.4 Annual Accounts

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

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

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 Dunbarton. The Council has 28% 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 2020/21 and the restated accounts for 2019/20 exclude NLC's share of the joint ventures Mears and Amey under compliance with IAS 28.

Annual Accounts 2020/21

Remuneration Report

Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require disclosures about the remuneration and pension benefits of Senior Councillors, Senior Employees and Senior Employees of Council subsidiary bodies 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 2020 (SSI 2020/26). 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 maximum salary that can be paid to the Leader of the Council is set out in the Regulations as £41,662. For 2020/21 the salary for the Leader of North Lanarkshire Council was £41,506. The Regulations permit the Council to remunerate one Provost with a maximum salary of £31,248. For 2020/21 the salary for the Provost of North Lanarkshire Council was £31,131.

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 2020/21 was £539,379. 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 £466,469 in 2020/21.

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

Annual Accounts 2020/21 Remuneration Report

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
70	67.09

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%	50
1-50%	18
51-99%	-
100%	2

Percentage of the total pay bill spent on facility time

Total cost of facility time (£)	109,532
Total pay bill (£)	527,354,109
Percentage of the total pay bill spent on facility time	0.02%
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

Annual Accounts 2020/21 Remuneration Report

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 (£)	2019/20			2020/21		
	Officers	Teachers	Total	Officers	Teachers	Total
50,000 - 54,999	62	237	299	118	255	373
55,000 - 59,999	32	178	210	39	176	215
60,000 - 64,999	22	122	144	33	110	143
65,000 - 69,999	9	34	43	21	51	72
70,000 - 74,999	2	7	9	7	8	15
75,000 - 79,999	3	5	8	2	8	10
80,000 - 84,999	4	2	6	2	1	3
85,000 - 89,999	14	6	20	4	9	13
90,000 - 94,999	1	4	5	14	1	15
95,000 - 99,999	2	-	2	-	2	2
100,000- 104,999	-	-	-	1	-	1
105,000 - 109,999	-	-	-	-	-	-
115,000 - 119,000	1	-	1	-	-	-
125,000 - 129,999	1	-	1	-	-	-
130,000 - 134,999	2	-	2	1	-	1
135,000 - 139,999	-	-	-	1	-	1
140,000 - 144,999	-	-	-	-	-	-
165,000 - 169,000	1	-	1	1	-	1
	156	595	751	244	621	865

Annual Accounts 2020/21 Remuneration Report

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	2019/20	2020/21
		Total Remuneration	Total Remuneration
		£	£
James Logue	Leader of the Council	40,426	41,688
Paul Kelly	Depute Leader of the Council	30,457	31,131
Jean Jones	Provost	31,451	31,131
Tom Castles	Depute Provost	24,720	25,267
Robert Burrows	Convener of Finance and Resources Committee	30,457	31,131
Harry Curran	Convener of Planning Committee	24,720	25,267
William Shields	Convener of Local Review Body	24,720	25,267
Jordan Linden	Leader of the SNP Group (from 8 March 2021)	-	1,592
Thomas Johnston	Leader of SNP Group (until 8 March 2021)	24,701	23,675
Thomas Morgan	Convener of Adult Health and Social Care Committee	24,720	25,267
Frank McNally	Convener of Education and Families Committee	30,457	31,131
Nicky Shevlin	Convener of Regulatory Committee	24,720	25,267
John McLaren	Convener of Licensing Board	24,720	25,267
Allan Graham	Convener of Enterprise and Growth Committee	24,720	25,267
Michael McPake	Convener of Environment and Transportation Committee	24,720	25,267
Heather Brannan-McVey	Convener of Housing and Regeneration Committee	30,457	31,131
Meghan Gallacher	Convener of Audit and Scrutiny Panel	30,457	31,131
Louise Roarty	Business Manager	30,457	31,131
Kenneth Duffy	Convener of Transformation and Digitisation Committee	24,720	25,267
Angela Campbell	Convener of Community Empowerment Committee	24,720	25,267
Alex McVey	Convener of Lanarkshire Joint Valuation Board	4,188	4,468
Total		530,708	542,010

Note

1. 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).
2. The remuneration disclosed in 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.
3. 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.
4. Councillor Logue received backpay of £182 relating to 2019/20 in 2020/21.
5. Full year equivalent for Leader of the SNP Group 2020/21 is £25,267.
6. The Joint Boards have an arrangement to reimburse the Council for the additional costs arising from a Councillor 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 2020/21:
 - Councillor A McVey was the Convener of the Lanarkshire Joint Valuation Board from 26 June 2017 and the Council was reimbursed £4,468 for 2020/21 (£4,188 for 2019/20).

Annual Accounts 2020/21 Remuneration Report

b. Remuneration of Councillors

The Council paid the following remuneration to all Councillors (including the Senior Councillors above) during the year.

Type of Remuneration	2019/20	2020/21
	£	£
Salaries	1,532,882	1,539,231
Expenses	62,550	14,632
Total	1,595,432	1,553,863

Note: The annual return of Councillors' remuneration for 2020/21 is available for any member of the public to view on the Council's website at www.northlanarkshire.gov.uk. Please follow the link on the Council's website as follows: [Councillor Remuneration 2020/21](#)

c. Remuneration of Council Senior Employees

Name	Post Title	2019/20	2020/21		
		Total remuneration	Salaries, fees and allowances	Compensation for loss of office	Total remuneration
		£	£	£	£
Desmond Murray	Chief Executive	165,532	170,052	-	170,052
Robert Steenson	Executive Director (Enterprise and Communities)	132,663	136,270	-	136,270
Paul Hughes	Head of Financial Solutions until 28 April 2019 (Section 95 Officer)	19,818	-	-	-
Elaine Kemp	Head of Financial Solution from 29 April 2019 (Section 95 Officer)	79,232	90,288	-	90,288
Katrina Hassell	Head of Business Solutions	88,225	92,016	-	92,016
Fiona Whittaker	Head of People and Organisational Development	89,547	92,017	-	92,017
Stephen Penman	Head of Strategic Communications	93,042	92,096	-	92,096
Ross McGuffie	Chief Officer (Health and Social Care).	98,070	101,601	-	101,601
Derek Brown	Executive Director (Education and Families) from 28 April 2019	125,759	134,348	-	134,348
Alison Gordon	Head of Children, Families & Justice Social Work Services (Chief Social Work Officer)	92,048	92,017	-	92,017
Archie Aitken	Head of Legal & Democratic Solutions (Monitoring Officer)	93,042	92,652	-	92,652
Ken Adamson	Head of Audit and Inspection	65,790	67,202	-	67,202
Total		1,142,768	1,160,559	-	1,160,559

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

Annual Accounts 2020/21 Remuneration Report

4. The 2020/21 remuneration in the table above includes election payments; Desmond Murray £408 (2019/20 £4,326), Elaine Kemp £180 (2019/20 £400), Katrina Hassell £0 (2019/20 £580), Stephen Penman £0 (2019/20 £3,460), Archie Aitken £635 (2019/20 £3,460) and Ken Adamson £175 (2019/20 £545).

d. Remuneration of Council's Subsidiary Bodies Senior Employees

Name	Post Title	2019/20	2020/21		
		Total remuneration	Salaries, fees and allowances	Compensation for loss of office	Total remuneration
		£	£	£	£
David Baird	Surveying and Technical Manager, North Lanarkshire Properties (until 30 November 2020)	59,606	42,496	-	42,496
Kenneth McDonald	Surveying and Technical Manager, North Lanarkshire Properties from (01 December 2020)	-	14,587	-	14,587
Murray Collins	Managing Director, Fusion Assets	71,552	71,727	-	71,727
Jillian Ferrie	Chief Executive, Culture and Leisure NL	69,986	90,210	-	90,210
Emma Walker	Managing Director, Culture and Leisure NL (until 2 June 2020)	89,926	20,323	71,736	92,059
Total		291,070	239,343	71,736	311,079

1. The Campsies Centre Cumbernauld Ltd does not have any employees and their directors do not receive any remuneration.
2. Total remuneration disclosed relates to salary, fees and allowances and compensation for loss of employment.
3. The Council has no influence over the remuneration provided by subsidiaries.

4. Pension Benefits

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

All Senior Councillors and Senior Employees shown in tables a) and b) below are entitled to join 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 their 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 their full-time equivalent pay and is payable in the financial year ended 31 March 2021 at the rate on the following bands of pay:

Band	Range	Contribution Rate
1	On earnings up to and including £22,000	5.50%
2	On earnings above £22,001 and up to £27,100	7.25%
3	On earnings above £27,701 and up to £37,200	8.50%
4	On earnings above £37,201 and up to £49,600	9.50%
5	On earnings above £49,601	12.00%

The pension entitlements for Senior Councillors, Senior Employees of the Council and Subsidiary Bodies for the year to 31 March 2021 are shown in the tables below, together with the contribution made by the Council or the Subsidiary Body during the year.

Annual Accounts 2020/21 Remuneration Report

a. Pension Benefits of Senior Councillors

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

Councillor Name	In-year pension contributions		Accrued pension benefits		
	For year to 31 March 2020 £	For year to 31 March 2021 £	As at 31 March 2020 £000	Movement In Year £000	As at 31 March 2021 £000
James Logue	7,802	8,046	Pension 8	1	9
			Lump Sum 3	-	3
Paul Kelly	5,878	6,008	Pension 6	1	7
			Lump Sum 2	-	2
Jean Jones	-	-	Pension -	-	-
			Lump Sum -	-	-
Tom Castles	-	-	Pension -	-	-
			Lump Sum -	-	-
Robert Burrows	5,878	6,008	Pension 6	1	7
			Lump Sum 2	-	2
Harry Curran	4,771	4,877	Pension 5	1	6
			Lump Sum 1	-	1
William Shields	4,771	4,877	Pension 5	-	5
			Lump Sum 1	-	1
Jordan Linden	-	-	Pension -	-	-
			Lump Sum -	-	-
Thomas Johnston	4,767	4,796	Pension 4	1	5
			Lump Sum 1	-	1
Thomas Morgan	4,771	4,877	Pension 3	1	4
			Lump Sum -	-	-
Frank McNally	5,878	6,008	Pension 4	1	5
			Lump Sum -	-	-
Nicky Shevlin	4,771	4,877	Pension 5	1	6
			Lump Sum 2	-	2
John McLaren	4,771	4,877	Pension 3	1	4
			Lump Sum -	-	-
Allan Graham	4,771	4,877	Pension 4	-	4
			Lump Sum -	-	-
Michael McPake	4,771	4,877	Pension 4	1	5
			Lump Sum -	-	-
Heather Brannan-McVey	5,878	6,008	Pension 4	1	5
			Lump Sum -	-	-
Meghan Gallacher	5,878	6,008	Pension 2	-	2
			Lump Sum -	-	-
Louise Roarty	-	-	Pension -	-	-
			Lump Sum -	-	-
Kenneth Duffy	4,771	4,877	Pension 1	1	2
			Lump Sum -	-	-
Angela Campbell	4,771	4,877	Pension 1	1	2
			Lump Sum -	-	-
Alex McVey	4,199	4,292	Pension 2	-	2
			Lump Sum -	-	-
Total	89,097	91,067		79	13
					92

- The 2019/20 figures have been corrected for an error in disclosure in the in year Pension Contributions for H Curran which resulted in the figure disclosed in the note in 2019/20 Annual Accounts being overstated by £1,107.

Annual Accounts 2020/21 Remuneration Report

b. Pension Benefits of Council Senior Employees

Name	In-year pension contributions		Accrued pension benefits		
	For year to 31 March 2020	For year 31 March 2021	As at 31 March 2020	Movement in Year	As at 31 March 2021
	£	£	£000	£000	£000
Desmond Murray	32,466	32,705	Pension 49	5	54
			Lump Sum 58	4	62
Robert Steenson	25,434	26,192	Pension 59	7	66
			Lump Sum 108	3	111
Paul Hughes	2,263	-	Pension 51	(51)	-
			Lump Sum 98	(98)	-
Elaine Kemp	15,960	17,303	Pension 30	4	34
			Lump Sum 45	3	48
Katrina Hassell	16,782	17,670	Pension 39	4	43
			Lump Sum 70	4	74
Fiona Whittaker	17,160	17,687	Pension 5	1	6
			Lump Sum -	-	-
Stephen Penman	17,174	17,687	Pension 18	2	20
			Lump Sum -	-	-
Ross McGuffie	18,752	19,519	Pension 5	3	8
			Lump Sum -	-	-
Derek Brown	24,488	25,806	Pension 4	11	15
			Lump Sum -	-	-
Alison Gordon	17,747	17,687	Pension 26	3	29
			Lump Sum 24	1	25
Archie Aitken	17,174	17,687	Pension 37	3	40
			Lump Sum 59	1	60
Ken Adamson	12,511	12,883	Pension 28	2	30
			Lump Sum 44	2	46
Total	217,911	222,826	857	(86)	771

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 2020	For year 31 March 2021	As at 31 March 2020	Movement in Year	As at 31 March 2021
	£	£	£000	£000	£000
David Baird	11,424	7,548	Pension 22	4	26
			Lump Sum 34	7	41
Kenneth McDonald	-	2,827	Pension -	1	1
			Lump Sum -	-	-
Murray Collins	22,306	25,123	Pension -	-	-
			Lump Sum -	-	-
Jillian Ferrie	12,572	15,410	Pension 29	8	37
			Lump Sum 46	12	58
Emma Walker	15,163	3,514	Pension 26	-	26
			Lump Sum 26	-	26
Total	61,465	54,422	183	32	215

5. Exit Packages

North Lanarkshire Council terminated the contracts of a number of employees in 2019/20 and 2020/21 as part of a series of workforce change exercises which gave rise to voluntary severance agreements.

Annual Accounts 2020/21 Remuneration Report

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 2020/21

Banding	Employees	Redundancy Lump Sums	CAY Lump Sums	Strain Costs	Estimated CAY Liabilities	Total Exit Package Costs
£0-£20,000	5	71	-	-	-	71
£20,001-£40,000	18	546	-	15	-	561
£40,001-£60,000	11	437	4	78	27	546
£60,001-£80,000	8	240	7	240	54	541
£80,001-£100,000	1	33	-	65	-	98
£100,001-£150,000	9	204	47	422	514	1,187
£150,001-£200,000	4	82	36	303	317	738
£200,001-£250,000	2	51	14	166	256	487
	58	1,664	108	1,289	1,168	4,229

Comparative Exit Packages 2019/20

Banding	Employees	Redundancy Lump Sums	CAY Lump Sums	Strain Costs	Estimated CAY Liabilities	Total Exit Package Costs
£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

Des Murray

Des Murray
Chief Executive

09 December 2021

James Logue

Councillor James Logue
Council Leader

09 December 2021

Annual Accounts 2020/21

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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



Councillor James Logue

Council Leader

09 December 2021

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 2021, and its income and expenditure for the year ended 31 March 2021.



Elaine Kemp, CPFA

Head of Financial Solutions

09 December 2021

Annual Accounts 2020/21

Annual Governance Statement

1. Scope of responsibility

- 1.1 North Lanarkshire Council is committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.
- 1.2 The council also has a duty under the Local Government in Scotland Act 2003 to demonstrate Best Value by securing continuous improvement in performance. Good governance is central to meeting Best Value obligations as effective governance and accountability arrangements, with openness and transparency in decision-making, schemes of delegation, and effective reporting of performance are essential for taking informed decisions and ensuring effective scrutiny of performance and stewardship of resources.
- 1.3 To maintain compliance in terms of ensuring good governance and delivering continuous improvement, the council has adopted the principles and requirements of the *Delivering Good Governance in Local Government: Framework (2016)* and accompanying *Guidance Notes for Scottish Local Authorities (2016)* published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in association with the Society of Local Authority Chief Executives (SOLACE).
- 1.4 To ensure its good governance arrangements are sound and the highest standards are met, the council has set out its commitment to the national principles of good governance by determining its own governance structure (local code) underpinned by these principles. This local code is set out in the Strategic Governance Framework.
- 1.5 In discharging these duties Chief Officers and Elected Members are responsible for implementing the council's governance arrangements and ensuring the local code, the Strategic Governance Framework, is assessed on an annual basis to ensure ongoing effectiveness and compliance.
- 1.6 In this respect, the council has arrangements in place through the Corporate Management Team (CMT) to ensure appropriate and regular oversight, management, and reporting at a strategic level to support delivery of The Plan for North Lanarkshire and Programme of Work. A standing agenda item for governance and risk further demonstrates the commitment to ensuring effective corporate governance arrangements are in place. As part of their annual evaluation process of the Strategic Governance Framework, the CMT is also responsible for identifying improvement actions and/or future planned developments in relation to key governance arrangements and continuous improvement.
- 1.7 Independent and objective assurances are provided by Internal Audit whose function is designed to add value and improve the council's operations. This in turn helps the council accomplish its strategic ambitions by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the council's risk management, internal control, and governance processes. The council's internal audit arrangements are consistent with the CIPFA Statement on *the role of the Head of Internal Audit in public service organisations (2019)*.
- 1.8 Internal Audit activity is planned to enable an independent opinion to be given by the Audit and Risk Manager each year on the adequacy and effectiveness of internal controls within the council, including the systems designed to achieve the strategic ambitions of the council and those that manage the material risks faced by the council. It should be noted, however, that the presence of an effective internal audit function contributes towards, but is not a substitute for, effective control.
- 1.9 The responsibilities of the Audit and Scrutiny Panel, whose activities and functions comply with the standards set out in CIPFA's *Position Statement: Audit Committees in Local Authorities (2018)*, are to provide independent assurance to the council and those charged with governance on the adequacy of the council's risk management framework and internal control environment. The Panel is also responsible for providing independent review of the council's governance, risk management, performance, and control frameworks, and overseeing the financial reporting and annual governance processes.
- 1.10 This statement also covers the organisations consolidated in the Council's Group Accounts.

Annual Accounts 2020/21

Annual Governance Statement

2. Strategic Governance Framework

- 2.1 In February 2020, the Audit and Scrutiny Panel approved the council's Strategic Governance Framework. Along with the other four inter-related corporate frameworks, the Strategic Governance Framework is key to assessing the success of The Plan for North Lanarkshire and monitoring delivery of the Programme of Work.
- 2.2 The council recognises that a crucial aspect in delivering good governance is the way that it is applied. The ethos of good governance cannot be achieved by structures, rules, and procedures alone. Effectively, good governance needs to be embedded within the council and its culture and the need for, and value of, good governance must be explicit. As such, any references that require to be made to one of the five frameworks references them all together at all times for completeness and to raise awareness of the need for good governance.
- 2.3 The council's Strategic Governance Framework outlines the elements and mechanisms in place to ensure appropriate oversight and governance of The Plan for North Lanarkshire and supporting Programme of Work and enable the council to monitor the delivery of its ambitions while ensuring arrangements for corporate governance, risk management, and internal financial controls are sound. This is based on the following:
- Identifying and setting out the council's long-term strategic ambition and priorities in The Plan for North Lanarkshire and ensuring the vision for *inclusive growth and prosperity for all* is embedded throughout all other policy statements agreed by the council.
 - Establishing the five inter-related corporate frameworks (Policy, Governance, Programme and Project Management, Performance, and Self-Evaluation) to assess the success of The Plan for North Lanarkshire and monitor delivery of the Programme of Work, while ensuring each stage of delivery towards achieving the overall ambitions is appropriately planned, guided, implemented, and governed.
 - Ensuring these five frameworks remain aligned to The Plan for North Lanarkshire and Programme of Work through a regular review and refresh programme that also helps the council to ensure it is proactive in responding to social, economic, and environmental trends and changes in legislation and governance, as well as the broad range of national policy changes and new developments.
 - Standing Orders that allow the council to delegate decision making to committees, sub-committees, or officers and sets out the rules which apply to the running and operation of council and committee meetings.
 - A Scheme of Administration which clearly sets out functions, terms of reference, and powers of the council and its committees and sub-committees and which is aligned to the organisational structure to facilitate decision making in line with the council's strategy.
 - A Scheme of Delegation to Officers which sets out the functions delegated to the Chief Officers of the council.
 - Financial Regulations and a Scheme of Financial Delegation which, as an integral part of the council's framework of internal financial controls, are designed to ensure effective stewardship of North Lanarkshire Council funds. Compliance with these regulations will ensure that public money is safeguarded and properly accounted for, and all council financial transactions are undertaken in a manner which demonstrates openness, transparency, and integrity. The Financial Regulations form a key part of the overarching Financial Strategy and the corporate governance arrangements of the council.
 - The Financial Strategy which (as the overarching framework that establishes the financial strategies and policies to ensure effective financial governance, planning, and management) also sets out the responsibility for safeguarding public funds within the council and the role of the Section 95 Officer. The financial strategies and policies covered by the Financial Strategy include the Capital Strategy, Treasury Management Strategy, Revenue Budget Strategy, and the Medium-Term Financial Plan.
 - A Risk Management Strategy with arrangements that reflect the council's strategic ambition at a corporate, service, and project level. A key part of the system of internal control, the council's risk management arrangements are designed to identify, assess, prioritise, and mitigate risks to the achievement of the council's priorities. These arrangements are designed to enable the council to perform well, to manage risk effectively, and to minimise

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- any potential impacts on service delivery and the achievement of planned outcomes.
- Codes of Conduct for Elected Members, Chief Officers, and employees which provide frameworks within which individuals are expected to undertake their duties in a manner which meets the required standards for good governance. This includes ensuring declarations of interests, and for conflicts of interest and gifts and hospitality, are appropriately made and published.
 - Ensuring legislative obligations are fulfilled through the statutory officer roles of the head of paid service, monitoring officer, chief financial officer (section 95 officer), and the chief social work officer.
 - An Anti-Fraud Policy and Fraud Response Plan which sets out the council's expectations (which extend to all individuals and organisations with whom it deals) in terms of acting honestly and with integrity and in safeguarding public resources.
 - Whistleblowing procedures which provide a mechanism for employees of the council, and other workers within the council, to report a concern about serious wrongdoing within the council and to do so with security and in confidence.
 - A Corporate Management Team (CMT) with a supporting meetings structure comprising Service Management Team (SMT) meetings and Operational Management Team (OMT) meetings to cascade the context, deliverables, and accountabilities and ensure consistency of message in the delivery of the Programme of Work and The Plan for North Lanarkshire. All Heads of Service are members of the CMT; this includes those Heads of Service who also hold a statutory officer role.
 - An Audit and Scrutiny Panel whose activities and functions comply with the standards set out in CIPFA's *Position Statement: Audit Committees in Local Authorities* (2018), and whose purpose is to provide independent assurance to the council and those charged with governance on the adequacy of the council's risk management framework and internal control environment. It also provides independent review of the council's governance, risk management, performance, and control frameworks and oversees the financial reporting and annual governance processes.
 - A systematic approach to managing strategic and operational performance which includes target setting and regular service / statutory and Strategic Performance Framework reporting in line with an annual schedule and the statutory direction, to allow performance against the strategic priorities to be assessed.
 - Comprehensive revenue budget and capital expenditure guidelines, with well-established processes and systems to ensure regular monitoring and reporting, as well as oversight and scrutiny by management and Elected Members.
 - A range of programme Boards and working groups aligned to the delivery of specific Programme of Work items, e.g. DigitalNL, Community Hubs, Enterprise Strategic Commercial Partnership, and Data Governance.
 - An Information Governance Policy Framework, comprising policies in terms of records and information management, data protection, information handling and classification, information risk, and information security to ensure proper recording of information, appropriate access to that information including by the public, and compliance with legislation.
 - Publicly available complaints and freedom of information procedures with management, monitoring, and reporting arrangements.
 - A range of employment and other policies and the associated guidance documents and forms which promote and support ethical behaviour and standards of conduct by employees, along with an employee Performance Review and Development (PRD) process and access to a range of employee and Elected Members' training and development programmes and opportunities through LearnNL.
 - Independent and objective assurances provided by Internal Audit whose function is designed to add value and improve the council's operations. The Internal Audit function operates within the Public Sector Internal Audit Standards (PSIAS) 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.

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- Independent and objective assurances provided by the external auditors through their Annual Audit Report (AAR) process and a range of external audit and inspection bodies.

3. Review of effectiveness of governance arrangements

3.1 The Annual Governance Statement has been prepared with evidence gathered from various different sources to ensure that it properly reflects the effectiveness of the council's arrangements during 2020/21. This evidence is summarised in paragraphs 3.1.1 to 3.1.6 below.

3.1.1 Heads of Service reviewed the effectiveness of governance arrangements within their area of responsibility by completing a certificate of assurance and updating a 78 point checklist covering: the control environment, risk management, business planning / information / reporting, financial control processes, project management, monitoring and corrective action, human resources, arm's length bodies, and assessing whether key controls have been applied during the year.

- Through this process Heads of Service have confirmed corporate governance arrangements and financial controls in their area of responsibility have been, or are, working well and there are no other significant matters arising which would require to be raised specifically in the Annual Governance Statement.

3.1.2 In line with the Public Sector Internal Audit Standards (PSIAS) and the council's Internal Audit Charter, the Audit and Risk Manager is required to provide the Audit and Scrutiny Panel (and the Chief Executive and CMT) with an annual summary of the work undertaken by Internal Audit and to provide an annual independent opinion on the council's corporate governance, risk management, and internal control arrangements. This provides assurance on the effectiveness of the council's governance arrangements and systems of internal control and the extent to which the council complies with the good governance principles referred to in paragraph 1.3 above.

- In his Internal Audit annual report for 2020/21, presented to the Chief Executive and CMT in May 2021 and the Audit and Scrutiny Panel in June 2021, the Audit and Risk Manager has stated that the annual Internal Audit opinion is unqualified and offers a generally positive view of the council's governance and internal control arrangements. More specifically, it is the opinion of the Audit and Risk Manager that reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management, and internal control for the year ended 31st March 2021.

3.1.3 Self-evaluation work undertaken by the council as part of its governance and performance management arrangements.

- For 2020/21 this included a review of the council's response to COVID-19. Utilising a set of independent assessment criteria this self-evaluation exercise focused on four sections - the council's response to COVID19, governance of the council during COVID-19, support for staff during COVID-19, and new ways of working. This exercise also captured lessons learned from the pandemic to support the council through the recovery and renewal planning processes, and to move to a platform of stability from which available resources were able to be redirected to fulfil the ambition set out in The Plan for North Lanarkshire.
- An Internal Audit was subsequently carried out on the council's COVID-19 response in order to provide independent assurance of the adequacy and effectiveness of the council's resilience arrangements and its response to the pandemic. Based on the results of the work, this audit was categorised as offering *substantial assurance* with only one area for improvement which was implementing an action plan to record and track progress in respect of lessons learned; an action plan was subsequently implemented and is being monitored by the Silver Group.

3.1.4 A statement of the effectiveness of the council's internal financial control systems has been provided by the Head of Financial Solutions (the council's Section 95 Officer / Chief Financial Officer) to the Chief Executive. The Head of Financial Solutions has also confirmed that the council's financial arrangements conform with the requirements of the CIPFA Statement on the *role of the Chief Financial Officer in local government* (2016).

3.1.5 In adherence to the CIPFA Code of Practice on *Managing the Risk of Fraud and Corruption* (2014), it is considered that the council has adopted management arrangements that are appropriate for its fraud and corruption risks and commits to maintaining its vigilance to tackling

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fraud; this commitment is set out in the Anti-Fraud Policy and Fraud Response Plan.

- 3.1.6 Comments made by the external auditors and other audit and inspection bodies, feedback from Elected Members and committees in their scrutiny role, and issues considered by the Audit and Scrutiny Panel.
- 3.1.7 The council's arm's length external organisations (ALEOs) have also completed a certificate of assurance and updated the accompanying 62 point checklist to support the preparation of the council's statements on corporate governance and internal financial control for year ending 31 March 2021.
- In this respect, the Chief Executive or Senior Representative for each of the ALEOs has confirmed corporate governance arrangements and financial controls in their organisation have been, or are, working well and there are no other significant matters arising which would require to be raised specifically in the council's Annual Governance Statement.

4. Continuous improvement

- 4.1 The Plan for North Lanarkshire is now well established and sets the long-term strategic direction for the Council, partners, and other stakeholders and, most importantly, for each unique local community and the people who *Live, Learn, Work, Invest, and Visit* within North Lanarkshire. It's a Plan with a shared ambition of inclusive growth and prosperity for all and a fairer distribution of wealth across all local communities.
- 4.2 The long-term ambition established through The Plan for North Lanarkshire coupled with the fast moving, unpredictable, and increasingly challenging and complex local government environment, means planning and change are constantly evolving and ongoing visibility into all programmes of work and their interconnections is essential.
- 4.3 The Programme of Work process (established in 2019) provides a clear roadmap for work across Council services and with partners. It allows for plans of action to be developed that inform the projects, activities, services, technologies, and resources that need to be harnessed in order to seize the most and best opportunities to deliver on the long-term strategy, while achieving value for money in the here and now. Directing policies and plans to support delivery of The Plan for North Lanarkshire, the Programme of Work process is instrumental in bringing together the elements that support strategic planning, local development, enterprise activities, and community investment in a cohesive manner. The third annual iteration of the Programme of Work (for 2021/22) was approved in March 2021.
- 4.4 The changes required to deliver on the long-term ambition present both opportunities and challenges. To realise the ambition, the Council must continue to engage in a broad range of innovative and transformative programmes of work and projects in order to maintain services for residents in local communities which are efficient and effective, while targeting resources towards those individuals in the most vulnerable situations and ensuring value for money.
- 4.5 The Strategic Governance Framework has been developed taking into account the local environment within which the Council operates. It brings the principles of good governance together with legislative requirements and management processes by which the Council is directed and controlled and through which it is accountable to, engages with, and leads the local community. This aims to ensure the Council is able to effectively pursue the long-term ambition set out in The Plan for North Lanarkshire, while ensuring this is underpinned with control and the management of risk, and:
- Resources are directed in accordance with agreed policies and according to priorities and in line with corporate programme and project management procedures.
 - There is sound and inclusive decision making.
 - There is clear accountability for the use of those resources in achieving defined outcomes for service users and local communities.

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- 4.6 Key to assessing the success of The Plan for North Lanarkshire and monitoring delivery of the Programme of Work (while ensuring each stage of delivery towards achieving the overall ambitions is appropriately planned, guided, implemented, and governed) are five inter-related corporate frameworks:
- Strategic Policy Framework
 - Strategic Governance Framework
 - Programme and Project Management Framework
 - Strategic Performance Framework
 - Strategic Self-Evaluation Framework
- 4.7 To ensure these frameworks remain aligned to The Plan for North Lanarkshire and Programme of Work, all five are on an annual review and refresh programme. This also helps the Council to ensure it is proactive in responding to social, economic, and environmental trends and changes in legislation and governance, as well as the broad range of national policy changes and new developments.
- 4.8 Following publication of the Accounts Commission's Best Value Assurance Report (BVAR) for North Lanarkshire Council in May 2019, updates on implementation of the eight recommendations for improvement were reported to the Policy and Strategy Committee in September 2019 and again in March 2020. The report in March 2020 consolidated the eight improvement actions within the Programme of Work to strengthen a corporate and integrated approach to improvement that supports delivery of The Plan for North Lanarkshire.
- 4.9 During 2020/21, 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 was reflected in subsequent levels of performance. Following a desktop review of the performance indicators in the Strategic Performance Framework to identify those relating to services impacted by the pandemic, the CMT identified a tailored suite of measures for monthly management monitoring purposes. This included a national data dashboard through which important aspects of the local government response were monitored.
- 4.10 To conclude the COVID recovery phase and move the Council's focus onto renewal of services and continuation of business as usual towards achieving the ambitions and priorities set out in The Plan for North Lanarkshire, a COVID Recovery and Renewal Plan was approved in October 2020. This highlights how the Council adapted to new ways of working throughout the response and recovery phases and noted that many of the Council's services continued to operate throughout lockdown and the subsequent phases of the *Scottish Governments COVID-19 Routemap through and out of the crisis*, with many having been redesigned to fit the needs of the community.
- 4.11 With approval of Delivering for Communities in December 2020, and the Programme of Work reviewed and updated for 2021/22, the opportunity has been taken to re-evaluate aspects of the Strategic Performance Framework in light of the current local and national context and to develop and implement a Performance Reporting Schedule for 2021/22. This comprises arrangements for regular strategic performance reviews at CMT, service, statutory, and Strategic Performance Framework reporting to Committee, and a set of five non-negotiable standards to be applied when reporting performance. This allows regular reporting on progress of 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 areas requiring improvement and future decision making.
- 4.12 Following the decision taken by the Policy and Strategy Committee at its meeting in January 2020 to insource the delivery of culture, sport, and leisure services formerly provided by Culture and Leisure NL Limited (CLNL), progress reports to Committee in December 2020 and January 2021 highlighted the plan for recovery, associated financial implication, and key considerations linked to the workforce transfer strategy.
- 5. Current year issues arising from Internal Audit activity during 2020/21**
- 5.1 In his Internal Audit annual report for 2020/21, presented to the Chief Executive and CMT in May 2021 and the Audit and Scrutiny Panel in June 2021, the Audit and Risk Manager provided an overview of the activities of the Internal Audit section for the year 2020/21. This included highlights

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of a number of the more significant issues which arose from the work undertaken by Internal Audit during the year. More specifically the Audit and Risk Manager commented on the following:

- A small number of audit assignments reported during 2020/21 which offered only *limited assurance*. In all cases, management committed to a range of relevant improvement actions, some of which have already been completed. In this respect Internal Audit will continue to monitor progress on these issues during 2021/22 to provide senior management and the Audit and Scrutiny Panel with further assurance that relevant key controls are operating effectively.
- The results from detailed Internal Audit work examining the Council's corporate governance arrangements which suggest that compliance with the requirements of the corporate governance framework adopted by the Council continued to be positive with no significant weaknesses or areas of concern highlighted.
- Internal Audit work which suggests that despite significant and increasing challenges, key financial controls and financial management arrangements continued to operate to a generally high standard within the Council.
- With the exception of a fraud in relation to payroll, details of which were reported to the Audit and Scrutiny Panel in June 2021, there were no other weaknesses, material frauds, or irregularities identified by Internal Audit in 2020/21 that require to be reported.

5.2 In terms of the fraud in payroll, findings from the internal audit reported that while the correct procedure had not been followed and had led to the by-passing and failure of the expected control to operate, the audit work (as noted in the Audit and Scrutiny Panel report in June 2021) provided reasonable assurance that no other similar fraudulent activity had previously occurred. This report concluded that although detective controls in place identified the issue at a relatively early stage and the value of the fraud was relatively low, the Audit and Risk Manager issued a report to management on the conclusion of the audit work highlighting improvements required in the control framework which would reduce the scope for such an issue to be able to arise in future. Management have subsequently changed the control environment surrounding this aspect by reducing the number of staff who can access and process such changes and reiterated the need for approved documentation and second officer checks. This matter was dealt with in line with the council's corporate Anti-Fraud Policy.

5.3 In his Internal Audit annual report for 2020/21, the Audit and Risk Manager commented that during the year the council had to respond to unprecedented challenges arising from the public health emergency with the need to transition very quickly to significantly different ways of operating with consequential impacts on governance, internal control, and risk management arrangements. The Audit and Risk Manager also reported that internal audit were involved in the council's strategic response to the pandemic, working closely with senior management to provide advice and commentary on proposals relating to new working arrangements and changes to internal controls and governance arrangements.

5.4 During the year Internal Audit also carried out specific unplanned work in key risk areas such as payroll, creditors payments, and COVID business support grants to provide specific assurance on the implementation of new and/or revised financial processes. As a result the Audit and Risk Manager noted in his annual report that during the year some amendments were made to the annual audit plan to enable the function to respond flexibly to changing circumstances since the plan was developed and approved - most notably changes arising from the impact of, and response to, the public health pandemic (these changes were noted in the Internal Audit annual report for 2020/21).

5.5 Despite the challenges presented by the pandemic and notwithstanding the results of some specific individual audit assignments, overall the Audit and Risk Manager reported that he was satisfied that the Council's internal control and governance arrangements remained reasonably robust throughout 2020/21.

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6. Current year issues arising from external audit activity during 2020/21

6.1 As part of their annual audit process, Audit Scotland identified some financial control weaknesses which were outlined in June 2021 in their interim management report for 2020/21. In this respect, the external auditor will carry out additional work prior to publication of their final annual audit report and management have committed to addressing the improvements identified.

7. Previous year issues - 2019/20

7.1 The table below outlines issues identified during the Internal Audit programme of work for the previous year, 2019/20. An update providing details of the actions taken to address each issue has also been included.

Issue raised	Action taken
<p>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.</p>	<p>Following approval of the Strategic Performance Framework at Committee in September 2019 reporting arrangements, approved at CMT in October 2019, were subsequently implemented 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.</p> <p>Since then, the emergence of the coronavirus pandemic has had a significant impact on the delivery of the Council's planned day to day activities and achievement of strategic priorities. Despite this, coupled with the redeployment of resources and subsequent availability of performance information across the Council, a wide range of statutory and strategic performance information has been reported to the CMT, Service Committees, and the Audit and Scrutiny Panel. A report to the CMT in March 2021 summarised the extent of reporting over the last 16 months in this respect. This included the latest progress update of the level 1 context indicators reported to the Policy and Strategy Committee in March 2021.</p> <p>Following this, a Performance Reporting Schedule was developed for 2020/21. This is outlined in further detail within paragraph 4.11 above.</p>
<p>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.</p>	<p>Notwithstanding the unprecedented challenges presented by COVID-19, the well-established local arrangements for emergency planning enabled an extremely fast paced and flexible response by the Council to support the people, communities, and businesses of North Lanarkshire against that threat.</p> <p>Many decisions made by the Command structure (implemented in line with the Council's Corporate Resilience Plan) ensured the continuity of key services and the ongoing safety and wellbeing of service users and staff.</p> <p>Decisions made were based on all known information available at the time, and were conducted within an ethical, legal, and risk proportionate framework. This allowed for the</p>

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Issue raised	Action taken
	<p>identification of increased demands and pressures being placed on services and consideration of appropriate responses, as well as ensuring effective partnership working with key stakeholders, particularly with those most directly impacted.</p> <p>The processes and structures in place also facilitated an extensive range of internal and external communications and engagement.</p> <p>To fulfil a commitment made by the Chief Executive, a self-evaluation exercise was carried out of the Council's response to the COVID-19 pandemic as at September 2020. This had a focus on four areas - one of which was governance of the Council during COVID-19. The self-evaluation exercise is outlined in further detail within paragraph 3.1.3 above.</p>

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**

09 December 2021

James Logue

**Councillor James Logue
Council Leader**

09 December 2021

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Independent Auditor's Report

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

Reporting 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 2021 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 a summary of significant 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 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 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 five years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 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 judgements thereon.

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

As explained more fully in the Statement of the 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.

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In preparing the financial statements, the Head of Financial Solutions is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Statutory other information

The Head of Financial Solutions is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

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My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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 the 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

102 West Port

Edinburgh

EH3 9DN

9 December 2021

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Glossary of Terms

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

Accruals

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

Actuarial Gains and Losses (Pensions)

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

Associates

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing

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

Capital Receipt

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

Capital Receipts Reserve

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

Community Assets

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

Contingent Liability

A contingent liability is either:

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

Corporate and Democratic Core

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

Defined Benefit Pension Scheme

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

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.

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Glossary of Terms

Exceptional Items

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

Extinguishment

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

Fair Value

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

Finance Lease

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

Financial Instruments Adjustment Account

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

Heritage Asset

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

Impairment

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

Infrastructure Assets

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

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.

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Glossary of Terms

Past Service Cost (Pensions)

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

Pension Reserve

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

Provision

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

Public Works Loan Board (PWLB)

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

Rateable Value

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

Remuneration

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

Reserves

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

Subsidiary

An entity which the Council wholly or partly controls.

Trust Funds

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

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