

ANNUAL ACCOUNTS

2021-2022



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Annual Accounts 2021/22

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Management Commentary

Introduction

North Lanarkshire is Scotland's fourth largest local authority area by population. 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 live, learn, work, invest and visit.

Background

The Annual Accounts demonstrate the stewardship of the public funds with which the Council is entrusted. The financial statements represent the financial position of North Lanarkshire Council as at 31 March 2022. 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). The Accounts also reflect the requirements of accounting and statutory guidance set by the Government. IFRS is a set of accounting standards developed by the independent, not-for-profit organisation, the International Accounting Standards Board (IASB) in order to provide a global framework and general guidance to allow organisations to prepare and disclose financial statements.

Comprehensive Income and Expenditure Statement (CIES)

The CIES (page 17) sets out the day-to-day operational expenditure incurred by each Council service and the level of income received to support that service provision. It includes cash payments made in the provision of services and payments to employees, and non-cash expenditure including depreciation and accrued expenditure representing the cost of goods or services received by the authority by 31 March, for which payment has not yet been made. It also reflects all sources of income received, and accrued in the year representing income due as at 31 March but not yet received.

The CIES shows the accounting position before statutory adjustments are applied. It analyses income and expenditure in line with the organisational structure against which performance has been monitored throughout the year.

There is a Net Cost of Services of £863.095m and other corporate charges totalling £46.807m. These were funded by Taxation and Non-Specific Grant Income (including Council Tax, General Revenue Grant and Non Domestic Rates) of £891.091m. This resulted in an accounting deficit on the provision of services for the year of £18.811m.

Other net income not related to the provision of services totalling £584.388m is also reported, resulting in the Total Comprehensive Income and Expenditure for the year showing a surplus of £565.577m. This is an increase of £428.178m from the position reported in 2020/21, primarily due to a reduction in the actuarial valuation of the Council's share of pension scheme liability, and which has been partially offset by an increased surplus on revaluation of non-current assets.

Movement in Reserves Statement (MiRS)

The MiRS statement (page 19) shows the movement in year on both usable and unusable reserves held by the Council, 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 £63.342m.

The net General Fund surplus brought forward from 2020/21 has been restated from £116.751m to £162.181m to reflect the change in presentation in respect of the balances held for future costs of PPP Schools, as discussed and agreed with Audit Scotland. In addition, an adjustment to the opening General Fund balance of £10.741m has been made to recognise the opening balances transferred from the insourcing of Culture Leisure North Lanarkshire, this results in the overall surplus to be carried forward into 2022/23 of £236.264m. This balance has increased over recent years largely due to funding in respect of COVID-19, some of which is being carried forward for future obligations, as well as proactive management within the Council to maximise reserves to support future budget challenges and to help ensure the delivery of Council services is financially sustainable. The overall balance is represented by:

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	£m	£m
Earmarked COVID Funding	30.551	
Earmarked for Service Expenditure	138.536	169.087
Change Management Fund		29.424
Contingency		8.000
Unallocated		29.753
Total General Fund Balance		236.264

Expenditure and Funding Analysis

The Expenditure and Funding Analysis (Note 2 page 33) shows how expenditure is incurred 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 practices. It also shows how this expenditure is allocated across Council Services. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

Housing Revenue Account

The Council is required by statute 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 19), with the Housing Revenue Account financial statements detailed on page 79. These reflect transactions linked to managing the Council's housing stock. The account shows an in-year deficit of £7.957m, which when deducted from the 2020/21 balance brought forward results in a cumulative surplus of £19.496m, shown within the Council's Usable Reserves. Of this surplus, £12.871m has been approved for specific purposes including Council Ambition of £5.054m, housing repairs £2.500m and HRA capital energy efficiency programme of £2.500m. In addition, there is an approved £1.470m contingency reserve, which leaves an unallocated balance of £5.155m.

The opening 2021/22 equal pay provision included £0.123m in relation to the Housing Revenue Account. There was £0.004m charged to the provision during the year, no further changes were deemed necessary, resulting in a £0.119m balance carrying forward to 2022/23.

Capital Account

Details of Capital Expenditure and Capital Financing are shown on page 71. Total gross expenditure for Housing and General Fund Services amounted to £171.195m. This was funded as summarised below:

	£m
Sale of Council Assets	1.014
Contributions from Revenue Budgets	34.262
Donated Assets	0.929
Capital Grants and Other Income	62.828
Loans Fund Advances	72.162
	<hr/>
	171.195

The 2021/22 loans fund advance of £72.162m 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).

In response to the COVID-19 health crisis, a revised Strategic Capital Investment Programme was developed by the Council's Strategic Capital Delivery Group with the revised plan for 2021/22 to 2025/26 approved at the Policy and Strategic Committee in March 2021. Financial year 2021/22 was the first year of the Council's approved programme.

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During 2021/22 the Council's Strategic Capital Investment Programme faced a number of delivery challenges linked to the ongoing impacts of recovery from COVID-19 and Brexit on industries such as construction and transport linked to the availability of labour and raw materials. These resulted in reduced capacity for external contractors to deliver projects within previously assumed timelines, increased material costs and changes in the scope and timing of programmes in response to COVID-19 and Brexit. The overall impact meant that lower than anticipated expenditure, and resultant borrowing, was incurred in delivering the capital programme with the programme delivery reprofiled across the remainder of the five year capital planning period. The revised Strategic Capital Investment Programme was approved at Policy and Strategy Committee in March 2022.

Cash Flow Statement

The Council's cash and cash equivalent balance (detailed on page 21) increased by £3.445m during 2021/22. This represents a net cash inflow from operating activities of £175.690m, a net cash outflow in investing activities of £117.106m and a net cash outflow from financing activities of £55.139m with a further non cash adjustment of £0.030m in respect of accrued interest made to the closing cash and cash equivalents, giving a closing cash and cash equivalents balance of £114.256m.

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 developed to deliver on the Plan for North Lanarkshire.

The Council's [Treasury Strategy and Treasury and Prudential Indicator](#) limits for 2021/22 were approved by the Finance and Resources Committee on 11 March 2021. 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 2021/22 the approach to borrowing was in line with the approved strategy, with the Council taking advantage of long-term and temporary (short-term) borrowing available at attractive rates supplemented by internal cash balances to support principal repayments, daily revenue account requirements and the capital financing requirement. The strategy adopted reflected interest rate forecasts, the management of carrying costs and the retention of cash balances at appropriate levels managing the associated investment, interest and liquidity risk.

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

Pension Assets and Liabilities

The IAS19 calculation (pages 59 to 63) for employers participating in the Strathclyde Pension Fund is based on a snapshot valuation as at 31 March 2022. 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 2021/22 took place as at 31 March 2021 with no change to the employer's contribution which remains at 19.3%. The latest funding position as at 31 March 2021 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 £156.156m (page 61) 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 £333.115m as shown in note 26.3 and the estimated fair value of future liabilities has increased by £72.081m as shown in Note 26.2, which together result in a net decrease in liability of £261.034m. This reflects updated assumptions on a number of variables by the pension actuaries.

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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 £2,454.366m as at 31 March 2022, an increase of £184.252m 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 83 to 95.

A brief summary of in year activity in respect of Council Arm's Length External Organisations (Council companies & joint venture companies) is provided below:

Services previously provided by **Culture and Leisure NL (CLNL) Ltd** were successfully insourced to the Council on 1 April 2021. At that point, CLNL Ltd ceased to provide services and frontline service provision was carried out directly through the Council's Active and Creative Communities and Asset and Procurement Solutions (Community Facilities) functions. CLNL Ltd is now in the process of being dissolved.

Routes to Work Ltd continues to operate under a Service Level Agreement to support key parts of the Council's employability programmes including No One Left Behind, Parental Engagement Support Fund, Young Person Guarantee and Prospects. Their services play a major role in ensuring employability support is available for unemployed and underemployed residents of North Lanarkshire. In addition, the arrangements during 2021/22 have ensured continued support for the Education and Families Pathways Programme for school leavers, enhanced support for 16-24 year olds with specific barriers or underrepresentation in the labour market and tailored support to cover over 50s, BAME community and Community Justice clients.

Amey Public Services (APS) LLP continued to successfully deliver its full contractual responsibilities during 2021/22, whilst adhering to Scottish Government and Construction Scotland work restrictions and safety guidance relating to COVID-19. The company have continued to perform well throughout the year and have successfully exceeded their forecast turnover and profit margins.

During the initial lockdown **MEARS** operations were restricted to emergency and essential services only. The key partner worked with the Council on a Defined Service Agreement to facilitate company trading on a no-profit/no-loss basis. This agreement came to an end in June 2021. Since then MEARS has continued to face ongoing challenges in the trading environment both as a result of COVID-19 related absences and working conditions and wider economic impacts on the price and availability of materials. MEARS continues to work in partnership with the Council to discuss and resolve these issues, where possible.

North Lanarkshire Properties (NLP) LLP the Covid-19 pandemic continued to provide a demanding and challenging operational environment for NLP during 2021/22. In particular, the ending of the Furlough scheme and withdrawal of other business support put pressure on tenants' ability to continue to trade. NLP continued to focus on recovery of rental income by engaging with tenants, agreeing repayment plans where appropriate to minimise the impact and potential loss of income. As a result, the company have continued to perform well throughout the year and have over-achieved against their projected rental collection targets.

Following an anti-money laundering and financial crime compliance review undertaken by the Royal Bank of Scotland in October 2021, the Board of **North Lanarkshire Municipal Bank Ltd** considered the various issues, challenges and implications in continuing to provide banking services, and agreed to cease services and take the necessary steps close the bank. This decision was ratified by the Council's Policy and Strategy Committee in October 2021. A working group has been set-up to take forward the closure plan and ensure all operation, legal and governance requirements are met. The Council has agreed to provide assistance from Financial Solutions, Strategic Communications and Legal & Democratic Solutions to progress. The closure process is underway including the preparation of a detailed wind-up delivery plan and timeline, with a proposed dissolution date of 30th September 2022. The plan gives due consideration to provision of support to customers during the transition period.

Fusion Assets Ltd has continued with its development plans utilising Vacant & Derelict Land Fund funding and internal resources to progress current and future developments, as well as finalising the successful sale of its Newhouse A2 site for the development of a new Co-op distribution depot bringing investment and jobs to the local economy. The Board of Directors continue to closely monitor the economic effects of the pandemic,

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however the industrial sector, which is Fusion Assets' primary business area, remains relatively strong with demand for distribution warehousing continuing to grow.

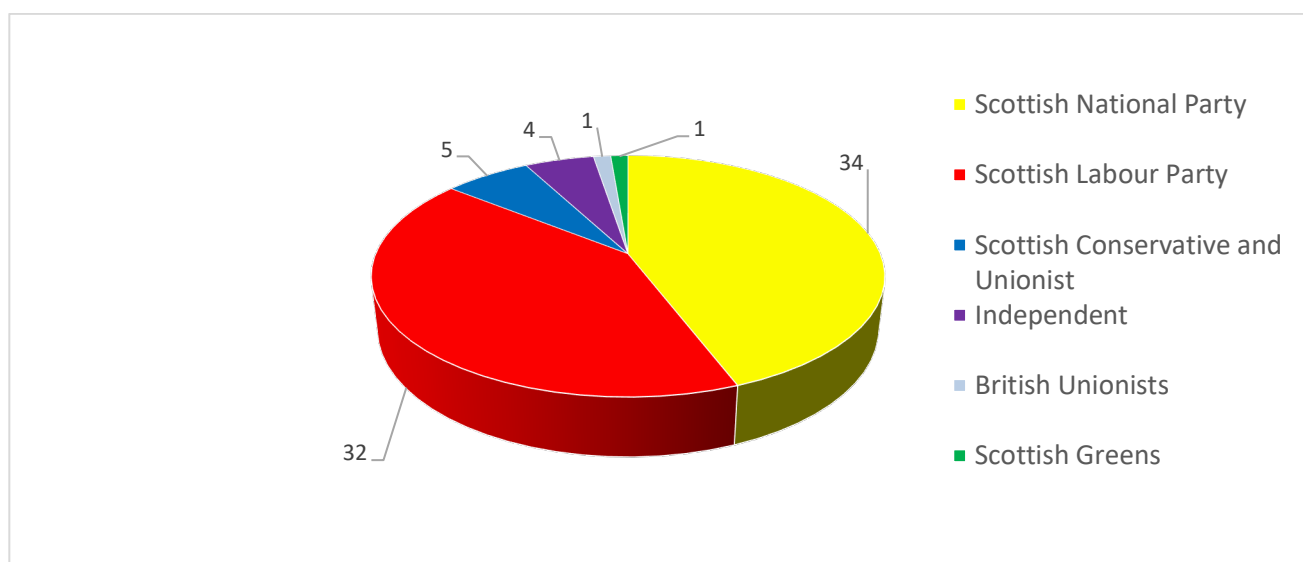
Equal Pay

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 2021/22 opening provision value of £5.606m comprised of £5.483m in relation to General Fund and £0.123m for HRA. Total claims paid out during 2021/22 equated to £0.558m in total. The existing level of provision was assessed and concluded to be reasonable to cover the remaining outstanding claims and the expected pension cost for previously settled claims. Note 22 on page 55 provides the detail of the 2021/22 closing provision for Equal Pay of £5.048m.

Political Composition and Council Structure

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

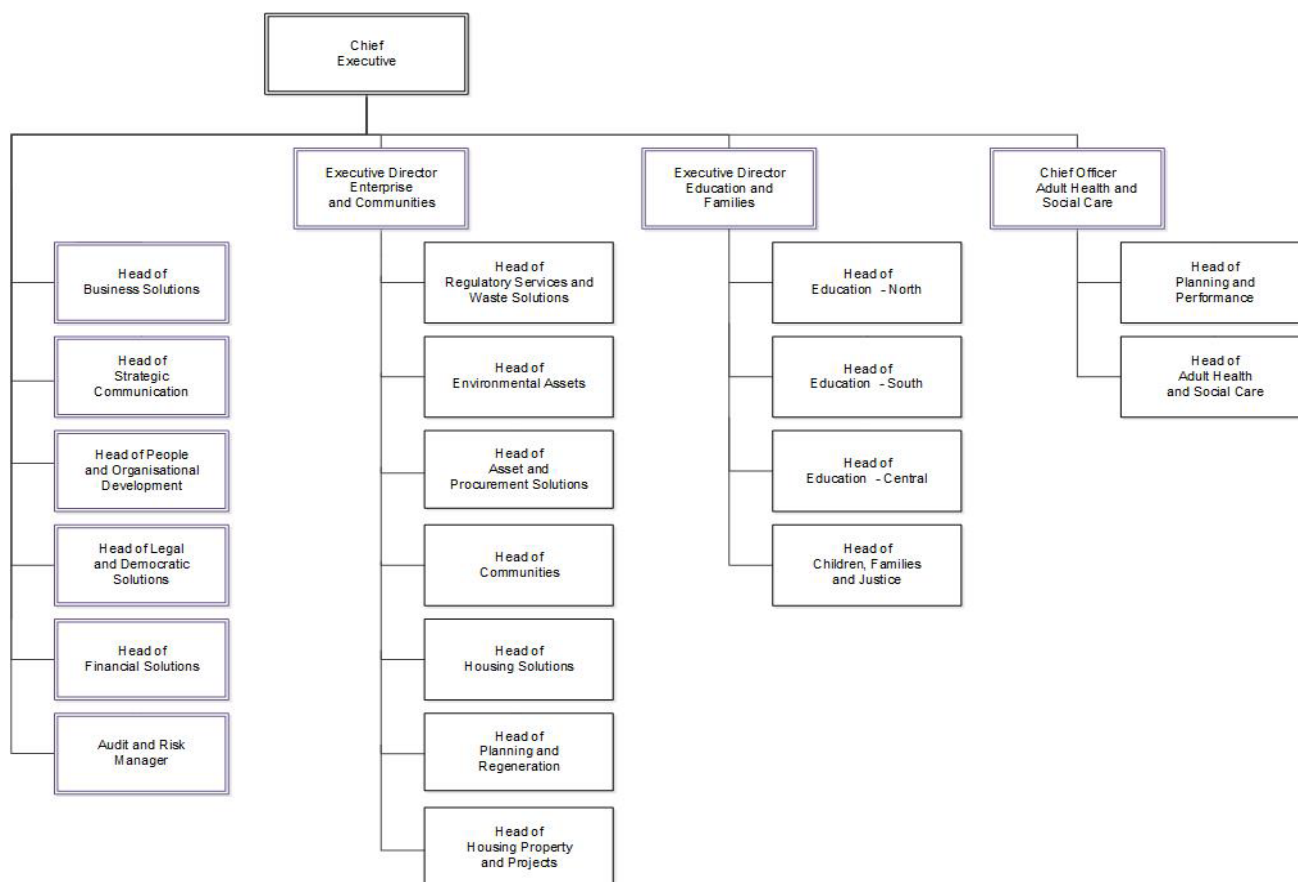


The Local Government elections held in May 2022 and subsequent meeting of the Council led to a change in Council leadership from a minority Labour administration to a minority SNP administration. However, following the leader's resignation in July 2022, a new leadership team was elected, resulting in the return of a Labour administration. At the Council meeting of 11 August 2022 Councillor Logue was appointed as Leader of the Council and Councillor Kelly was appointed Deputy Leader of the Council at a subsequent Council meeting on 15 August 2022, it was agreed that Councillor Duffy be appointed as Provost, and Councillor Burgess as Deputy Provost.

Further information on the political composition of the Council, Committee membership and Councillors is available on the [Council's website](#) or [Councillor Information System \(CoINS\)](#).

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The Council's reporting structure during 2021/22 is illustrated in the diagram below and is reflected in the Financial Statements.



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, was 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 vision for the area in terms of achieving inclusive growth and prosperity for all, and making North Lanarkshire the place to Live, Learn, Work, Invest, and Visit. This also provides a very clear focus and compelling narrative of what the Council (and partners) is working towards.

The vision has been shaped by the area's demographic, social, and economic profile. An update on this profile is presented to the Policy and Strategy Committee annually 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 its communities. This suite of indicators collectively provided the North Lanarkshire context and therefore the context within which the Council delivers its portfolio of programmes, projects, and plans.

Delivery of these programmes, projects, and plans was further realised during the year following Committee approval in March 2020, through the Programme of Work for 2021/22. In this respect a wide range of reports have been presented to their respective Committees throughout 2021/22 in line with the approved Programme of Work timetable. This has enabled Elected Members to review 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. This next phase has been informed through a programme of public engagement which enabled feedback on the potential locations

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for town hubs as well as the concepts and ideas being proposed within the Town Visions to ensure they truly reflect future community needs. Proof of concept work also commenced for a unified leadership and operational model to support a much wider integrated community offer - with communities having more direct access to the services they need and staff closer to the communities they work in. This unified approach aims to put communities at the heart of the Council's operating model and seeks to ensure everyone is given equality of opportunity and individuals are supported, encouraged, and cared for at each key stage of their life.

Annual review and evaluation work highlighted the successes achieved from the Programme of Work for 2020/21, which were reported to the Policy and Strategy Committee in March 2022. This summarised some of the achievements from the Programme of Work 2020/21 that have been instrumental in both supporting the long-term vision and intentions laid out in The Plan for North Lanarkshire and demonstrating the extent of the response locally to the COVID-19 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 fourth annual iteration of the Programme of Work (for 2022/23) was approved in March 2022.

An update of the Strategic Policy Framework in March 2022 has ensured that strategy and policy continue to support the Council's strategic planning framework and remain connected to delivery in order to collectively facilitate a co-ordinated approach to identifying the resources and working practices, needed to support delivery of the long-term vision.

The evidence through the latest results for a suite of indicators that provide the North Lanarkshire context, which was reported in March 2022, suggest there is a danger that already unacceptably high levels of deprivation and child poverty have become further exacerbated due to the impact of the pandemic, and there are also very real challenges facing the future sustainability of the local economy. Mindful of the current demographic, social, and economic profile - which is set against a backdrop of significant financial challenges to come for local government - a management commitment was made in the Programme of Work report to Committee in March 2022. This commitment set out the intention during 2022/23 to fundamentally evaluate activities undertaken, resources expended, and results achieved against the direction of travel in order to assess the impact towards achieving the ambition of inclusive growth and prosperity for all.

Strategy & 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 six inter-related corporate frameworks:

- Strategic Policy Framework
- Strategic Governance Framework
- Strategic Self-Evaluation Framework
- Strategic Performance Framework
- Project Management Framework
- Framework for Demonstrating Improved Outcomes for Communities

To ensure these frameworks remain aligned to The Plan for North Lanarkshire and Programme of Work, all 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.

The pandemic continued to 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 and availability of performance results to ensure regular performance reporting on key strategic and operational performance measures. Notwithstanding this, a series of performance reporting pilots were established which reaffirms responsibilities for service committees and set out suites of performance results for each service area and balanced reporting between progress against the Council's long-term vision and delivering on what matters today locally. Trends from previous years performance results were presented to enable an assessment of the impact of the pandemic on the delivery of council services over time. The suite of performance indicators also included information from a nationally developed COVID data dashboard, set up to enable important aspects of the Council's response to the pandemic to be monitored. This also means that the suite of performance information presented reflects as full and complete a picture of service performance as possible.

The Council's Strategic performance is reported against 28 health check indicators and are used to inform the strategic planning process going forward. The suite of indicators aims to provide a high-level impact assessment of the work of the Council and partners on North Lanarkshire's economy, its people, and communities. The suite comprises a small number of wider landscape measures which focus, where possible, on outcomes rather than outputs, are sourced externally to provide external verification, and are available nationally to enable a

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comparison of performance and progress. The most recent data published can be found in appendix A-1 of the following report: [The Plan for North Lanarkshire - Programme of Work for 2022/23](#)

The results highlights both the successes experienced across North Lanarkshire as well as challenges faced:

Successes:

- Prior to the pandemic, one of the strongest and fastest growing economies in Scotland, with significant growth over the last 10 years.
- Prior to the pandemic, strong business growth with an increase in the number of businesses per head of population and jobs safeguarded through support to businesses.
- Population growth estimates are the most favourable for 10 years.
- Attainment rates have steadily improved over the last eight years.

Challenges:

- Significantly higher levels of child poverty, with one in four children currently living in poverty.
- A higher than average number of the working age population with no qualifications, restricting their ability to access developing employment opportunities.
- Large gaps in education outcomes for looked after children compared with all children,
- A decrease in the number of young people achieving a positive post school destination after leaving school.
- Lower than average gross weekly pay levels.

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. In this respect the latest results for the Council were presented to the Audit and Scrutiny Panel in September 2021 and March 2022 through a series of information updates, which were aligned to the priorities in The Plan for North Lanarkshire, to allow for scrutiny of data on costs, outputs, and outcomes within the local context.

The 2021/22 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](#) and the online data tool (<https://scotland.myllocalcouncil.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.

During 2021/22 the Council has undertaken a structured programme of self-evaluation to underpin the duty to secure continuous improvement. This includes assessments on the Council's compliance with the CIPFA Financial Management (FM) Code. The assessment reviewed the adequacy and effectiveness of the revised Corporate Management Team arrangements and how well it operates as a vehicle for monitoring and scrutinising;

- progress in implementing The Plan for North Lanarkshire and individual Programme of Work items
- the risk governance arrangements in respect of, for example, DigitalNL and whether the arrangements for the Data Governance Board (DGB) adequately contribute to the achievement of the Council's vision as detailed in the Roadmap
- the effectiveness of current arrangements for the North Lanarkshire health and social care IJB, and how well the Board meets its intended outcomes.

Climate Change

The council declared a Climate Emergency in June 2019 recognising as a public body it not only had a duty to contribute to tackling climate change, but it must accelerate its own climate action (and encourage others to do so too) in order to be part of the response to prevent further global temperature increases. A challenging target of net zero emissions by 2030 was set for the area of North Lanarkshire. With the council's Carbon Management Plan due to expire during 2022, and in response to the council's ambition to achieve net zero earlier than the national target of 2045, a climate plan was developed [North Lanarkshire Climate Plan](#). The achievement of the current targets contained within the Plan will see successive annual emission reductions from 2022 onwards, enabling the council to reduce its footprint by 52.2% from its 2015/16 baseline i.e. a reduction of 61,141 carbon

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tonnes equivalent (tCO₂e) by 2025/26. It is hoped that through the development of the route map, action plan and in setting policy the council will achieve net-zero emissions by 2030.

COVID-19 Recovery

During 2021/22 the Council continued with its recovery from the pandemic and continued to provide advice and support to the most vulnerable in our communities. This included:

- continuation of the Council's Community Assistance Helpline for inbound and outbound calls.
- facilitating a range of financial supports to individuals including crisis grants through the Scottish Welfare Fund.
- putting 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 £17.186 million on behalf of the Scottish Government (£68.433m in 2020/21) 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 £0.222m is shown on the Council's balance sheet in relation to reimbursement outstanding as at 31st March 2022 (£15.262m in 2020/21).

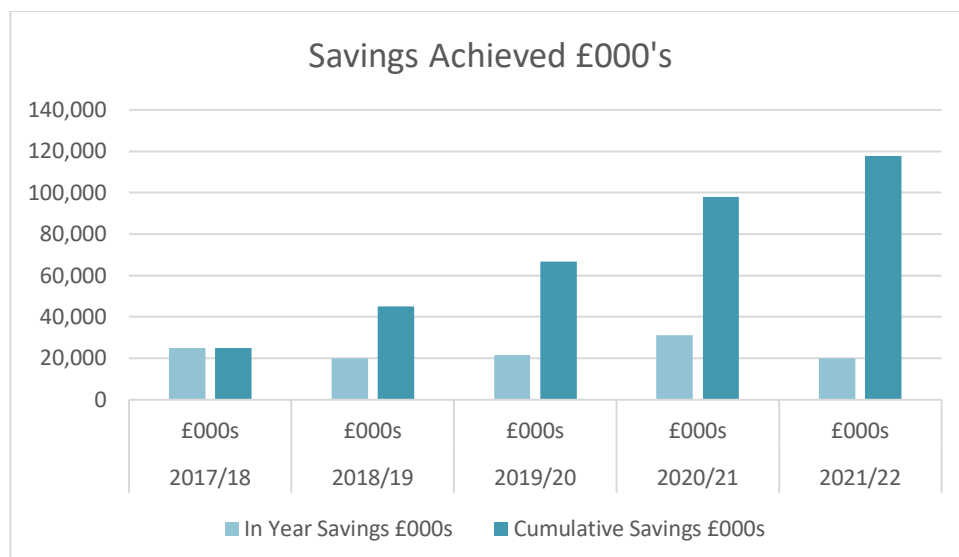
Financial Planning

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 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 30 September 2021 covering financial years 2022/23 to 2026/27. 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 continues to ensure financial plans are affordable and sustainable. A contingency reserve is 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 2021/22 budget setting and this level continues to be considered appropriate.

Due to Local Government Financial Settlements and increased cost pressures the Council has made significant budget savings, over a number of years, to ensure it complies with the 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 2021/22, Services achieved total savings of £14.228m against the approved target of £20.050m (71%) with the shortfall of £5.822m 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 are:

- The Council continues to see real benefits from having well developed medium term financial planning arrangements, producing a rolling five year Medium Term Financial Plan which informs the three year rolling budget setting process. Despite facing a significant budget gap of £14m, the Council set a balanced budget for 2021/22, which also allowed for a prudent level of investment. This was possible largely due to previously approved savings for financial years 2021/22 and 2022/23, which were agreed in February 2020, thus putting the Council in a strong position to address the budget gap in 2021/22. However, it was acknowledged that additional challenges and unprecedented uncertainties arising from COVID-19 has restricted the Council's ability to consider further actions to manage the forecast future budget gaps including 2023/24.
- Ongoing service redesign and savings proposals were considered by various Committees throughout 2020/21 in accordance with one of the key principles of the strategy. This ensures delivery models are prudent, affordable and sustainable, and drives out efficiency savings to support the management of future forecast budget gaps. For 2021/22 this included re-profiling loan debt repayments, re-designing fleet maintenance services and a review of management structures.
- The Council continues to give consideration to planned, sustainable use of available balances, in line with the Council's approved Reserves Policy and a key principle of the Revenue Resources Budget Strategy. This includes further development of forecast 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 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 provided £4.640m – approximately equivalent to a 3% increase. 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.

Annual Accounts 2021/22

Management Commentary

Treasury Management

The Council's Treasury Management team is responsible for ensuring the Council's Capital Investment plans, not resourced by capital grants and other contributions, is fully funded, whilst also managing the refinancing of historic debt reaching maturity. During the year, a suite of techniques and tools are adopted, sourcing treasury management data, forecasts and market statistics to assist with decision making and developing a borrowing strategy to achieve interest cost efficiencies. The techniques include for example: cash flow management and forecasting; balance sheet analysis; weekly PWLB loan rate trend analysis; debt maturity profiling; and debt rescheduling. These techniques combined with projections have enabled the Council to time its borrowing in order to take advantage of opportunities that may arise to achieve beneficial borrowing rates, minimising interest rate risk. In recent years the strategy adopted has primarily been to use internal cash balances whilst undertaking short-term borrowing where available at attractive rates.

Adopting flexibilities within the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (the 2016 Regulations) which came into force on 1 April 2016 allows 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 review of the Council's loans fund was undertaken in 2020/21 and a revised Loans Fund Advance Repayments 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. The Council continued to see some further one-off financial benefit from this review during 2021/22 financial year.

Capital Strategy

Following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017, there is a requirement for Councils to produce a Capital Strategy, 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 Capital 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 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.

The Capital Strategy to 2022/23 represents a refresh of the Capital Investment Strategy further developing the previous approach, in light of the Prudential Code requirements. The strategy is subject to ongoing review and the main principles outlined and adopted remain unchanged. A full review is due to be undertaken and presented to Committee in cycle one of 2023.

The Prudential Code for Capital Finance and Treasury Management Code of Practice were both revised in December 2021, which included updated guidance on prudent borrowing requirements. The revised code specifies that an authority must not borrow to invest primarily for financial return, and that there would be implications on an authority's ability to source borrowing from the PWLB if the Code is breached. The updated Codes also has new and updated prudential indicators for capital and treasury management monitoring that require to reported to members on a quarterly basis. These will be fully incorporated into future reports.

Following a review of the Council's capital programme and alignment with the Plan for North Lanarkshire, the Council's Strategic Capital Delivery Group developed a Strategic Capital Investment Plan for 2021/22 to 2025/26, which 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 was reviewed and an updated Strategic Capital Investment Plan for 2022/23 to 2026 was approved at Policy and Strategy Committee in March 2022. This updated plan will deliver General Fund investment of £479.016m over this four-year period, with General Fund investment of £81.114m incurred in 2021/22 with total investment projected of £560.130m.

Annual Accounts 2021/22 Management Commentary

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, payments to other agencies, and the cost of financing capital expenditure. This expenditure is funded by the Scottish Government Grant which 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 2021/22, the Council was allocated general funding as follows:

- General Revenue Grant Funding (£621.480m): Government grant, allocated based on Grant Aided Expenditure (GAE) calculations, using a suite of indicators such as population to base it on relative need;
- Non-Domestic Rates Pool Income (NDR) (£84.429m): Collected locally but pooled centrally, the Council's share is determined by a distribution from the National Pool.

The Council also received additional grants through the Local Government Finance Settlement for specific purposes including: Early Years Expansion (£36.507m); Pupil Equity Fund (£10.926m); and Offenders/ Criminal Justice Social Work (£6.544m). In addition, the Council receives grants out-with the settlement and these are disclosed within the accounts (Note 11, page 39). 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 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 £849.369m (inc. specific grants of £51.025m), net of savings of £20.050m, on 2 March 2021. However, the COVID-19 pandemic created significant financial management and financial planning challenges for the Council. These challenges centred around the difficulties in predicting costs associated with the response to and recovery from COVID-19 and the constantly evolving funding position for both the Scottish Government and, by extension, local government. Given these uncertainties, it was deemed prudent to set the Council's core budget for 2021/22, with COVID-19 funding and costs considered later in the year, when there was greater clarity over cost profiles and funding settlements. Therefore, the approved budget was further updated throughout 2021/22 to take account the approved COVID Budget reported to Finance & Resources Committee on 23 September 2021, and Scottish Government redeterminations/ additional funding made available to assist with managing the additional cost pressures mainly due to COVID, resulting in a final budget of £874.726m.

The 2021/22 budget has been closely monitored through the management and budgetary processes which are embedded within the Council's existing financial reporting arrangements. The Provisional Outturn position reported to Corporate Management Team anticipated a combined surplus of £27.628m on the General Fund and HRA, against the amended budget. The movement to final outturn position reported per the Movement in Reserves Statement is illustrated in the table overleaf;

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	Budget 2021/22	Provisional Outturn 2021/22	(Under)/ Overspend
	£m	£m	£m
Education and Families	432.778	429.153	(3.625)
Enterprise & Communities	195.021	190.948	(4.073)
Chief Executives & Other Corporate Services	87.676	86.642	(1.034)
Social Work (non Integrated)	167.328	167.328	0.000
Social Work (Integrated)	0.000	0.000	0.000
HRA	0.000	(2.262)	(2.262)
Financing Costs & Other Budgetary Issues	(8.077)	(25.154)	(17.077)
Total Expenditure (Provisional Outturn)	874.726	846.655	(28.071)
Sources of Funding	874.726	874.283	0.443
(Surplus)/Deficit (Provisional Outturn)			(27.628)
Use of Earmarked Reserves			36.505
Additional & Previously Approved Earmarked Reserves			(34.544)
New Service Requests			(29.072)
GF/HRA Movements & Use of Reserves			(0.646)
Movement on General Fund and HRA Services			(55.385)

Risk Management

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



The Corporate Management Team receive regular reports on the Corporate Risk Register as well as updates on wider risk management arrangements.

The Corporate Risk Register contains:

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

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

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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 register is monitored throughout the year to ensure it reflects any new or emerging risks.

2022/23 Budget

The Council approved a composite General Fund Revenue budget of £887.270m for 2022/23 at a Council meeting on the 17 February 2022, which is net of pre-approved savings of £16.484m (approved in February 2020). However, as part of the Medium-Term Financial Plan update in September 2021 and in setting the 2022/23 budget in February 2022, the Council deemed it prudent to reverse £6.00m of 2022/23 savings, due to the challenges facing Adult Social Care services and therefore the delivery of the 2022/23 DigitalINL Savings. This leaves £10.484m of savings to be delivered in 2022/23.

The Council also approved new one-off investment of £13.000m to support COVID recovery and one-off investment in local communities. This is in addition to £9.423m (year 2) of budget approved for 2022/23, as part of the COVID budget approved by Finance & Resources Committee in September 2021. The Corporate Management Team has also approved a further allocation of £4.407m for 2022/23 in relation to additional funding requirements for Services linked to the anticipated legacy impacts of Covid, which will be met from the previously approved COVID contingency budget of £5.000m, for which there had been no requirement for.

In setting the 2022/23 budget, the Council agreed a 3% rise Council Tax rates, raising a Band D to £1,257.89.

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In addition, £8.000m continues to be provided as a contingency reserve, £30.551m of the General Fund balance has been earmarked for COVID-19, £29.424m for Change Management and a further £138.536m earmarked to fund specific future commitments, which leaves a general unallocated balance of £32.718m. See details below:

	£m	£m
2022/23 Earmarked Funds		
COVID-19 Directed Funding	6.896	
COVID-19 General Funding	20.655	
COVID-19 Recovery General Fund Contribution	3.000	30.551
Change Management Fund		29.424
Schools Future Contractual Obligations	54.175	
Early Years & Childcare Expansion	14.249	
Strategic Workforce Planning	13.000	
Temporary Accommodation	9.288	
Energy costs and Other Non Pay Inflation	7.220	
2022/23 Budget One-off Investment	6.000	
Pupil Equity Fund	5.122	
Balances held by Schools under Devolved School Management	3.652	
Digitisation	2.498	
Active & Creative Communities	2.000	
Enterprise Contract	1.687	
Schools ICT Orders/Refresh & FMS Project Development	1.680	
Business Gateway and Business Recovery	1.700	
Youth Guarantee Funding	2.367	
Winter Reserve	1.500	
E&C 21/22 One Off Investment	1.146	
Rapid Rehousing	1.159	
Other Earmarked Funds	10.093	138.536
Contingency Reserve		8.000
Unallocated Balance		29.754
General Fund Surplus as at 31 March 2022		236.264

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. Whilst the Scottish Government in their Resource Spending Review has indicated total funding for Local Government between 2023/24 and 2026/27, there is no clarity of funding for individual Local Authorities, making longer term planning extremely difficult. It should also be recognised that the continued financial impact of COVID-19 and huge uncertainty in respect of pay and non-pay inflation, present new and additional challenges, which have the potential to significantly impact the Council's finances over an extended planning period. The effect on service delivery and financial sustainability remains unclear and the Council continues to work with COSLA to fight for a more sustainable funding package for Local Government.

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, the Council's recovery from COVID-19 and the continued challenging Local Government Financial settlements as well as the significant increases in pay and non-pay inflation currently being experienced.

Annual Accounts 2021/22 Management Commentary

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 is in a period of huge 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 2022, 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:

- The ongoing financial impact of recovery from COVID-19 including; 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 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 104 to 114.

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

**Elaine Kemp CPFA
Head of Financial Solutions**

27 October 2022

Des Murray

**Des Murray
Chief Executive**

27 October 2022

James Logue

**Councillor James Logue
Council Leader**

27 October 2022

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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.

Restated 2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
419,263	(75,095)	344,168	Education & Families	493,514	(75,706)	417,808
234,518	(30,468)	204,050	Enterprise & Communities	285,692	(64,589)	221,103
3,245	(3,245)	-	- Trading Operations	2,614	(2,614)	-
158,566	(96,225)	62,341	Chief Executives & Other Corporate Services	158,219	(92,224)	65,995
151,848	-	151,848	Adult Health & Social Care (Non- Integrated)	167,499	-	167,499
214,737	(206,716)	8,021	Adult Health & Social Care (Integrated)	227,804	(213,395)	14,409
115,075	(146,339)	(31,264)	Housing Revenue Account	120,588	(130,171)	(9,583)
(3,120)	(33)	(3,153)	Non Service-Specific Costs	(2,198)	(11,938)	(14,136)
1,294,132	(558,121)	736,011	Net Cost of Services	1,453,732	(590,637)	863,095
-	(1,375)	(1,375)	Other Operating Expenditure		(767)	(767)
96,846	(46,476)	50,370	Financing and Investment Income and Expenditure	98,719	(51,145)	47,574
-	(869,506)	(869,506)	Taxation and Non-specific Grant Income	-	(891,091)	(891,091)
		(84,500)	(Surplus) or Deficit on the Provision of Services			18,811
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(105,007)	(Surplus) or deficit on the revaluation of non current assets			(232,365)
		52,108	Re-measurement of the net defined Liability			(352,023)
		(52,899)	Other Comprehensive Income and Expenditure			(584,388)
		(137,399)	Total Comprehensive Income and Expenditure			(565,577)

Annual Accounts 2021/22

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'.

Restated 2020/21			2021/22	
£000		Note	£000	£000
	Property, Plant and Equipment	13,14		
1,102,141	Council Dwellings		1,291,802	
1,504,711	Other Land and Buildings		1,568,839	
47,884	Vehicles, Plant and Equipment		46,688	
261,004	Infrastructure Assets		262,561	
12,360	Community Assets		15,854	
22,252	Surplus Assets		22,184	
46,668	Assets Under Construction		70,780	3,278,708
	Intangible Assets	15		
123	Software Licences		99	
1,544	Software/Solution Development		2,981	
6,502	Intangibles Under Development		9,038	12,118
1,535	Long-Term Debtors	16		1,519
1,189	Long-Term Investments	17		1,170
3,007,913	Long-Term Assets			3,293,515
88	Short-Term Investments	17	89	
1,891	Inventories	18	2,529	
114,710	Short-Term Debtors (net of impairment)	19	86,465	
110,781	Cash and Cash Equivalents	20	114,256	
227,470	Current Assets			203,339
(263,140)	Short-Term Borrowing	17	(250,098)	
(156,836)	Short-Term Creditors	21	(192,500)	
(13,372)	Short-Term Provisions	22	(12,637)	
(7,258)	Short-Term Finance Lease Liabilities	24,25	(7,013)	
(2,957)	Revenue Grant Receipts in Advance		(1,403)	
(443,563)	Current Liabilities			(463,651)
(490,575)	Long-Term Borrowing	17	(439,933)	
(151)	Long-Term Provisions	22	(55)	
(173,905)	Other Long-Term Liabilities (Finance Leases)	24,25	(166,945)	
(417,190)	Other Long-Term Liabilities (Pensions)	26	(156,156)	
(1,081,821)	Long-Term Liabilities			(763,089)
1,709,999	Net Assets			2,270,114
	Usable Reserves			
162,181	General Fund Reserve		236,264	
27,453	Housing Revenue Account Balance		19,496	
4,470	Capital Fund		396	
11,651	Repairs and Renewals Fund		13,755	
13,000	Insurance Fund		13,000	
12,421	Capital Grants Unapplied Account		7,124	
231,176	Total Usable Reserves	27		290,035
1,478,823	Unusable Reserves	28		1,980,079
1,709,999	Total Reserves			2,270,114

The unaudited accounts were issued on 30 June 2022 and the audited accounts were authorised for issue on the 27 October 2022

Elaine Kemp, CPFA
Head of Financial Solutions
27 October 2022

Elaine Kemp

Annual Accounts 2021/22

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 2022

	Usable Reserves							Unusable Reserves	Total Reserves
	General Fund	Housing Revenue Account	Capital Repairs & Fund Renewals	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied Account			
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Restated Balance at 31 March 2021	162,181	27,453	4,470	11,651	13,000	-	12,421	1,478,823	1,709,999
Transfer in of CLNL balances	10,741	-	-	-	-	-	-	(14,752)	(4,011)
Revised Restated Balance as at 31 March 2021	172,922	27,453	4,470	11,651	13,000	-	-	1,464,071	1,705,988
Movement in Reserves during 2021/22									
Surplus / (Deficit) on Provision of Services	(33,220)	14,409	-	-	-	-	-	-	(18,811)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	584,388	584,388
Total Comprehensive Income and Expenditure	(33,220)	14,409	-	-	-	-	-	584,388	565,577
Adjustment to useable reserves permitted by Accounting Standards	(10,654)	(203)	-	-	-	-	-	10,857	-
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 31)	94,196	(22,366)	-	-	-	396	(5,297)	(68,380)	(1,451)
Depreciation/Amortisation/ Impairment	10,654	203	-	-	-	-	-	(10,857)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	60,976	(7,957)	-	-	-	396	(5,297)	516,008	564,127
Transfers to and from Other Statutory Reserves (Note 32)	2,366	-	(4,074)	2,104	-	(396)	-	-	-
Increase / (Decrease) in the Year	63,342	(7,957)	(4,074)	2,104	-	-	(5,297)	516,008	564,127
Balance at 31 March 2022 Carried Forward	236,264	19,496	396	13,755	13,000	-	7,124	1,980,079	2,270,114

Annual Accounts 2021/22
Movement in Reserves Statement

Restated Comparative Figures for 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	57,976	26,524	-	-	-	-	-	-	84,500
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	52,899	52,899
Total Comprehensive Income and Expenditure	57,976	26,524	-	-	-	-	-	52,899	137,399
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	123,606	13,307	-	-	-	4,470	(5,303)	1,320	137,399
Transfers to and from Other Statutory Reserves (Note 32)	(9,825)	-	3,316	10,979	-	(4,470)	-	-	-
Increase / (Decrease) in the Year	113,780	13,307	3,316	10,979	-	-	(5,303)	1,320	137,399
Balance at 31 March 2021 Carried Forward	162,181	27,453	4,470	11,651	13,000	-	12,421	1,478,823	1,709,999

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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.

2020/21		Note	2021/22	
£000			£000	£000
OPERATING ACTIVITIES				
Cash Inflows:				
89,736	Rents (after rebates)		84,588	
121,769	Council Tax receipts		127,200	
628,153	Revenue Support Grant		621,928	
88,971	DWP grants for Housing Benefits		81,989	
71,438	Non Domestic Rates Receipts		84,339	
83,639	Other government grants		96,522	
19,753	Cash received for goods and services		32,010	
80,188	Other operating cash receipts		84,620	
256	Interest received		203	
-	Transfer from CLNL		10,741	
1,183,903				1,224,140
Cash Outflows:				
(551,245)	Cash paid to and on behalf of employees		(584,488)	
(372,654)	Other operating cash payments		(380,608)	
(36,383)	Housing Benefit paid out		(34,078)	
(13,305)	Precepts paid		(14,887)	
(37,175)	Interest Paid		(34,389)	
(1,010,762)				(1,048,450)
173,141	Net Cash Inflow / (Outflow) from Operating Activities	33		175,690
INVESTING ACTIVITIES				
Cash Inflows:				
3,340	Sale of non-current assets		1,410	
40,675	Capital grants received		50,385	
2,478	Other capital cash receipts		5,847	
465	Proceeds from Investments redeemed		17	
46,958				57,659
Cash Outflows:				
(136,158)	Purchase of non-current assets		(174,765)	
-	Long- term Investments		-	
-	Investment in Subsidiary		-	
(136,158)				(174,765)
(89,200)	Net Cash Inflow / (Outflow) from Investing Activities			(117,106)
83,941	Net Cash Inflow / (Outflow) before Financing Activities	34		58,584
FINANCING ACTIVITIES				
Cash Inflows:				
271,000	New Loans Raised		176,000	
	Net Agency Grants		15,423	
271,000				191,423
Cash Outflows:				
(283,676)	Repayments of amounts borrowed		(239,287)	
(6,994)	Capital payments of finance leases		(7,275)	
(15,423)	Net Agency Grants			
(306,093)				(246,562)
(35,093)	Net Cash Inflow / (Outflow) from Financing Activities	34		(55,139)
48,848	Net Increase / (Decrease) in cash and cash equivalents	34		3,445
61,958	Cash and Cash Equivalents at the beginning of the year	34		110,781
(25)	Increase / (Decrease) Non-cash in cash equivalents	34		30
110,781	Cash and Cash Equivalents at the end of the year	34		114,256

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Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accruals of Income and Expenditure

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

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

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

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

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

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

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

Redemption of Debt

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

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

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Notes to the Accounts

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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Notes to the Accounts

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 2022.

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 th

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

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

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

f) Charges Made to Revenue

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

Investment Properties

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

Heritage Assets

The Council's collections are held within the stores at Summerlee Museum 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.

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

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

Operating Leases

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

Impairment of Financial Assets

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

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

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

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

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

The Council carries out an annual assessment of the impact of adopting the full accounting treatment for expected credit losses, and on the grounds of materiality, 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

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

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

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. These are measured at the best estimate, as 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 2021/22, 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 2022.

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 2.7%. 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.

Restated 2020/21			2021/22		
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
306,607	37,561	344,169	374,296	43,512	417,808
156,568	47,482	204,050	153,240	67,863	221,103
(7)	7	-	3	(3)	-
57,248	5,093	62,341	56,798	9,197	65,995
148,434	3,414	151,848	164,788	2,712	167,499
(397)	8,418	8,021	(94)	14,504	14,409
(28,331)	(2,933)	(31,264)	(3,593)	(5,991)	(9,583)
1,582	(4,735)	(3,153)	(6,926)	(7,120)	(14,136)
641,703	94,307	736,011	734,260	140,783	875,043
(778,615)	(41,895)	(820,510)	(791,534)	(52,750)	(844,284)
(136,912)	52,412	(84,499)	(53,023)	71,833	18,811
(62,547)		Opening General Fund and HRA Balance	(189,634)		
		Transfer in Opening CLNL Balances	(10,741)		
(136,913)		Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	(53,023)		
9,825		Transfers to/(from) other statutory reserves	(2,366)		
(189,634)		Closing General Fund and HRA Balance at 31 March*	(255,763)		

*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

2021/22	Adjustments for Capital Purposes ¹	Net Change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments
Education & Families	25,778	20,148	(2,414)	43,512
Enterprise & Communities	42,187	24,545	1,131	67,863
Trading Accounts	(8)	-	6	(3)
Chief Executives & Other Corporate Services	1,424	7,788	(14)	9,197
Adult Health & Social Care (Non-Integrated)	2,712	-	-	2,712
Adult Health & Social Care (Integrated)	(3)	14,550	(43)	14,504
Housing Revenue Account	(11,327)	5,279	57	(5,991)
Other Segments	-	7,210	-	7,210
Net Cost of Services	60,762	65,099	(1,278)	124,583
Other Income and Expenditure	(60,749)	9,690	(1,691)	(52,750)
Surplus or Deficit	13	81,299	(2,969)	71,833

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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

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 Code requires the Council to disclose information about accounting changes that will be required by new accounting standards in the 2022/23 Code due to be adopted in future years and the possible impact.

CIPFA/LASAAC have formally agreed to defer the implementation of IFRS 16 Leases until 1 April 2024 however the Code will allow for adoption from 1 April 2022 or 1 April 2023. The deferral is intended “...to reduce resource pressures in the local audit framework while there are ongoing audit timeliness issues”. The Council continues to review its current lease portfolio including operating and finance leases in preparation for implementation of the new accounting requirements.

If the standard had been adopted at 1 April 2022 this is estimated to have resulted in recognition of a right of use of property assets and related liability of £2.855m, and a right of use vehicle, plant and equipment asset of £0.180m and a reduced related liability of £0.126m (the difference of £0.054m is due to prepayments at 31 March 2022).

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In addition, the annual IFRS improvement programme notes four changed standards with an effective implementation date of 1 April 2022:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example not referenced in the Code
- IAS 41 (Agriculture) – expected to apply to local authorities in limited circumstances.

These are not anticipated to have a material impact on the Council.

4. Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The 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 items in the Council's Balance Sheet at 31 March 2022 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 £12.693m including £5.048m for the settlement of Equal Pay claims and associated employer pension costs and £7.493m for restoration of the Council's former landfill sites, based on an externally sourced estimate of these costs.	<p>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.</p> <p>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 £0.749m.</p>

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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>Consideration has been given as to whether the values of all non current 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 2022. Following a desktop exercise review of assets, an adjustment has been made of £289.949m to reflect estimated material movements in current value since the last valuations under depreciated replacement cost for Education properties, Council Dwellings and Leisure Properties & Open Spaces.</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 £9.953m 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 £32.787m.</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>
Net Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council is engaged with Hymans Robertson via Strathclyde Pension Fund to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability can have a material effect on the Council's Net Worth. For instance, a 0.1% change in the defined benefit obligation would result in a change in the net pension liability of £2.893m and a 0.1% change in the value of the scheme assets would result in a change in the net pension liability of £2.737m.</p>

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6. Events After the Balance Sheet Date

The Head of Financial Solutions issued the unaudited Statement of Accounts on 30 June 2022.

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 2020/21 have been restated to reflect a number of adjustments to the notes to the accounts. Further details of these restatements are set out in the table below.

Restatement	Reason	Amount £000	Statements Affected
Reclassified/presentational change for the PPP and DBFM Funding Gap	Amendment to the presentation of funding set aside for future Schools contracts	45,429	CIES Balance Sheet MiRS Note 2 Expenditure & Funding Analysis Note 21 Creditors Note 27.1 General Fund Group Accounts
Restatement of 20/21 Housing Rents Receivable	Incorrect 20/21 figure disclosed in error.	3,652	Note 17.3 Credit Exposure to Council's Customers Note 19 Short Term Debtors Note 17.1 Types of Financial Instruments Note 17.2 Fair Value of Assets & Liabilities Carried at Amortised Cost
Restatement of Remuneration note Pension Benefits of Senior Councillors 2020/21	Movement in Senior Councillor's posts	(2)	Remuneration note 4a) Pension Benefits of Seniors

7.2. Group Accounts Restatement

Following a review of the Group consolidation process a number of amendments were made to restate the 2020/21 Group Financial Statements. The restatements reflect the final 2020/21 audited accounts of the Group Entities. This has resulted in a net decrease (excluding Council restatements noted above in 7.1) to the Group Balance Sheet of £1.158m, decreasing the uplift to the single entity position for 2020/21 to £133.324m; the Group Comprehensive Income and Expenditure Statement remains unchanged; the Group Cash Flow Statement cash position remains unchanged. The various adjustments have been reflected in the Group Movement in Reserves Statement and associated notes to the Group Accounts.

8. Other Operating Expenditure

	2020/21	2021/22
	£000	£000
(Gains) or losses on disposal of non-current assets	(1,375)	(767)
Total	(1,375)	(767)

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9. Financing and Investment Income and Expenditure

	2020/21		2021/22	
	Expenditure	Income	Expenditure	Income
	£000	£000	£000	£000
Interest Payable and similar charges	37,352	-	34,087	-
Pensions interest income on plan assets	-	(45,307)	-	(50,814)
Pension interest cost on defined benefit obligation	53,584	-	60,132	-
Interest receivable and similar income		(727)		(231)
Surpluses on Trading Undertaking not included in Net Cost of Services	216	(326)	376	1
Income from dissolution of group entities	-	-	-	-
Financial Guarantee	-	(106)	-	(101)
Gain on De-recognition of Financial Asset	-	(10)	-	-
Impairment of Financial Assets	5,694	-	4,123	-
Total	96,846	(46,476)	98,718	(51,145)

10. Taxation and Non-Specific Grant Income

	2020/21	2021/22
	£000	£000
Income from Council Tax	(122,490)	(125,200)
Distribution from Non-Domestic Rates pool	(71,360)	(84,429)
General Revenue Grant	(628,356)	(621,480)
Recognised capital grants and contributions	(47,300)	(58,530)
Total	(869,506)	(889,639)

It should be noted that the General Revenue Grant recognised in the CIES has been adjusted from that shown in Local Government Finance Circular 1/2022 to reflect proper accounting practice. In accordance with LASAAC guidance, income included within the circular totalling £11.032m has been treated as relating to an agency arrangement and therefore not reflected within the Council's CIES. Income not included in the circular of £1.065m 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

	2020/21	2021/22
	£000	£000
Credited to Comprehensive Income and Expenditure Statement		
General Revenue Grant	628,356	621,480
Distribution from Non-Domestic Rates pool	71,360	84,429
Capital - Scottish Government General Grant	22,704	21,908
Capital - Scottish Government Other Grants	23,318	34,223
Capital – Other Grants	1,173	1,470
Donated Assets	105	929
Total	747,016	764,448
Credited to Services		
Housing Benefit	88,832	81,925
1140 Hours Early Years	32,581	36,507
Pupil Equity Fund	9,110	10,926
Scottish Attainment Challenge	8,199	7,799
Offenders / Criminal Justice Grant	6,589	6,544
Scotland's Schools for the Future	4,761	4,772
COVID 19 - Additional Teachers and Support	3,772	-
European Grant Income	2,062	1,388
Regeneration Capital Grant Fund	1,735	-
COVID 19 - Discretionary Fund	1,710	-
Education Maintenance Allowance	1,321	1,066
COVID 19 - Vulnerable Children and Young People - Winter Protection	1,318	-
COVID 19 - Food Fund - Holidays	1,303	-
Vacant and Derelict Land Fund	1,287	720
Fleet	1,132	144
Home Energy Efficiency Programme	1,087	173
NSS Donated PPE	1,085	-
Physical Education, Physical Activity & Sport	922	865
Young Person's Guarantee	816	1,346
City Deal	815	486
COVID 19 - Furlough Income	788	900
COVID 19 - Vaccination Centre	536	2,385
Resettlement Programme	448	237
Directed Service Grants – COVID	-	642
SG Main Capital Grant - 3rd Party Write Off's	311	1,474
No One Left Behind	203	883
Test Centre Set Up	5	812
Children & Young People's Mental Health	-	696
Other Miscellaneous Grants and Contributions	3,051	3,502
Total	175,779	166,192

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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 2021/22 the Council collected and paid over £52.800m (2020/21 £51.248m) and received £1.137m (2020/21 £1.137m) 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 £17.186m (£68.433m in 2020/21), with a net debtor of £0.222m shown on the Council's balance sheet in relation to reimbursement outstanding as at 31st March 2022 (£15.262m in 2020/21). Further detail is shown in the table below.

	Net Debtor at 31 March 2020	Payments Made in 2020/21	Funding Received in 2020/21	Net Debtor at 31 March 2021	Payments Made in 2021/22	Funding Received in 2021/22	Net Debtor at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Business Grant Scheme	2,690	39,532	(42,187)	35	37	-	72
Strategic Framework	-	11,703	-	11,703	1,010	(12,713)	-
Retail, Hospitality Top Up Support	-	9,184	(9,390)	(206)	2,807	(3,729)	(1,128)
Child Bridging Payment	-	-	-	-	4,821	(4,856)	(35)
Taxi and Private Hire Vehicle Driver Support	-	2,313	-	2,313	3,715	(4,623)	1,405
£100 Hardship Payments	-	2,154	(2,243)	(89)	1,134	(1,045)	-
Self Isolation	-	310	-	310	2,170	(1,697)	783
Other	-	3,237	(2,041)	1,196	1,492	(3,563)	(875)
Total Provisions	2,690	68,433	(55,861)	15,262	17,186	(32,226)	222

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13. Property, Plant and Equipment

13.1. Movement on Balances in 2021/22

	HRA Dwelling	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construct'n	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 1 April 2021	1,179,654	1,683,365	89,959	12,360	22,391	46,669	3,034,398
Transfer in of CLNL Balances	-	4,146	2,622	-	-	-	6,768
Revised 1 April 2021	1,179,654	1,687,511	92,581	12,360	22,391	46,669	3,041,166
Additions in year	62,799	12,102	8,336	3,538	-	63,789	150,564
Donated assets	-	-	929	-	-	-	929
Disposals in year	-	-	(2,606)	-	-	-	(2,606)
Revaluation and impairment adjustments to revaluation reserve	23,575	(34,687)	(1,464)	-	33	-	(12,543)
Revaluation and impairments adjustments to CIES	-	(31,230)	(381)	(44)	(85)	(1,201)	(32,941)
Transfer to/ (from) AUC	28,194	8,783	227	-	-	(38,477)	(1,273)
Transfer to assets held for sale	-	-	-	-	-	-	-
Other reclassifications	-	-	-	-	-	-	-
At 31 March 2022	1,294,222	1,642,479	97,622	15,854	22,339	70,780	3,143,296
Depreciation							
At 1 April 2021	77,513	178,654	42,075	-	139	-	298,381
Transfer in of CLNL Balances	-	3,427	1,889	-	-	-	5,316
Revised 1 April 2021	77,513	182,081	43,694	-	139	-	303,697
Depreciation charge for the year	29,336	47,085	11,226	-	16	-	87,663
Revaluation and impairment adjustments to revaluation reserve	(104,429)	(144,218)	(89)	-	-	-	(248,736)
Revaluation and impairments adjustments to CIES	-	(11,308)	(1,561)	-	-	-	(12,869)
On disposals	-	-	(2,606)	-	-	-	(2,606)
Other reclassifications	-	-	-	-	-	-	-
At 31 March 2022	2,420	73,640	50,934	-	155	-	127,149
Net Book Value							
At 31 March 2022	1,291,802	1,568,839	46,688	15,854	22,184	70,780	3,016,147
At 31 March 2021	1,102,141	1,504,711	47,884	12,360	22,252	46,668	2,736,016
Nature of Asset Holding at 31 March 2022							
Owned	1,291,802	1,274,086	46,652	15,854	22,184	70,780	2,721,358
Finance Lease	-	-	36	-	-	-	36
PPP	-	294,753	-	-	-	-	294,753

The Scottish Government has issued Finance Circular 9/2022 and the Council are invoking the statutory overrides permitted by this guidance which removes gross book value and accumulated depreciation amounts for infrastructure assets. The net book value of these assets as at 31 March 2022 is £262.561m (2020/21 £261.004m) and is part of the property, plant and equipment figure in the balance sheet.

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13.2. Movement on Balances in 2020/21

	HRA Dwelling	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construct'n	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 1 April 2020	1,122,536	1,566,339	87,963	11,384	16,908	26,994	2,832,124
Additions in year	47,449	22,399	9,990	745	11	36,721	117,315
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	131	-	(15,556)	(213)
Transfer to assets held for sale	-	-	-	-	-	-	-
Other reclassifications	-	-	-	-	-	96	96
At 31 March 2021	1,179,654	1,683,365	89,959	12,360	22,391	46,668	3,034,397
Depreciation At 1 April 2020	49,349	133,003	40,439	-	124	-	222,915
Depreciation charge for the year	28,164	46,127	10,377	-	15	-	84,683
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	-	139	-	298,381
Net Book Value At 31 March 2021	1,102,141	1,504,711	47,884	12,360	22,252	46,668	2,736,016
At 31 March 2020	1,073,187	1,433,336	47,524	11,384	16,784	26,994	2,609,209
Nature of Asset Holding at 31 March 2021							
Owned	1,102,141	1,227,237	47,884	12,360	22,252	46,668	2,458,542
Finance Lease	-	-	-	-	-	-	-
PPP	-	277,474	-	-	-	-	277,474

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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 external advisors BNP Paribas in conjunction with the Council's 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	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Value at historical cost	-	127,892	45,240	13,479	1,587	70,780	258,978
Valued at current value plus additions less depreciation as at:							
31 March 2022	138,668	220,336	383	-	2,105	-	361,492
31 March 2021	-	186,549	1,002	112	11,912	-	199,575
31 March 2020	-	37,594	-	-	-	-	37,594
31 March 2019	-	959,678	-	-	-	-	959,678
31 March 2018	1,153,134	36,790	63	2,263	6,580	-	1,198,830
Total Value as at 31 March 2022	1,291,802	1,568,839	46,688	15,854	22,184	70,780	3,026,147

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

2021/22 was the fourth year of the Council's rolling five-year revaluation programme and will continue in 2022/23 with Council Dwellings, Planning and Development Properties, Car Parks and Miscellaneous, in line with the five year valuation programme outlined above.

At 31 March 2022, a BCIS indexation adjustment was made of £141.643m (15.86%) for Education properties within Other Land & Buildings, £141.807m (13.87%) for Council Dwellings, and Leisure Properties and Open Spaces within Other Land & Buildings £6.387m and within Vehicle, Plant and Equipment £0.111m (11.1%) 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, 2017/18 for Council Dwellings and 2021/22 for Leisure Properties and Open Spaces. These adjustments are incorporated within the 31 March 2022 figures in the table above.

14. Heritage Assets

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

Collection	No. In Collection	Value
		£000
Civic Regalia	1	296
Museum Exhibits	1	9
Paintings	12	109
Sculptures	1	39
Total	15	453

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

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

Industrial History Collection

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

Social History

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

North Lanarkshire Archive

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

Other Collections

Other smaller collections include:

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

15. Intangible Assets

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

	2020/21				2021/22			
	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	-	169	2,629	2,798	123	1,544	6,502	8,169
Additions in year	123	248	5,017	5,388	-	294	3,975	4,269
Transfers	-	1,144	(1,144)	-	-	1,438	(1,438)	-
Amortisation	-	(17)	-	(17)	(25)	(295)	-	(320)
Balance at 31st March	123	1,544	6,502	8,169	99	2,981	9,038	12,118
Represented by:								
Gross Carrying Amount	123	1,561	6,502	8,186	123	3,293	9,039	12,455
Accumulated amortisation	-	(17)	-	(17)	(25)	(312)	-	(337)
Balance at 31st March	123	1,544	6,502	8,169	99	2,981	9,039	12,118

At 31 March 2022, the Council had contractual capital commitments of £3.635m in respect of the acquisition of intangible assets.

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16. Long-Term Debtors

	2020/21	2021/22
	£000	£000
Balance at the start of the year	2,036	1,535
Recorded debt	(259)	(61)
Bad debt provision	(242)	45
Balance at the end of the year	1,535	1,519

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 2021	At 31 March 2022	At 31 March 2021	At 31 March 2022
Financial Liabilities	£000	£000	£000	£000
Borrowings at amortised cost:				
- Principal Sum Borrowed	490,575	439,933	256,361	243,715
- Accrued Interest	-	-	4,242	3,865
- EIR Adjustments	-	-	2,537	2,518
Total Borrowings	490,575	439,933	263,140	250,098
- Provisions: Financial Guarantees	152	55	101	97
Other Long-term Liabilities at amortised cost:				
- Finance Leases	1,711	1,543	190	221
- PPP and similar arrangements	172,194	165,402	7,068	6,792
Total Other Long-term Liabilities	173,905	166,945	7,258	7,013
*Creditors	-	-	171,465	156,287
Total Financial Liabilities	664,632	606,933	441,964	413,495
Financial Assets:				
At amortised cost :				
- Principal Sum Invested	1,189	1,170	70,386	73,823
- Accrued Interest	-	-	3	22
At fair value through profit & loss :				
- Principal Sum Invested	-	-	40,000	39,990
- Accrued Interest	-	-	-	11
**Debtors	-	-	41,806	49,861
Interest in Subsidiaries Associates and Joint Ventures.	-	-	-	-
Total Financial Assets	1,189	1,170	152,195	163,707

* 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.

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For the year ended 31 March 2022 the element of long-term liabilities/assets that fall due for payment or receipt on or within 12 months has been treated as current within the above table. The amounts which relate to long-term liabilities, shown within the current category, comprise Public Work Loans Board debt of £35.394m of principal, and accrued PWLB interest of £3.036m. This category also includes market loan debt of £15.000m, accrued market loan interest of £0.750m and a cumulative effective interest rate adjustment of £2.518m 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 £0.089m in relation to subordinated debt investments under 'hubco' arrangements as described later in the section below.

The Financial Assets current category, shown at amortised cost, held for a period of less than one year, include the bank current accounts / call accounts with no adjustment having been made to the amortised cost to reflect expected credit losses. This is based on an analysis of the type of assets held which are considered to have a low risk of default with reference to historic default data published by credit rating agencies. The financial 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 £1.259m outstanding, shown as £1.170m long-term and £0.089m 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.

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 2021				31 March 2022			
	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	(23,248)	-	-	(23,248)	(20,355)	-	-	(20,355)
PPP Unitary Charge Interest	(13,957)	-	-	(13,957)	(13,598)	-	-	(13,598)
Finance Lease Interest	(147)	-	-	(147)	(135)	-	-	(135)
Impairment of Financial Assets	-	(5,694)	-	(5,694)	-	(4,123)	-	(4,123)
Total Expense	(37,352)	(5,694)	-	(43,046)	(34,088)	(4,123)	-	(38,221)
Interest Income	-	566	161	727	-	216	14	230
Gain on De-recognition Financial Guarantee Premium	-	9	-	9	-	-	-	-
	-	106	-	106	-	101	-	101
Total Income	-	681	161	842	-	317	14	331
Net (Loss) / Gain for the year	(37,352)	(5,013)	161	(42,204)	(34,088)	(3,806)	14	(37,890)

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

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

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

Where the fair value is deemed to be different from the amortised cost as presented within balance sheet for both Financial Liabilities and Financial Assets the fair value amount is shown in the 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 2021			31 March 2022		
		Principal Amount	Restated Carrying Amount	Fair Value Amount	Principal Amount	Carrying Amount	Fair Value Amount
Financial Liabilities		£000	£000	£000	£000	£000	£000
PWLB Debt	2	434,585	437,844	551,896	407,349	410,385	469,557
Non PWLB Debt	2	312,351	315,871	368,707	276,299	279,646	313,577
Financial Guarantee	-	253	253	253	152	152	152
Finance Leases	2	1,901	1,901	2,443	1,764	1,764	2,077
PPP & similar arrangements	2	179,262	179,262	230,734	172,194	172,194	200,905
Creditors ¹	-	171,465	171,465	171,465	156,287	156,287	156,287
Total Financial Liabilities		1,099,817	1,106,596	1,325,498	1,014,045	1,020,428	1,142,555
Financial Assets							
At Amortised Cost	2	71,575	71,578	71,578	74,993	75,015	75,015
At Fair Value through Profit and Loss	1	40,000	40,000	40,000	39,990	40,001	40,001
Debtors ²	-	41,806	41,806	41,806	49,861	49,861	49,861
Total Financial Assets		153,381	153,384	153,384	164,844	164,877	164,877

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 2022, 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 2022.
- 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 2022 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 2022.

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 2021 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 2021/22 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 2021/22 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 2021/22 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 2021 (Restated)			31 March 2022		
	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	6,063	27,598	6,454	5,705	14,548	5,708
Three to six months	3,027	-	628	1,767	-	415
Six to twelve months	1,854	-	567	1,960	-	774
More than one year	1,238	-	6,073	2,467	-	5,176
Debt Outstanding	12,182	27,598	13,722	11,899	14,548	12,073
Expected Credit Losses	(8,778)	-	(3,774)	(8,900)	-	(3,068)
Average allowance for Expected Credit Loss (%)	72.1%	0%	27.5%	74.8%	0%	25.4%
Total Debtors	3,404	27,598	9,948	2,999	14,548	9,005

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. 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 £0.152m.

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 £0.055m and a short-term debtor of £0.097m within the Balance Sheet to reflect this arrangement.

Soft Loans

The Council has recognised an amount receivable of £1.465m within Long-Term Debtors (2020/21 – £1.384m), 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 £2.365m of amounts recoverable (2020/21 - £2.330m) adjusted to reflect an expected credit loss allowance of £0.901m (2020/21 - £0.946m). 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.

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 2021	At 31 March 2022
	£000	£000
Less than one year	256,361	243,716
Between one and two years	50,642	26,586
Between two and seven years	98,422	83,007
Between seven and fifteen years	100,564	100,392
More than fifteen years	240,947	229,947
Total	746,936	683,648

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 £13.0m 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 6.40% 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 £13.0m comprises £3.0m 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 2022, the Council as permitted by its investment strategy, as outlined within section 17.1, has a total investment of £1.259m 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 £0.904m at 31 March 2022 which includes accrued interest due of £0.045m with the balance of £0.859m 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 £0.355m at 31 March 2022 which includes accrued interest due of £0.017m with the balance of £0.338m 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

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- investments at fixed rates – the fair value of the assets will fall.

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The Council will monitor its interest rate exposure by the local indicator shown in the tables 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:

Increase in interest payable on variable rate borrowings	£000
Increase in interest receivable on variable short-term investments	150
	(709)
Overall Impact on Comprehensive Income and Expenditure Statement	(559)
Share of Overall impact debited to the HRA	(228)

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

Decrease in interest payable on variable rate borrowings	£000
Decrease in interest receivable on variable short-term investments	(150)
	59
Overall Impact on Comprehensive Income and Expenditure Statement	(91)
Share of Overall impact debited to the HRA	(37)

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	(68,849)	80,833

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:

	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	1,728	1,891
Purchases	7,925	9,378
Donations	1,085	-
Recognised as an expense in the year	(8,840)	(8,641)
Write Off Balances	(7)	(99)
Closing Balance at 31 March	1,891	2,529

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:

	2020/21		2021/22	
	£000	£000	£000	£000
Central Government Bodies		46,556		19,614
Other Local Authorities		1,687		1,001
NHS Bodies		8,401		1,879
Public Corporations and Trading Funds		26		2
Trade Debtors, Other Entities and Individuals		41,806		49,861
Provision for Expected Credit Losses		(4,751)		(4,288)
House Rents Receivable:				
Rents Receivable	12,182		11,899	
Less Expected Credit Losses	(8,778)	3,404	(8,900)	2,999
Arrears in Local Taxation:				
Council Tax	115,598		118,506	
Less Provision	(98,017)	17,581	(103,469)	15,037
NNDR Statutory Addition	5,035		5,550	
Less Provision	(5,035)		(5,190)	360
Total Debtors		114,710		86,465

20. Cash and Cash Equivalents

	2020/21	2021/22
	£000	£000
Cash held by the Council	480	499
Bank current accounts / call accounts	70,301	73,756
Money Market Funds	40,000	40,001
Net Cash and Cash Equivalents	110,781	114,256

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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:

	2020/21 £000	2021/22 £000
Central Government	(2,960)	(6,201)
Other local authorities	(4,048)	(2,706)
NHS Bodies	(318)	(4,895)
Public Corporations and Trading Companies	(762)	(694)
Trade Creditors, Other Entities and Individuals	(125,753)	(156,287)
Short-term compensated absences (1)	(22,995)	(21,717)
Total Creditors	(156,836)	(192,500)

- (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 2020 £000	Additional Provisions Made in 2020/21 £000	Amounts Used in 2020/21 £000	Balance at 31 March 2021 £000	Additional Provisions Made in 2021/22 £000	Amounts Used in 2021/22 £000	Balance at 31 March 2022 £000
Equal Pay (1)	5,757	-	(151)	5,606	-	(558)	5,048
Landfill (2)	188	7,734	(258)	7,664	-	(171)	7,493
Financial Guarantee (3)	359	-	(106)	253	-	(101)	152
Total Provisions	6,304	7,734	(515)	13,523	-	(830)	12,693

- (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 was recognised for the future costs associated with the restoration of Auchinlea landfill site. Additional provisions were made in 2020/21. During 2021/22 £0.171m of the provision was utilised.
- (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 2022 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 2022 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 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

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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. Potential claim volume and values cannot be quantified at this time therefore no financial provision has been made.

The Council is unaware of any other material contingent asset or liability as at 31 March 2022.

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, and computer equipment transferred as part of the CLNL Insourcing is included within Vehicles, Plant & Equipment 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:

	2020/21	2021/22
Finance lease liabilities	£000	£000
▪ Current	190	221
▪ Non-current	1,711	1,543
Finance costs payable in future years	643	510
Minimum lease payments	2,544	2,274

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Not later than one year	325	344	190	221
Later than one year and not later than five years	1,299	1,336	905	1,005
Later than five years	920	594	806	538
Total	2,544	2,274	1,901	1,764

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 2021/22 were £3.508m (2020/2021 £3.419m). The Council also leases various vehicles, plant and equipment on lease terms that are typically between one and five years. The rentals payable in 2021/22 were £0.927m (2020/21 £1.210m). 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	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Not later than one year	854	854	921	483
Later than one year and not later than five years	2,294	2,294	666	231
Later than five years	1,002	579	-	-
Total	4,150	3,727	1,587	714

The Council has sub-let a number of these buildings and the minimum lease payments expected to be received from these sub leasing agreements is £0.046m (2020/21 £0.026m).

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 2021/22 was £1.304m (2020/21 £1.289m) 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	
	2020/21	2021/22
	£000	£000
Within one year	901	930
Later than one year and not later than five years	1,530	1,508
Later than five years and not later than ten years	1,769	1,783
Later than ten years and not later than fifty years	12,526	12,472
Later than 50 years	8,372	8,077
Total	25,098	24,770

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.

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 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:

	2020/21	2021/22
	£000	£000
Opening Net Book Value	268,058	277,474
Additions	2,592	-
Disposals	-	-
Depreciation charge for the year	(5,861)	(5,920)
Revaluations in year	12,685	23,199
Closing Net Book Value	277,474	294,753

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 2022 including an adjustment for inflation and excluding any estimation of availability and performance deductions are as follows:

	Future payments for services (including lifecycle maintenance)	Repayment of liability	Finance interest	Total
	£000	£000	£000	£000
Payable within one year	19,487	6,792	13,737	40,016
Payable within two to five years	80,089	31,954	56,781	168,824
Payable within six to ten years	115,301	47,229	69,996	232,526
Payable within eleven to fifteen years	135,462	56,106	67,912	259,480
Payable within sixteen to twenty years	66,374	22,613	6,649	95,636
Payable within twenty one to twenty five years	36,131	7,501	1,661	45,293
Total	452,844	172,915	216,736	841,775

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:

	2020/21	2021/22
	£000	£000
Balance outstanding at the start of the year	(183,487)	(179,262)
Additions during the year	(2,592)	-
Payments during the year	6,817	7,068
Balance outstanding at year-end	(179,262)	(172,194)
Included in Balance Sheet		
Current	(7,068)	(6,792)
Non-current	(172,194)	(165,402)

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 £766m of total NLC assets in the pension fund of £2.7bn (28%). 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 2021/22, the Council paid £37.896m (£36.931m in 2020/21) to the Scottish Public Pensions Agency in respect of teachers' retirement benefits, representing an employer contribution of 23.0% (23.0% from 1/9/2019 onwards). In addition, the Council is responsible for all pension payments relating to previously awarded added years. In 2021/22, these amounted to £5.064m (£5.070m for 2020/21).

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:

	2020/21	2021/22
	£000	£000
Comprehensive Income and Expenditure Statement (CIES)		
Included within Net Cost of Service within CIES:		
• Current service cost	77,503	119,672
• Past service cost/(gain) including curtailments	2,785	1,125
• Effect of Settlements	-	-
	80,288	120,797
Included within Financing and Investment Income & Expenditure in CIES:		
• Net interest expense	8,277	9,318
	8,277	9,318
Total Post-employment Benefit charged to Surplus or Deficit on the Provision of Services	88,565	130,115
Other Post-employment Benefits charged to the CIES:		
Re-measurement of the net defined benefit liability	52,108	(352,023)
Total Post-employment Benefits charged to the CIES	140,673	(221,908)
Less Employer's contributions payable to pension scheme	(51,228)	(55,329)
Impact of Business Combination and Disposals	-	16,203
Movement in Pension Reserve	89,445	(261,034)

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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:

	2020/21	2021/22
	£000	£000
Opening balance at 1 April	(2,300,643)	(2,820,623)
Current service cost	(77,503)	(119,672)
Interest cost	(53,584)	(60,132)
Contributions from scheme participants	(13,033)	(14,384)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	72,363	19,023
Actuarial gains/losses arising from changes in financial assumptions	(566,193)	201,456
Actuarial gains/losses arising from changes in other experience	50,414	(12,993)
Past service cost including gains/losses on curtailment	(2,785)	(1,125)
Benefits paid	70,341	69,665
Effect of settlements	-	(153,919)
Closing Balance at 31 March	(2,820,623)	(2,892,704)

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

	2020/21	2021/22
	£000	£000
Opening balance at 1 April	1,972,898	2,403,433
Interest income	45,307	50,814
Return on assets	448,679	144,537
Contributions from employer	43,711	46,991
Contributions from scheme participants	13,033	14,384
Contributions in respect of Unfunded Benefits	7,517	8,338
Benefits paid	(70,341)	(69,665)
Effect of settlements	-	137,716
Actuarial gains/losses arising from changes in other experience	(57,371)	-
Closing Balance at 31 March	2,403,433	2,736,548

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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:

	2020/21	2021/22
	£000	£000
Cash and cash equivalents	40,349	69,631
Equity instruments (by industry type)		
• Consumer	138,388	128,199
• Manufacturing	137,096	120,585
• Energy utilities	25,104	28,478
• Financial institutions	85,076	75,364
• Health and care	67,049	91,446
• Information technology	111,210	158,905
Sub-total equity	563,923	602,977
Bonds (by sector)		
• Corporate	1	1
Sub-total bonds	1	1
Property	194,730	230,783
Private equity	429,880	535,716
Other investment funds		
• Equities	840,611	1,013,302
• Bonds	325,057	276,388
• Commodities	1,017	940
• Infrastructure	2,429	2,402
• Other	5,003	4,408
Sub-total other investment funds	1,174,117	1,297,440
Derivatives	433	-
Total assets	2,403,433	2,736,548

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

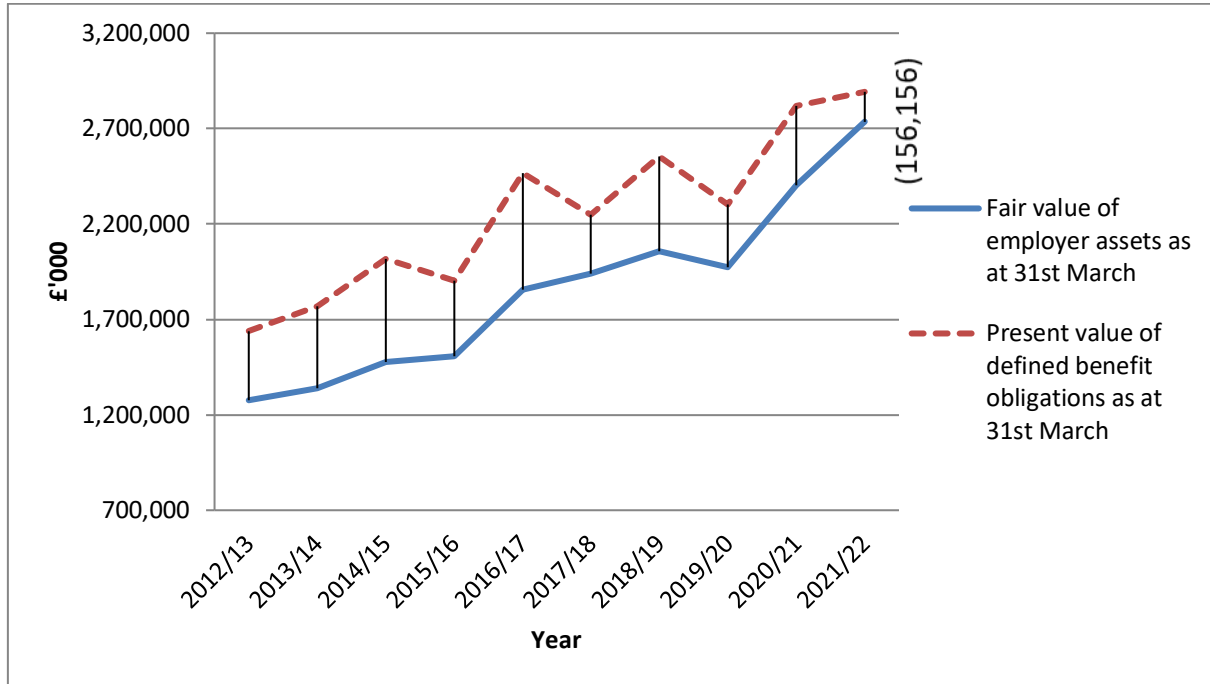
The present value of unfunded liabilities comprises approximately £45.102m, £88.979m and £14.635m in respect of LGPS, Teachers' and Pre-LGR unfunded pensions. For unfunded liabilities as at 31 March 2022, it is assumed that all unfunded pensions are payable for the remainder of the member's life.

	2020/21	2021/22
	£000	£000
Fair Value of Employer Assets	2,403,433	2,736,548
Present Value of Funded Liabilities	(2,666,350)	(2,743,988)
Net (under)/Overfunding in Funded Plans	(262,917)	(7,440)
Present Value of Unfunded Liabilities	(154,273)	(148,716)
Net Asset/(Liability)	(417,190)	(156,156)
Amount in Balance Sheet:		
Liabilities	(417,190)	(2,892,704)
Assets	-	2,736,548
Net Asset/(Liability)	(417,190)	(156,156)

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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 £156.156m 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 valuation of the scheme as at 31 March 2022.

	2020/21	2021/22
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
• Men	19.8	19.6
• Women	22.6	22.4
Longevity at 65 for future pensioners:		
• Men	21.2	21.0
• Women	24.7	24.5
Rate of increase in salaries	3.55%	3.90%
Rate of increase in pensions	2.85%	3.20%
Discount Rate	2.00%	2.70%

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 0.1%)	7,638	0%
Rate of increase in pensions (increase by 0.5%)	46,017	2%
Rate for discounting scheme liabilities (decrease by 0.1%)	54,129	2%
1 Year increase in the member life expectancy	115,708	4%

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 4%. 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 (79%) and bonds (10%). The comparative year's figures are 76% and 14%. The scheme also invests in properties (8%) and cash (3%), with comparative year's figures of 8% and 2%.

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 £46.193m. 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. Merger with CLNL

Assets	£'0000
Cash at Bank	13,380
Trade Debtors Net of Provision	447
Sundry Debtors and Prepayment	227
Stocks	58
Total Assets	14,112
Liabilities	
Trade Creditors	(1,356)
Sundry Debtors and Accruals	(2,015)
Total Liabilities	(3,371)
Net Asset Transfer	10,741

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27.2. General Fund Balance

	Restated Balance at 31 March 2021	Transfers Out	Transfers in	Balance at 31 March 2022
	£000	£000	£000	£000
Earmarked General Fund Reserves				
COVID-19 Directed Funding	15,203	(14,629)	6,322	6,896
COVID-19 General Funding	14,362	(14,362)	20,655	20,655
COVID-19 Recovery General Fund Contribution	6,500	(3,500)	-	3,000
Change Management Fund	10,021	-	19,403	29,424
One off Costs of Savings Programme	12,021	(12,021)	-	-
Schools Future Contractual Obligations	49,029	-	5,146	54,175
Early Years & Childcare Expansion	11,256	-	2,993	14,249
Strategic Workforce Planning	-	-	13,000	13,000
Temporary Accommodation	-	-	9,288	9,288
Energy costs & Other Non Pay Inflation	-	-	7,220	7,220
2022/23 Budget One-off Investment	-	-	6,000	6,000
Pupil Equity Fund	3,984	(3,984)	5,122	5,122
Balances held by Schools under Devolved School Management	4,545	(4,545)	3,652	3,652
Digitisation	2,953	(455)	-	2,498
Active & Creative Communities	-	-	2,000	2,000
Business Gateway and Business Recovery	1,510	(73)	263	1,700
Enterprise Contract	1,701	(14)	-	1,687
ICT Orders/Refresh & FMS Project Development	-	-	1,680	1,680
Youth Guarantee Funding	-	-	2,367	2,367
Winter Reserve	-	-	1,500	1,500
E&C 21/22 One Off Investment	-	-	1,146	1,146
Rapid Rehousing	752	(77)	484	1,159
Other Earmarked Funds	6,114	(2,063)	6,042	10,094
Total Earmarked	139,951	(55,723)	114,283	198,511
Contingency Reserve	8,000			8,000
Unallocated Balance	14,229		15,524	29,753
Total General Fund Balance	162,180	(55,723)	129,807	236,264

Balances included within the Other Earmarked Funds line is reviewed annually on the basis of value therefore the prior year disclosures may differ from the audited 2020/21 annual accounts.

27.3. HRA Balance

	Balance at 31 March 2021	Transfers Out	Transfers in	Balance at 31 March 2022
	£000	£000	£000	£000
Earmarked HRA Balance				
Temporary Accommodation	8,348	(8,348)	-	-
Welfare Changes and Financial Insecurity	2,760	(1,180)	-	1,580
Ambition	5,054	-	-	5,054
Housing Repairs (Potential Demand Increase)	2,500	-	-	2,500
HRA Capital Programme (Energy Efficiency)	2,500	-	-	2,500
Other	3,419	(2,182)	-	1,237
Total Earmarked	24,581			12,871
Unallocated/Held for Risks and Uncertainties	1,402	-	3,753	5,155
Contingency Reserve	1,470	-	-	1,470
Total HRA Balance	27,453			19,496

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27.4. Capital Grants Unapplied Account

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

	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	17,724	12,421
Capital grants received in the year but unapplied	8,476	5,283
Capital grants received in previous years now applied	(13,779)	(10,580)
Closing Balance at 31 March	12,421	7,124

27.5. 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 for PPP schools.

	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	672	11,651
Transfers in year (see Note 32)	10,979	2,104
Closing Balance at 31 March	11,651	13,755

27.6. 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.

	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	1,154	4,470
Amounts expended on principal repayments	(1,154)	(4,470)
Transfer from Capital Receipts Reserve	4,470	396
Closing Balance at 31 March	4,470	396

27.7. Insurance Fund

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

	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	13,000	13,000
Amounts expended on premiums and claims settlements	(3,309)	(3,677)
Contributions to / from Insurance Fund	3,309	3,677
Closing Balance at 31 March	13,000	13,000

27.8. 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.

	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	-	-
Capital receipts received in the year	4,494	1,410
Amount applied to finance new capital investment	(24)	(1,014)
Amount transferred to Capital Fund	(4,470)	(396)
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:

	2020/21	2021/22
	£000	£000
Revaluation Reserve	646,564	865,726
Capital Adjustment Account	1,300,938	1,319,029
Financial Instruments Adjustment Account	(28,494)	(26,802)
Pensions Reserve	(417,190)	(156,156)
Employee Statutory Adjustment Account	(22,995)	(21,717)
Total Unusable Reserves	1,478,823	1,980,079

28.1. Merger with CLNL

Following merger with CLNL, North Lanarkshire Council inherited the following assets and liabilities on the 01 April 2021:-

	£'000
Fixed Assets	1,451
Pension Liability	(16,203)
Net Liability	(14,752)

28.2. 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.

	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	553,724	646,564
Upward revaluation of assets	109,813	237,287
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on Provision of Services	(4,806)	(4,922)
Surplus / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on Provision of Services	105,007	232,365
Difference between fair value depreciation and historical cost depreciation	(9,324)	(10,858)
Accumulated gains on assets sold	(2,843)	(2,345)
Closing Balance at 31 March	646,564	865,726

28.3. 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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	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	1,299,393	1,300,938
Transfers in of CLNL balances	-	1,451
Revised Opening Balance at 1 April	1,299,393	1,302,389
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
<ul style="list-style-type: none"> Charges for depreciation and impairment of non-current assets Net book value of non-current assets written off on disposal or sale 	(107,740) (3,119)	(118,732) (644)
Donated assets	105	929
Adjusting amounts written out of the Revaluation Reserve	12,167	13,203
Net transfer to Capital Grants Unapplied Account	3,647	5,226
Capital financing applied in the year:		
<ul style="list-style-type: none"> Use of Capital Receipts Reserve to finance new capital expenditure Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (Loans Fund repayments) Capital expenditure charged against the General Fund and HRA balances 	24 47,195 21,848 27,418	1,014 57,601 23,780 34,262
Closing Balance at 31 March	1,300,938	1,319,029

28.4. 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.

	2020/21	2021/22
	£000	£000
Balance at 1 April	(30,192)	(28,494)
Premiums / Discounts Annual Write-Off	1,674	1,675
Re-measurement of LOBO loans	24	16
Balance at 31 March	(28,494)	(26,803)

28.5. 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.

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	2020/21	2021/22
	£000	£000
Balance at 1 April	(327,745)	(417,190)
Re-measurement of net defined pension liability	(52,108)	352,023
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	(88,565)	(130,115)
Employers' pensions contributions paid to Strathclyde Pension Fund	51,228	55,329
Effect of Business Combinations and Disposals	-	(16,203)
Balance at 31 March	(417,190)	(156,156)

28.6. 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.

	2020/21	2021/22
	£000	£000
Balance at 1 April	(17,677)	(22,995)
Settlement or cancellation of accrual made at the end of the preceding year	17,677	22,995
Amounts accrued at the end of the current year	(22,995)	(21,717)
Balance at 31 March	(22,995)	(21,717)

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29. Capital Commitments

At 31 March 2022, the Council was contractually committed to the following significant capital works.

	£000
HRA – New Build Programme	28,440
HRA – Heating	11,303
HRA – Roofing & Render	15,850
HRA – Bathrooms	1,300
HRA – Kitchens	1,000
HRA – Windows and Doors	5,338
HRA – Tower Strategy	6,997
HRA – Lead Pipe	1,048
HRA – Community Care	2,525
HRA – Security & DE Systems	1,390
HRA – Estate Regeneration	300
HRA – Fire Safety	950
HRA – Other	400
School Alterations and Upgrades	3,148
Redevelopment and Office Upgrades	598
Other Projects	338
Schools Modernisation	50,233
Early Years Expansion	711
City Deal	20,487
Regeneration Capital Grant Fund	2,491
PBIP	647
Other Regeneration Projects	1,302
Digital NL	3,635
Road Operations-LED Lighting	2,349
Road Operations-Roads/Bridges	2,521
Garrell Burn Project	1,234
Park Path Widening	113
Active Travel	851
Ventilation	416
Flood Alleviation	87
Biodiversity/Nature Trails	219
Solar Lighting	158

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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.

	2020/21	2021/22
	£000	£000
Net Book Value of Property, Plant & Equipment	2,872,603	2,998,472
Intangible Assets	2,798	8,169
Transfer of Property Plant & Equipment to Held for Sale	-	-
Capital Adjustment Account	(1,299,393)	(1,302,389)
Revaluation Reserve	(553,724)	(646,563)
Opening capital financing requirement	1,022,284	1,057,689
Capital investment		
Property, plant and equipment	130,149	165,997
Donated Assets	105	929
Intangible assets	5,388	4,269
Sources of Finance		
Capital Receipts	(24)	(1,014)
Government Grants and Other Contributions	(50,842)	(62,828)
Donated Assets	(105)	(929)
Sums set aside from revenue		
Direct revenue contributions	(27,418)	(34,262)
Repayment of loans fund advances	(21,848)	(23,780)
Closing capital financing requirement	1,057,689	1,106,071
Explanations of movements in year		
Increase in underlying need to borrow	32,813	48,382
Assets acquired under finance leases	-	-
Assets acquired under PPP contracts	2,592	-
Increase / (decrease) in capital financing requirement	35,405	48,382

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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.

2021/22	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	88,382	30,350	-	-	-	(118,665)
Capital grants and contributions applied	(44,088)	(15,824)	-	-	(5,297)	63,690
Amounts written off as part of gain/loss on disposal	644					(644)
Movements in the fair value of Investment properties	-	-	-	-	-	-
Statutory provision for the financing of capital investment	(14,916)	(8,864)	-	-	-	23,780
Capital expenditure funded from current revenue	(1,448)	(32,813)	-	-	-	34,261
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	(1,396)	(14)		1,410		-
Use of capital receipts to finance new capital expenditure				(1,014)		1,014
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Movements recognised under statutory provisions relating to Financial Instruments	(1,001)	(690)	-	-	-	1,691
Adjustments primarily relating to the Pensions Reserve:						
Reversal of items relating to retirement benefits charged to the CI&E Statement	120,664	9,451	-	-	-	(130,115)
Employer's pensions contributions and direct payments to pensioners payable in the year	(51,310)	(4,019)	-	-	-	55,329
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	(1,335)	57	-	-	-	1,278
Total Adjustments	94,196	(22,366)	-	396	(5,297)	(68,380)

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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/capital fund to finance new capital expenditure	-	-	-	(24)	-	24
Adjustment primary 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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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 2021/22. Figures for 2020/21 are provided in an additional table for comparison purposes:

2021/22	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	(2,104)	-	-	2,104	-	-
Contributions to Insurance Fund	(1,816)	(1,860)			3,677	
Amounts expended on premiums and claims settlements	1,816	1,860			(3,677)	
HRA Contribution to General Fund						
Amounts expended on principal repayments	4,470		(4,470)			
Contribution to Capital Fund			396			(396)
Total Adjustments	2,366	-	(4,074)	2,104	-	(396)

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)

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33. Reconciliation of 2021/22 Comprehensive Income and Expenditure Statement to Cash Flow Operating Activities

	£000	£000
Surplus / (Deficit) on the Provision of Services		(18,811)
Non-Cash Transactions		
Items Relating to Loans Fund	(426)	
Adjustment relating to Provisions	(2,386)	
Adjustment relating to Non Domestic Rates	(90)	
Adjustment relating to Capital Items	66,217	
Adjustment relating to Pensions Reserve	74,786	138,101
Items on an Accruals Basis		
Increase in Inventories	(638)	
Decrease in Debtors	13,638	
Increase in Creditors	32,659	45,659
CLNL Transfer		10,741
Net Cash Inflow from Operating Activities		175,690

34. Reconciliation of Financing Activities to Balance Sheet

	Balance at 31 March 2021	Cash Flow	Non-Cash	Balance at 31 March 2022
Cash and Cash Equivalents	110,781	3,445	30	114,256
	110,781	3,445	30	114,256
Financing Activities:				
Borrowing short-term	263,140	(25,803)	12,761	250,098
Borrowing long-term	490,575	(37,484)	(13,158)	439,933
Net Agency Grants	(15,423)	15,423	-	-
Finance leases short-term	7,258	(7,275)	7,030	7,013
Finance leases long-term	173,905	-	(6,960)	166,945
	919,455	(55,139)	(327)	863,989
Total cash outflow from financing activities		(55,139)		
Total cash inflow before financing activities		58,584		

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 had 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:

	2020/21	2021/22
	£000	£000
Agreed fee for the year	530	541
Total	530	541

The external audit costs include a fee of £4,186 (£4,100 2020/21) in relation to the audit of the Council's Charitable Trusts.

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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 deficit arising from the ordinary operation of the Trading Operation in 2021/22 is £0.076m. 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	2019/20	(4,802)	4,472	(330)
	2020/21	(3,572)	3,447	(125)
	2021/22	(2,938)	3,014	76
(Surplus) / Deficit over 3 years		(11,312)	10,932	(380)

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

The Building Cleaning Trading operation provides a comprehensive cleaning service to external businesses and service partners across approximately 49 building locations, with an overall staffing complement of 234 staff (68.24 FTE). Some of these locations also receive a janitor/cleaning service. The operation deliver cleaning services on behalf of Engie to schools in the Education 2010 project.

The Waste Solutions Trading Operation provides refuse collection and disposal services for approximately 1600 traders. The service is provided by 10 staff (10 FTE).

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

A full seven 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 TCA Trading operation provides CCTV and Alarm monitoring to 6 external clients covering the geographical areas of North Lanarkshire and beyond. The services are provided to Retail Parks, Shopping Centres, Town Centres, 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.

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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:

	2020/21	2021/22
	£000	£000
Strathclyde Partnership for Transport	5,411	5,453
Strathclyde Concessionary Travel Scheme	568	572
Lanarkshire Valuation Joint Board	2,195	2,106

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.

	2020/21		2021/22	
	Income	Expenditure	Income	Expenditure
	£000	£000	£000	£000
Amey Public Services LLP	260	14,087	641	18,141
Culture and Leisure NL Ltd	2,683	27,289	-	-
Fusion Assets Ltd	111	809	172	821
Mears Scotland LLP	102	39,878	1,971	52,898
North Lanarkshire Integration Joint Board	136,461	148,430	149,586	164,787
North Lanarkshire Municipal Bank Ltd	144	200	144	181
NL Properties	952	1,626	1,015	533
Routes to Work	25	2,244	13	3,605
The Campsies Centre (Cumbernauld) Ltd	77	-	-	-

Outstanding balances for each of these entities are as follows:

	2020/21		2021/22	
	Debtor	Creditor	Debtor	Creditor
	£000	£000	£000	£000
Amey Public Services LLP	116	660	410	1,965
Culture and Leisure NL Ltd	913	64	-	-
Fusion Assets	34	132	47	740
Mears Scotland LLP	13	(11)	1,424	177
North Lanarkshire Integration Joint Board	-	16,718	-	31,919
North Lanarkshire Municipal Bank Ltd	-	-	-	-
NL Properties	1,727	1,143	2,228	267
Routes to Work	21	-	8	3
The Campsies Centre (Cumbernauld) Ltd	87	-	-	-

The Council's financial statements show no debtor or creditor balances for North Lanarkshire Municipal Bank Ltd. However, at the 31 March 2022 the Council's short-term borrowing included £19.067m (£21.871m in 2020/21) of Municipal Bank deposits which are invested in the Council.

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Notes to the Accounts

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.

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Housing Revenue Account

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

Income and Expenditure Statement

2020/21		2021/22	2021/22
£000		£000	£000
143,586	Dwelling Rent Income	136,319	
1,077	Non-Dwelling Rent Income	1,101	
-	Departmental Recharges	3,328	
1,676	Other Income	1,031	
146,339	Total Income		141,779
45,569	Repairs and Maintenance	53,697	
40,589	Supervision and Management	38,013	
28,264	Depreciation	29,427	
653	Revaluations	922	
-	Other Expenditure	8,348	
115,075	Total Expenditure		130,407
(31,264)	Net (Surplus)/Deficit of HRA Services per Income and Expenditure Account		(9,583)
404	HRA Service Share of Corporate and Democratic Core	404	
(413)	HRA Share of other amounts included in the whole authority Net Cost of Services but not specifically allocated to specific services	677	
(31,273)	Net (Surplus)/Deficit of HRA Services		(8,502)
(24)	Gains or Losses on disposal of non-current asset	(14)	
9,191	Interest Payable (Including Amortisation of Premiums)	8,194	
(161)	Interest and Investment Income	(14)	
4,932	Impairment of Financial Assets	2,275	
722	Net Interest on the Net Defined Benefit Liability/Asset	(524)	
(9,911)	Recognition of Capital Grant	(15,824)	
(26,524)	(Surplus)/Deficit for the year on HRA Services		(14,409)

1.1. Statement of Movement on the Housing Revenue Account Balance

2020/21		2021/22	2021/22
£000		£000	£000
(14,146)	Balance on the HRA at the end of the previous year		(27,453)
(26,524)	(Surplus) / Deficit for the year on the HRA Income and Expenditure Statement	(14,409)	
13,217	Adjustments between accounting basis and funding basis under regulations (see Note 31)	22,366	
(13,307)	Transfer (to) and from other statutory reserves (see Note 32)	-	7,957
(27,453)	Balance on the HRA at the end of the current year		(19,496)

1.2. Housing Stock

The Council's housing stock at 31 March 2022 was 36,961 (36,792 at 31 March 2021) in the following categories:

House Numbers 2020/21	Property Types	House Numbers 2021/22
305	1 Apartment	305
6,687	2 Apartment	6,697
18,935	3 Apartment	19,030
9,811	4 Apartment	9,865
1,022	5 Apartment	1,031
32	Other	33
36,792	Total	36,961

1.3. Rent Arrears

Current rent arrears outstanding as at 31 March 2022 amounted to £5.656m. This represented 4.26% of rents paid during the year (the comparative figures for the 2020/21 year were £5.049m and 3.52% respectively).

1.4. Impairment of Financial Assets

The expected credit losses at 31 March 2022 amounted to £6.992m (£8.778m as at 31 March 2021).

1.5. Void Rents

The level of income lost from unlet Council Dwellings during 2021/22 amounted to £1.343m (2020/21 £0.965m).

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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.

	2020/21	2021/22
	£000	£000
Gross Council Tax levied and contributions in lieu	176,528	177,994
Adjustments for prior years Council Tax	(2,120)	(2,071)
Adjusted for:		
Council Tax Benefits (Net of Government Grants)	-	-
Council Tax Reduction Scheme	(25,444)	(23,989)
Other discounts and reductions	(21,024)	(21,410)
Provision for Non-collection	(5,450)	(5,324)
Net Council Tax Income per the Comprehensive Income and Expenditure Account	122,490	125,200

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	53,039	2,767	(38)	7,127	518	42,665	0.6666	28,441
Band B	37,840	935	6	4,220	309	32,370	0.7777	25,173
Band C	19,881	412	25	2,004	124	17,316	0.8888	15,390
Band D	17,713	202	(47)	1,320	70	16,168	1.0000	16,168
Band E	17,157	113	39	825	64	16,116	1.3139	21,175
Band F	10,070	48	80	320	35	9,587	1.6250	15,579
Band G	3,088	16	44	93	8	2,927	1.9583	5,732
Band H	162	3	1	4	0	154	2.4500	377
				Total				128,035
				Provision for non-collection				4,161
				Council Tax Base				123,874

3. The Council Tax Charge

The charge for each band for 2021/22 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.

	2020/21	2021/22
	£000	£000
Gross rates levied and contributions in lieu	145,451	144,880
Less:		
Reliefs and other deductions	(64,883)	(46,536)
Payments of interest	-	-
Provision of bad and doubtful debts	(2,417)	(2,950)
Net Non Domestic Rate Income	78,151	95,394
Adjustment to previous years' NNDR	(3,774)	(2,761)
Contribution to Non Domestic Rates	74,377	92,634
Distribution from Non Domestic Rate Pool	71,360	84,339
Adjustment for the years prior to the introduction of the pool	-	-
Income credited to the Comprehensive Income and Expenditure Statement	71,360	84,339

1. Net Rateable Value Calculation

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

The poundage rate for 2021/22 is 49p for properties with a rateable value not greater than £51,000. The Intermediate Property Rate of 50.3p (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 51.6p (2.6p supplement on the poundage) is payable on properties with a rateable value greater than £95,000. There are numerous relief packages available aimed at responding directly to the immediate challenges posed to the commercial property market by the COVID-19 pandemic along with the need to promote green recovery and net zero emissions. These include Fresh Start Relief, Business Growth Accelerator, 100% Day Nursery Relief for standalone nurseries, as well as maintaining prior initiatives such as Small Business Bonus Scheme, Empty Property Relief, Disabled Rates Relief. In addition, 100% relief for retail, hospitality, and leisure (RHL) and aviation sectors is made available subject to eligibility.

Analysis of Rateable Values as at 1 April 2021.

	Number of Subjects	Rateable Value
		£000
Industrial and Freight	3,075	98,406
Commercial Subjects		
Shops (inc. Restaurants)	2,586	64,078
Offices	2,189	35,467
Hotels, Boarding Houses etc.	33	3,179
Others	1,193	25,518
Miscellaneous and Formula Valued Subjects	1,250	60,774
Total	10,326	287,422

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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 2022 was £1.077m (£1.007m at 31 March 2021) and is shown at book value on the balance sheet £0.032m (£0.032m 2020/21).

Summary Income and Expenditure Account

	2020/21	2021/22
	£000	£000
Education Trust Funds:		
Income		
Interest on Investments, etc.	13	18
Expenditure		
Grants, Prizes, Awards, etc.	(20)	(19)
Surplus / (Deficit) for the year	(7)	(1)
Other Sundry Trust Funds:		
Income		
Interest on Investments	-	-
Expenditure		
Grants, Prizes, Awards, etc.	-	-
Surplus / (Deficit) for the year	-	-

Balance Sheet at 31 March 2022

2020/21		2021/22	2021/22
£000		£000	£000
32	Investments	32	
1	Education Trust Funds	1	
	Sundry Trust Funds		
33			33
733	Advances to Council Loans Fund		730
71	Current Assets		74
837	Net Assets		837
32	Education Trust Funds	32	
	Capital		
732	Revenue	731	
764			763
0	Sundry Trust Funds	1	
	Capital		
73	Revenue	73	
73			74
837	Total Reserves		837

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Group Balance Sheet

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

31 March 2021 Restated £000		31 March 2022	
		£000	£000
	Property, Plant and Equipment		
1,102,141	Council Dwellings	1,291,802	
1,504,711	Other Land and Buildings	1,568,839	
48,617	Vehicles, Plant and Equipment	46,689	
261,004	Infrastructure Assets	262,561	
12,360	Community Assets	15,854	
22,252	Surplus Assets	22,184	
46,668	Assets Under Construction	70,780	3,278,709
	Intangible Assets		
123	Software Licences	99	
1,544	Software/Solution Development	2,981	
6,502	Intangibles Under Development	9,038	12,118
70,730	Investment Property		69,796
94,637	Investments in Associates and Joint Ventures		135,581
2,179	Long-Term Investments		2,160
1,384	Long-Term Debtors		1,423
3,174,852	Long-Term Assets		3,499,787
88	Short-Term Investments	89	
-	Assets Held for Sale	-	
5,153	Inventories	5,413	
114,949	Short-Term Debtors (net of impairment)	85,668	
133,806	Cash and Cash Equivalents	125,920	
253,996	Current Assets		217,090
(264,398)	Short-Term Borrowing	(250,098)	
(163,613)	Short-Term Creditors	(194,623)	
(13,353)	Short-Term Provisions	(12,665)	
(7,258)	Short-Term Finance Lease Liabilities	(7,013)	
(2,957)	Revenue Grant Receipts in Advance	(1,403)	
(451,579)	Current Liabilities		(465,802)
(525,690)	Long-Term Borrowing	(473,619)	
(509)	Liabilities in Associates and Joint Ventures	(55)	
(173,905)	Other Long-Term Liabilities (Finance Leases)	(166,944)	
(433,842)	Other Long-Term Liabilities (Pensions)	(156,091)	
-	Long-Term Provisions	-	
(1,133,946)	Long-Term Liabilities		(796,709)
1,843,323	Net Assets		2,454,366
	Usable Reserves		
162,180	General Fund Reserve	236,264	
27,453	Housing Revenue Account Balance	19,496	
4,470	Capital Fund	396	
12,421	Capital Grants Unapplied Accounts	7,124	
13,000	Insurance Fund	13,000	
11,651	Repairs and Renewals Fund	13,755	
231,175	Total Usable Reserves		290,035
1,478,823	Unusable Reserves		1,980,079
133,324	Group Reserves		184,252
1,843,323	Total Reserves		2,454,366

The unaudited accounts were issued on 30 June 2022 and the audited accounts were authorised for issue on the 27 October 2022

Elaine Kemp, CPFA
Head of Financial Solutions
27 October 2022

Elaine Kemp

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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 2022	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
Restated								
Balance at 31 March 2021	162,181	27,453	41,542	1,478,823	1,709,999	39,197	94,127	1,843,323
Transfer in of CLNL opening balance	10,741	-	-	(14,572)	(4,011)	-	-	(4,011)
Revised Restated Balance as at 31 March 2021	17,922	27,453	41,542	1,464,071	1,705,988	39,197	94,127	1,839,312
Movement in Reserves during 2021/22								
Surplus / (Deficit) on Provision of Services	(33,220)	14,409	-	-	(18,811)	8,843	34,171	24,203
Other Comprehensive Income and Expenditure	-	-	-	584,388	584,388	632	7,282	592,302
Total Comprehensive Income and Expenditure	(33,220)	14,409	-	584,388	565,577	9,475	41,453	616,505
Adjustment to useable reserves permitted by Accounting Standards	(10,654)	(203)	-	10,857	-	-	-	-
Adjustments between Accounting Basis and Funding Basis under Regulations	94,196	(22,366)	(4,901)	(68,380)	(1,451)	-	-	(1,451)
Depreciation/Amortisation/Impairment	10,654	203	-	(10,857)	-	-	-	-
Net Increase or Decrease before Transfers to Other Statutory Reserves	60,976	(7,957)	(4,901)	516,008	564,127	9,475	41,453	615,054
Transfers to and from Other Statutory Reserves	2,366	-	(2,366)	-	-	-	-	-
Increase or Decrease in the Year	74,083	(7,957)	(7,267)	516,008	564,127	9,475	41,453	615,054
Balance at 31 March 2022 Carried Forward	236,229	19,496	34,275	1,980,079	2,270,114	48,672	135,580	2,454,366

Annual Accounts 2021/22
Movement in Group Reserves Statement

Year Ended 31 March 2021 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 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	57,976	26,524	-	-	84,500	1,710	19,938	106,148
Other Comprehensive Income and Expenditure	-	-	-	52,899	52,899	(4,281)	617	49,235
Total Comprehensive Income and Expenditure	57,976	26,524	-	52,899	137,399	(2,571)	20,555	155,383
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	123,606	13,307	(833)	1,320	137,399	(2,571)	20,555	155,383
Transfers to and from Other Statutory Reserves	(9,825)	-	9,825	-	-	-	-	-
Increase or Decrease in the Year	113,780	13,307	8,992	1,320	137,399	(2,571)	20,555	155,383
Balance at 31 March 2021 Carried Forward	162,181	27,453	41,542	1,478,823	1,709,999	39,197	94,127	1,843,323

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Group Cash Flow Statement

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

2020/21		2021/22	2021/22
£000		£000	£000
180,922	Net Cash Inflow / (Outflow) from Operating Activities		163,444
	INVESTING ACTIVITIES		
	Cash Inflows:		
3,748	Sale of non-current assets	2,638	
40,675	Capital grants received	50,385	
2,487	Other capital receipts	5,847	
465	Investments redeemed	17	
47,375			58,887
	Cash Outflows:		
(138,484)	Purchase of non-current assets		(175,059)
-	Long-term investment		-
-	Investment in subsidiary		-
(91,109)	Net Cash Inflow / (Outflow) from Investing Activities		(116,172)
	FINANCING ACTIVITIES		
	Cash Inflows:		
271,000	New loans raised	176,000	
-	Net Agency Grants	15,423	
271,000			191,423
	Cash Outflows:		
(284,319)	Repayments of amounts borrowed	(239,287)	
-	Donation	(53)	
(7,013)	Capital payments of finance leases	(7,275)	
(15,423)	Net Agency Grants	-	
(306,755)			(246,615)
(35,755)	Net Cash Inflow / (Outflow) from Financing Activities		(55,192)
54,058	Net Increase / (Decrease) in cash and cash equivalents		(7,921)
79,773	Cash and Cash Equivalents at the beginning of the year		133,806
54,058	Net Increase / (Decrease) in cash and cash equivalents		(7,921)
(25)	Increase / (Decrease) Non-cash in cash equivalents		35
133,806	Cash and Cash Equivalents at the end of the year		125,920

Group Comprehensive Income and Expenditure Statement to Cash Flow Operating Activities

The following table reconciles the surplus/(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/(Deficit) on the Provision of Services		(9,969)
Non-Cash Transactions		
Items Relating to Loans Fund	(426)	
Adjustment relating to Provisions	(17,107)	
Adjustment relating to Capital items	66,328	
Adjustment relating to National Non-Domestic Rates	(90)	
Adjustment relating to Pension Reserve	74,786	123,491
Items on an Accruals Basis		
Increase in Inventories	(318)	
Decrease in Debtors	15,409	
Increase in Creditors	24,090	39,181
CLNL Transfer		10,741
Net Cash Inflow from Operating Activities		163,444

Annual Accounts 2021/22

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

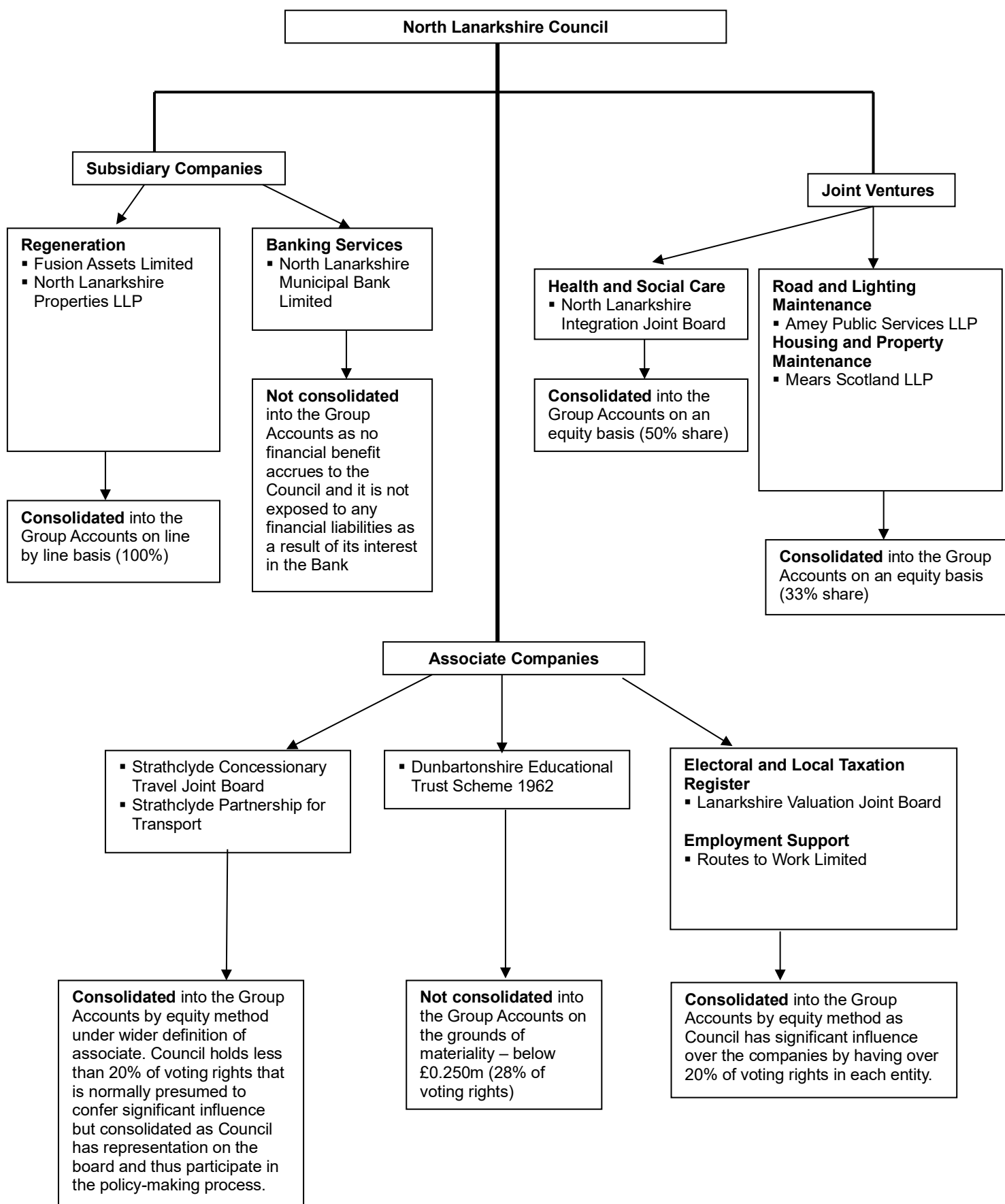
Subsidiary Companies: Entity controlled by the Council. Council has 100% interest in its subsidiaries.

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 2021/22
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 2021/22

Notes to the Group Accounts

The Directors of the Bank are all Elected Members of North Lanarkshire Council. At 31 March 2022, there were 4,462 accounts held within the Bank, with a total of £19.041m on deposit. The Bank has total assets of £19.067m 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 2022 with the only exceptions being in respect of Amey Public Services LLP and Mears Scotland LLP which report to 31 December 2021. 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

During 2021-22 the group structure has now changed to remove the now dissolved Campsies Centre Cumbernauld Ltd, and Culture and Leisure NL Limited which is in the process of being dissolved. Culture and Leisure NL Limited operations are incorporated within North Lanarkshire Council accounts.

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.

Fusion Assets Ltd	Chapel Street, Airdrie, ML6 6GX
North Lanarkshire Properties LLP	Civic Centre, Windmillhill Street, Motherwell, ML1 1AB
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 2021/22
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

2020/21 Restated		2021/22
£000		£000
(137,398)	Total Comprehensive Income and Expenditure on the Council's Comprehensive Income and Expenditure Statement	(565,577)
(1,710)	(Surplus)/Deficit arising from other entities included in the Group Accounts	(8,843)
(1,586)	Subsidiaries	(1,078)
(18,352)	Associates	(33,093)
	Joint Ventures	
	Other Comprehensive (Income) and Expenditure	
4,281	Subsidiaries	(632)
(617)	Associates	(7,283)
(155,382)	Group total Comprehensive Income and Expenditure for the year	(616,506)

6.2 Council Balance Sheet to Group Balance Sheet

31 March 2021 Restated		31 March 2022
£000		£000
1,709,998	Net Assets on Council Balance Sheet	2,270,112
	Long Term Assets in Group Balance Sheet	
68,078	Investments in Associates	75,929
26,559	Investments in Joint Ventures	59,652
72,302	Subsidiary Non Current Assets	70,692
	Current Assets	
26,526	Subsidiaries	13,753
	Current Liabilities	
(8,015)	Subsidiaries	(2,151)
	Long Term Liabilities	
(509)	Associates	-
(51,616)	Subsidiaries	(33,621)
1,843,323	Net Assets on Group Balance Sheet	2,454,366
	Total Reserves on Council Balance Sheet	2,270,114
	Group Income and Expenditure and Other Reserves	
26,559	Joint Ventures	59,652
67,569	Associates	75,929
39,197	Subsidiaries	48,671
1,843,323	Total Reserves on Group Balance Sheet	2,454,366

Annual Accounts 2021/22

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.

	2020/21 Restated				2021/22			
	Campsies Centre C'nauld Ltd	Fusion Assets Ltd	North L'shire Properties LLP	Culture & Leisure 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
Comprehensive Income and Expenditure Statement								
Surplus/ (Deficit) on Provision of Service Other	(2,428)	343	2,934	861	-	611	667	7,565
Comprehensive Income and Expenditure	-	-	(357)	(3,924)	-	-	632	-
Balance Sheet								
Non-Current Assets	-	2,986	68,584	732	-	2,986	67,706	-
Current Assets								
Inventories	-	3,204	-	58	-	2,884	-	-
Short-Term Debtors	-	462	(842)	619	-	721	(1,516)	-
Cash and Cash Equivalents	-	2,491	7,133	13,401	-	2,563	9,101	-
Current Liabilities								
Short-Term Creditors	-	(150)	(384)	(6,119)	-	347	(2,498)	-
Short-Term Borrowing	-	-	(1,258)	-	-	-	-	-
Long Term Liabilities								
Long Term Borrowing	-	-	(34,911)	(53)	-	-	(33,686)	-
Deferred Income	-	-	-	-	-	-	-	-
Capital Grants Received in Advance	-	-	-	-	-	-	-	-
Pensions	-	-	(449)	(16,203)	-	-	65	-
Reserves								
Income and Expenditure	-	(7,389)	(15,073)	(197)	-	(7,952)	-	-
General Fund	-	-	-	(8,139)	-	-	-	-
Pension	-	-	449	16,203	-	-	-	-
Revaluation Reserve	-	(406)	(23,248)	-	-	(400)	(23,355)	-
Other	-	(1,094)	(1)	(302)	-	(1,148)	(15,816)	-

Annual Accounts 2021/22 Notes to the Group Accounts

7.2 Joint Ventures

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

	2021/22	
	Council Payments to Entity	% of Entity's Annual Turnover
	£000	%
Amey Public Services LLP	18,141	89.73
Mears Scotland LLP	48,856	100
NL Integration Joint Board	164,787	21.93

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.

	2020/21 restated			2021/22		
	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	15,960	48,856	693,105	20,217	48,856	751,531
Net Profit/ (Loss) before Taxation	367	415	36,704	562	1,181	66,334
Taxation	-	-	-	-	-	-
Net Profit/ (Loss) after Taxation	367	415	36,704	562	1,811	66,334
Balance Sheet						
Non-Current Assets	87	282	-	89	78	-
Current Assets	3,618	12,209	53,118	3,325	10,419	119,452
Liabilities due within one year	(4,137)	(11,876)	-	(3,287)	(8,191)	-
Liabilities due after more than one year	-	(1,154)	-	-	(1,663)	-
Net Pension Asset Provision for Liabilities	-	-	-	-	-	-
Capital and Revenue Reserves	432	539	(53,118)	(127)	(642)	(119,452)

Group Accounts 2021/22 and Restated Group Accounts 2020/21

In prior year, both Amey and Mears net assets/liabilities and surplus/deficit have been excluded from the group statements in order to comply with IAS 28 which required that where NLC's share of a Joint Venture's liabilities exceed its share of their assets, the body is excluded from the group statements. Both companies have made a surplus during 2021/22 with a share of this up to the value of our share of net assets have been consolidated.

Annual Accounts 2021/22
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.

	2021/22				
	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	573	14.03	646	-	-
Strathclyde Partnership for Transport	5,453	7.11	73,655	-	-
Lanarkshire Valuation Joint Board	2,106	48.02	1,409	-	-
Routes to Work Limited	3,605	80.97	219	-	-

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.

	2020/21 restated		2021/22	
	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	2,775	4,472	4,452	4,386
Net Surplus / (Deficit)	(10)	(812)	45	(363)
Balance Sheet				
Non-Current Assets	21	177	5	156
Current Assets	1,319	1,485	1,420	1,614
Liabilities due within one year	(288)	(479)	(332)	(225)
Long-Term Liabilities	-	-	-	(1,273)
Retirement Benefit Asset / (Liabilities)	-	(2,200)	-	-
Accumulating Compensated Absences	-	121	-	90
Capital, Revenue & Pension Reserves	(1,052)	896	(1,093)	(362)

Annual Accounts 2021/22

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 out with the scope of the group:

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

Dunbartonshire Educational Trust Scheme 1962 is a charitable trust which provides grants for further/higher education for those who live in the old county area of Dunbarton. The Council has 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 2021/22 and the restated accounts for 2020/21 exclude NLC's share of the joint ventures Mears and Amey under compliance with IAS 28.

Annual Accounts 2021/22 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 2021 (SSI 2021/18). 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 £43,412. For 2021/22 the salary for the Leader of North Lanarkshire Council was £43,207. The Regulations permit the Council to remunerate one Provost with a maximum salary of £32,560. For 2021/22 the salary for the Provost of North Lanarkshire Council was £32,406.

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 2021/22 was £562,030. 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 £486,058 in 2021/22.

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 the Lanarkshire Joint Valuation Board. 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 2021/22 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
65	62.68

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%	30
1-50%	33
51-99%	0
100%	2

Percentage of the total pay bill spent on facility time

Total cost of facility time (£)	120,272
Total pay bill (£)	588,914,152
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 2021/22 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 (£)	2020/21			2021/22		
	Officers	Teachers	Total	Officers	Teachers	Total
50,000 - 54,999	118	255	373	143	260	403
55,000 - 59,999	39	176	215	104	184	288
60,000 - 64,999	33	110	143	30	106	136
65,000 - 69,999	21	51	72	25	52	77
70,000 - 74,999	7	8	15	25	10	35
75,000 - 79,999	2	8	10	6	6	12
80,000 - 84,999	2	1	3	-	3	3
85,000 - 89,999	4	9	13	1	5	6
90,000 - 94,999	14	1	15	-	2	2
95,000 - 99,999	-	2	2	7	3	10
100,000 - 104,999	1	-	1	12	-	12
105,000 - 109,999	-	-	-	-	-	-
110,000 - 115,999	-	-	-	2	-	2
125,000 - 129,999	-	-	-	-	-	-
130,000 - 134,999	1	-	1	1	-	1
135,000 - 139,999	1	-	1	-	-	-
145,000 - 149,999	-	-	-	2	-	2
150,000 - 154,999	-	-	-	1	-	1
160,000 - 164,999	1	-	1	1	-	1
190,000 - 194,999	-	-	-	2	-	2
220,000 - 224,999	-	-	-	1	-	1
	244	621	865	363	631	994

Annual Accounts 2021/22 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	2020/21 Total Remuneration	2021/22 Total Remuneration
		£	£
James Logue	Leader of the Council	41,688	43,207
Paul Kelly	Depute Leader of the Council	31,131	32,406
Jean Jones	Provost	31,131	32,406
Tom Castles	Depute Provost	25,267	26,302
Robert Burrows	Convener of Finance and Resources Committee	31,131	32,406
Harry Curran	Convener of Planning Committee	25,267	26,302
William Shields	Convener of Local Review Body	25,267	26,302
Thomas Johnston	Leader of the SNP Group (until 8 March 2021)	23,675	-
Jordan Linden	Leader of the SNP Group (from 8 March 2021)	1,592	26,426
Thomas Morgan	Convener of Adult Health and Social Care Committee (Until 1st April 21)	25,267	1,251
Tom Fisher	Convener of Adult Health and Social Care Committee (From 1st April 21)	-	21,687
Frank McNally	Convener of Education and Families Committee	31,131	32,406
Nicky Shevlin	Convener of Regulatory Committee	25,267	26,302
John McLaren	Convener of Licensing Board	25,267	26,302
Allan Graham	Convener of Enterprise and Growth Committee	25,267	26,302
Michael McPake	Convener of Environment and Transportation Committee	25,267	26,302
Heather Brannan-McVey	Convener of Housing and Regeneration Committee	31,131	32,406
Meghan Gallacher	Convener of Audit and Scrutiny Panel (Until 17 June 2021)	31,131	8,410
Alexander Watson	Convener of Audit and Scrutiny Panel (From 17 June 2021)	-	23,996
Louise Roarty	Business Manager	31,131	32,406
Kenneth Duffy	Convener of Transformation and Digitisation Committee	25,267	26,302
Angela Campbell	Convener of Community Empowerment Committee	25,267	26,302
Alex McVey	Convener of Lanarkshire Joint Valuation Board	4,468	4,458
Total		542,010	560,589

Note

- 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).
- 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.
- 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.
- 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 2021/22:
 - Councillor A McVey was the Convener of the Lanarkshire Joint Valuation Board from 26 June 2017 and the Council was reimbursed £4,458 for 2021/22 (£4,468 for 2020/21).

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5. Councillor Morgan Left his position as Convener on 1st April but received a payment of 1250.53 during 2021/22 in relation to back pay.

b. Remuneration of Councillors

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

Type of Remuneration	2020/21	2021/22
	£	£
Salaries	1,539,231	1,632,919
Expenses	14,632	11,311
Total	1,553,863	1,644,230

Note: The annual return of Councillors' remuneration for 2021/22 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 2021/22](#)

c. Remuneration of Council Senior Employees

Name	Post Title	2020/21	2021/22		
		Total remuneration	Salaries, fees and allowances	Compensation for loss of office	Total remuneration
Desmond Murray	Chief Executive	£ 170,052	£ 178,814	-	£ 178,814
Robert Steenson	Executive Director (Enterprise and Communities)	136,270	139,520	100,479 Plus annual Compensation of £8,891	239,999
Elaine Kemp	Head of Financial Solutions (Section 95 Officer)	90,288	94,089	-	94,089
Katrina Hassell	Head of Business Solutions	92,016	94,218	-	94,218
Fiona Whittaker	Head of People and Organisational Development	92,017	93,143	-	93,143
Stephen Penman	Head of Strategic Communications	92,096	99,208	-	99,208
Ross McGuffie	Chief Officer (Health and Social Care).	101,601	102,730	-	102,730
Derek Brown	Executive Director (Education and Families)	134,348	137,063	-	137,063
Alison Gordon	Head of Children, Families & Justice Social Work Services (Chief Social Work Officer)	92,017	93,132	-	93,132
Archie Aitken	Head of Legal & Democratic Solutions (Monitoring Officer)	92,652	99,208	-	99,208
Ken Adamson	Head of Audit and Inspection	67,202	69,494	-	69,494
Total		1,160,559	1,200,619	100,479	1,301,098

- Total remuneration disclosed relates to salary, fees and allowances and compensation for loss of employment.
- The 2021/22 remuneration in the table above includes election payments; Desmond Murray £8,099 (2020/21 £408) Elaine Kemp £980 (2020/21 £180), Katrina Hassell £1,200 (2020/21 £0), Stephen Penman £6,065 (2020/21 £0), Archie Aitken £6,065 (2020/21 £635) and Ken Adamson £1,300 (2020/21 £175).
- Robert Steenson was employed until 6 April 2022, however as the amounts were agreed during 2021/22 and included in the council's expenditure and exit package disclosures the inclusion in the above disclosure was deemed to be appropriate to support overall transparency. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. Robert Steenson has been credited with an additional period of service. A person who has been granted a credited period is

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entitled to receive compensation in the form of a lump sum and annual compensation, both of which are included within the compensation for loss of employment. The disclosure includes all payments due.

d. Remuneration of Council's Subsidiary Bodies Senior Employees

Name	Post Title	2020/21	2021/22		
		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)	£ 42,496	£ -	£ -	£ -
Kenneth McDonald	Surveying and Technical Manager, North Lanarkshire Properties from (01 December 2020)	14,587	44,922	-	44,922
Murray Collins	Managing Director, Fusion Assets	71,727	73,766	-	73,766
Jillian Ferrie	Chief Executive, Culture and Leisure NL (Until 30 th April 2021)	90,210	4,670	69,204 plus annual compensation of £7,101	73,874
Emma Walker	Managing Director, Culture and Leisure NL (until 2 June 2020)	92,059	-	-	-
Total		311,079	123,358	69,204	192,562

- Total remuneration disclosed relates to salary, fees and allowances and compensation for loss of employment.
- 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 2022 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 2022 are shown in the tables below, together with the contribution made by the Council or the Subsidiary Body during the year.

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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 2021	For year to 31 March 2022	As at 31 March 2021	Movement In Year	As at 31 March 2022
	£	£	£000	£000	£000
James Logue	8,046	8,992	Pension 9	2	11
			Lump Sum 3	-	3
Paul Kelly	6,008	6,745	Pension 7	1	8
			Lump Sum 2	-	2
Jean Jones	-	-	Pension -	-	-
			Lump Sum -	-	-
Tom Castles	-	-	Pension -	-	-
			Lump Sum -	-	-
Robert Burrows	6,008	6,745	Pension 7	3	10
			Lump Sum 2	-	2
Harry Curran	4,877	5,474	Pension 6	1	7
			Lump Sum 1	-	1
William Shields	4,877	5,474	Pension 5	1	6
			Lump Sum 1	-	1
Thomas Johnston	4,796	-	Pension -	-	-
			Lump Sum -	-	-
Jordan Linden	-	-	Pension -	-	-
			Lump Sum -	-	-
Thomas Morgan	4,877	3,925	Pension 4	1	5
			Lump Sum -	-	-
Tom Fisher	-	5,403	Pension 2	-	2
			Lump Sum 0	-	-
Frank McNally	6,008	6,745	Pension 5	1	6
			Lump Sum -	-	-
Nicky Shevlin	4,877	5,474	Pension 6	1	7
			Lump Sum 2	-	2
John McLaren	4,877	5,474	Pension 4	1	5
			Lump Sum -	-	-
Allan Graham	4,877	5,474	Pension 4	1	5
			Lump Sum -	-	-
Michael McPake	4,877	5,474	Pension 5	-	5
			Lump Sum -	-	-
Heather Brannan-McVey	6,008	6,745	Pension 5	1	6
			Lump Sum -	-	-
Meghan Gallacher	6,008	4,549	Pension 2	1	3
			Lump Sum -	-	-
Louise Roarty	-	-	Pension -	-	-
			Lump Sum -	-	-
Kenneth Duffy	4,877	5,474	Pension 2	-	2
			Lump Sum -	-	-
Angela Campbell	4,877	5,474	Pension 2	-	2
			Lump Sum -	-	-
Alex McVey	4,292	4,817	Pension 2	-	2
			Lump Sum -	-	-
Alexander Watson	-	6,049	Pension 2	-	2
			Lump Sum -	-	-
Total	91,067	104,507	90	15	105

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Remuneration Report

b. Pension Benefits of Council Senior Employees

Name	In-year pension contributions		Accrued pension benefits		
	For year to 31 March 2021	For year 31 March 2022	As at 31 March 2021	Movement in Year	As at 31 March 2022
	£	£	£000	£000	£000
Desmond Murray	32,705	37,472	Pension 54	4	58
			Lump Sum 62	-	62
Robert Steenson	26,192	287,640	Pension 66	6	72
			Lump Sum 111	1	112
Elaine Kemp	17,303	19,288	Pension 34	2	36
			Lump Sum 48	1	49
Katrina Hassell	17,670	19,270	Pension 43	2	45
			Lump Sum 74	1	75
Fiona Whittaker	17,687	19,306	Pension 6	3	9
			Lump Sum -	-	-
Stephen Penman	17,687	19,306	Pension 20	2	22
			Lump Sum -	-	-
Ross McGuffie	19,519	21,291	Pension 8	2	10
			Lump Sum -	-	-
Derek Brown	25,806	28,375	Pension 15	3	18
			Lump Sum -	-	-
Alison Gordon	17,687	19,303	Pension 29	2	31
			Lump Sum 25	0	25
Archie Aitken	17,687	19,306	Pension 40	3	43
			Lump Sum 60	1	61
Ken Adamson	12,883	14,152	Pension 30	2	32
			Lump Sum 46	-	46
Total	222,826	504,709	771	35	806

1. Prior year pension contributions are included for all Senior Officers which include prior appointments.
2. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. Robert Steenson has been credited with an additional period of service and a payment of £259,415 was made to the pension fund.

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

Name	In-year pension contributions		Accrued pension benefits		
	For year to 31 March 2021	For year 31 March 2022	As at 31 March 2021	Movement in Year	As at 31 March 2022
	£	£	£000	£000	£000
David Baird	7,548	-	Pension 26	-	-
			Lump Sum 41	-	-
Kenneth McDonald	2,827	9,573	Pension 1	1	2
			Lump Sum -	-	-
Murray Collins	25,123	24,328	Pension -	-	-
			Lump Sum -	-	-
Jillian Ferrie	15,410	2,204	Pension 37	-	-
			Lump Sum 58	-	-
Emma Walker	3,514	-	Pension 26	-	-
			Lump Sum 26	-	-
Total	54,422	36,105	215	1	2

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5. Exit Packages

North Lanarkshire Council terminated the contracts of a number of employees in 2020/21 and 2021/22 as part of a series of workforce change exercises which gave rise to voluntary severance agreements.

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

- Redundancy Lump Sums, representing the amount that North Lanarkshire Council pays to the individual in a one-off lump sum in accordance with the Council's severance policy and Payments In-lieu of Notice, representing the amount that North Lanarkshire Council pays to an individual for a period of notice that the individual is not required to work.
- Compensated Added Years (CAY) Lump Sum, representing the amount that North Lanarkshire Council pays to the individual in a one-off lump sum, according to the CAY awarded.
- Strain Costs, representing the amount which North Lanarkshire Council is required to pay to the pension fund because the employee has retired before the assumed retirement age which would result in a shortfall in contributions up to the assumed retirement age.
- An estimate of the total exit package costs that may potentially be incurred by North Lanarkshire Council up until the age at which the relevant employees are assumed to cease being members of the pension scheme as required by the Local Authority Accounts (Scotland) Regulations 2014:

Exit Packages 2021/22

Banding	Employees	Redundancy Lump Sums	CAY Lump Sums	Strain Costs	Estimated CAY Liabilities	Total Exit Package Costs
						£000
	No.	£000	£000	£000	£000	£000
£0-£20,000	6	24	-	-	-	24
£20,001-£40,000	5	135	-	5	-	140
£40,001-£60,000	6	258	-	70	-	328
£60,001-£80,000	3	186	-	32	-	218
£80,001-£100,000	2	138	-	31	-	169
£100,001-£150,000	9	427	20	420	239	1,106
£150,001-£200,000	2	76	11	210	87	384
£200,001-£250,000	1	23	7	131	76	237
£250,001-£300,000	1	19	-	114	139	272
£550,001-£600,000	1	74	27	259	210	569
	36	1,360	65	1,271	751	3,447

Comparative Exit Packages 2020/21

Banding	Employees	Redundancy Lump Sums	CAY Lump Sums	Strain Costs	Estimated CAY Liabilities	Total Exit Package Costs
						£000
	No.	£000	£000	£000	£000	£000
£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
£250,001-£300,000	-	-	-	-	-	-
£550,001-£600,000	-	-	-	-	-	-
	58	1,664	108	1,289	1,168	4,229

Des Murray

Des Murray
Chief Executive

27 October 2022

James Logue

Councillor James Logue
Council Leader

27 October 2022

Annual Accounts 2021/22 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

James Logue

Councillor James Logue

Council Leader

27 October 2022

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 2022, and its income and expenditure for the year ended 31 March 2022.

Elaine Kemp

Elaine Kemp, CPFA

Head of Financial Solutions

27 October 2022

Annual Accounts 2021/22

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 *Chartered Institute of Public Finance and Accountancy (CIPFA)* in association with 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 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 and supporting review programme, 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 Head of Audit and Risk 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 is noted, however, that the presence of an effective internal audit function contributes towards, but is not a substitute for, effective control.
- 1.9 The purpose 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)*, 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. In this respect, the Panel is 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. It also oversees the council's internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place.

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Annual Governance Statement

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

2. Strategic Governance Framework

- 2.1 In February 2020, the Audit and Scrutiny Panel approved the council's Strategic Governance Framework as the council's local code of governance aligned to the national *Delivering Good Governance in Local Government: Framework*. This sets out the *elements and mechanisms* which form the council's local code of governance and demonstrates North Lanarkshire Council's commitment to the principles of good governance.
- 2.2 The Strategic Governance Framework is one of six inter-related corporate frameworks (Policy, Governance, Performance, Self-Evaluation, Project Management, and the Framework for Demonstrating Improved Outcomes for Communities) which is 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.
- 2.3 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 any one of the frameworks supporting The Plan for North Lanarkshire references them all together at all times for completeness and to raise awareness of the role of good governance in delivering the strategic ambition through the Programme of Work.
- 2.4 The 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 enables 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 as well as all strategic management, service delivery, and corporate governance approaches.
- Establishing the six inter-related corporate frameworks (Policy, Governance, Performance, Self-Evaluation, Project Management, and the Framework for Demonstrating Improved Outcomes for Communities) and ensuring these frameworks remain aligned to The Plan for North Lanarkshire and Programme of Work through a regular review and refresh programme.
- 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 ensures that public money is safeguarded and properly accounted for, and all 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

Annual Accounts 2021/22

Annual Governance Statement

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 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 which impact on achievement of the council's priorities. These arrangements are designed to enable the council to perform well, to manage risk effectively, and to minimise any potential impacts on service delivery and the achievement of planned outcomes.
- 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 declarations for conflicts of interest and gifts and hospitality are appropriately (and regularly) made and published.
- Ensuring legislative obligations are fulfilled through the statutory officer roles, i.e. the posts of 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 extends to all individuals and organisations with whom it deals) in terms of acting honestly and with integrity and in safeguarding public resources.
- A Whistleblowing Procedure which provides 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 with a supporting meetings structure comprising service Senior Management Team meetings, and Operational Management Team meetings to cascade the context, deliverables, and accountabilities and ensure consistency of message in the vision set out in The Plan for North Lanarkshire and the delivery required through the Programme of Work. All Heads of Service are members of the CMT; this includes those Heads of Service who 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.
- A Strategic Performance Framework that aims to enable performance to be measured and assessed at three levels within the council and includes target setting and service and statutory reporting in line with an annual schedule.
- 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. Strategic Capital Delivery Group, DigitalNL, Hub Delivery Programme Board, 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.
- An Information Security Policy which aims to protect the council's information systems and physical assets including supporting processes, networks, and equipment. This is essential to ensure the council can continue to operate and successfully deliver its functions, while finding the right balance between the benefits and risks to the processing of information.
- Publicly available complaints and freedom of information procedures with

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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.
- 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 demonstrate that effective the council's arrangements have been in place during 2021/22 and up to the date of the Annual Accounts. The information gathered to inform the evidence base is summarised in paragraphs 3.1.1 to 3.1.6 below.

3.1.1 Heads of Service have reviewed the effectiveness of governance arrangements within their area of responsibility by completing a Certificate of Assurance and updating a 75 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 2021/22.

- 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 The council's seven arm's length external organisations (ALEOs) have also completed a Certificate of Assurance and updated the accompanying 58 point checklist to support the preparation of the council's statements on corporate governance and internal financial control for year ending 31 March 2022.

- 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.

3.1.3 Compliance with four specific CIPFA statements.

(1) **The CIPFA Statement on the role of the Head of Internal Audit in public service organisations (2019).**

To enable the Head of Audit and Risk to fulfil his role in this respect, the Corporate Management Team are required to ensure they "*set out how the framework of assurance supports the Annual Governance Statement and identify internal audit's role within it*". This assurance is provided through the Strategic Governance Framework (which has undergone an annual review and refresh process in order to identify how the effectiveness of the council's governance arrangements has been monitored and evaluated in the year) and which was endorsed by the Corporate Management Team at its meeting in June 2022.

In line with the Public Sector Internal Audit Standards (PSIAS), and the council's Internal Audit Charter, the Head of Audit and Risk has provided an annual opinion on the "*overall*

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adequacy and effectiveness of the organisation's framework of governance, risk management, and control". The Corporate Management Team considered and noted the Internal Audit annual report 2021/22 and annual opinion from the Head of Audit and Risk on 7th June 2022. This report 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 the Internal Audit annual report 2021/22 states that it is the opinion of the Head of Audit and Risk 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 2022*".

- (2) **CIPFAs Position Statement: Audit Committees in Local Authorities (2018).**
In this respect the activities and functions of the council's Audit and Scrutiny Panel are required to reflect the standards set out in the CIPFA Statement.

The Strategic Governance Framework sets out the evidence in this respect and confirms that during 2021/22 the purpose of the Audit and Scrutiny Panel was 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*" and its activities included providing an "*independent review of the council's governance, risk management, performance, and control frameworks and oversees the financial reporting and annual governance processes*" - as set out in the Scheme of Administration (December 2019).

- (3) **The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014).**
This statement looks for compliance in terms of developing a strategy and identifying the risks. In this respect the council has a number of policies and procedures in place as noted below:

- Corporate Anti-Fraud Policy and Response Plan (updated in June 2017, review scheduled to be undertaken during 2022/23).
- Whistleblowing Procedures (update approved in March 2022).
- Gifts and hospitality policy for employees (incorporated into the Employee Code of Conduct in 2018) with a register that is updated every six months.
- Employee Code of Conduct (update approved in March 2021).
- Code of Conduct for Chief Officers (updated in November 2017, review scheduled to be undertaken during 2022/23).
- Information Security Policy (update approved in June 2021).

The identification of risks is carried out in line with the council's Risk Management Strategy and through the risk for *serious organised crime, fraud, and corruption* which sits within the Corporate Risk Register. The Head of Legal and Democratic Solutions (the council's Monitoring Officer) is the identified lead for this risk.

The CIPFA statement also requires responsibility to be acknowledged. In this respect the Internal Audit annual report 2021/22 from the Head of Audit and Risk specifies that Internal Audit "*has responsibility for investigating, as appropriate, alleged frauds and irregularities brought to our attention in accordance with the council's anti-fraud policy. Where detailed work is carried out, the findings are reported to the Chief Executive and/or the relevant Head of Service with recommendations made which are designed to address any weaknesses identified. Such work is reported to the Audit and Scrutiny Panel, as appropriate, in line with the approved Internal Audit reporting protocol which forms part of the Internal Audit Charter.*"

The Internal Audit annual report 2021/22 from the Head of Audit and Risk has confirmed that "*All audit investigations of suspected fraud and/or irregularities are reported to the Panel in line with the agreed Internal Audit reporting protocol. I am also pleased to be able to report that there were no material frauds or irregularities identified in 2021-22 that I require to bring to your attention*".

- (4) **The CIPFA Statement on the role of the Chief Financial Officer in Local Government**

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(2016). It is specified in this CIPFA Statement that the Annual Governance Statement is required to “*address the authority’s arrangements for financial and internal control and for managing risk*”. This is addressed through the annual audit opinion provided by the Head of Audit and Risk (referenced above).

The extent of the council’s compliance in this respect (and the role of the Chief Financial Officer therein) is further demonstrated through the self-evaluation exercise undertaken in 2022 which concluded that the council’s financial management practices comply with all aspects of the CIPFA Financial Management Code. The self-evaluation also confirmed that the council’s Chief Financial Officer operates in a way that is consistent with the CIPFA Statement.

3.1.4 Various self-evaluation exercises have been undertaken by the council as part of the governance and performance management arrangements. This has been undertaken in line with the refreshed Strategic Self-Evaluation Framework and rolling review programme which were approved by the Audit and Scrutiny Panel in September 2021. During 2021/22 five self-evaluation exercises were completed in terms of:

- **Compliance with the CIPFA Financial Management (FM) Code.** This self-evaluation concluded that the council’s financial management practices comply with all aspects of the CIPFA FM Code with an average overall rating of 98% from the assessment team in terms of *strongly agreeing* or *agreeing* the extent of compliance across all of the 17 financial management standards. This is supported by a significant bank of evidence collected through a desktop exercise and substantiated by the assessment team which comprised members of the Corporate Management Team.
- **Reviewing the adequacy and effectiveness of the revised Corporate Management Team arrangements** including how well it operates as a vehicle for monitoring and scrutinising progress implementing The Plan for North Lanarkshire and individual Programme of Work items. This self-evaluation identified that the Corporate Management Team has a clear vision and effective leadership with a sound approach that provides a clear direction for its work. In terms of deployment and assessment and review, it was considered that the new arrangements had not yet had the time to be embedded fully. Notwithstanding this, the evidence suggests there is room for improvement in terms of ensuring that the arrangements work effectively in practice and are implemented to their full potential. As such, a number of improvement actions (with responsibilities and timelines) have been agreed for implementation during 2022/23.
- **Risk governance arrangements in respect of DigitalNL.** This self-evaluation supported the annual review of the DigitalNL Programme Risk Register and, while focusing on both the risk management arrangements and the risks themselves for the DigitalNL programme, it also considered the inter-relationships of associated programme risks across the three levels in the organisation (project, service, corporate). The findings from the self-evaluation exercise were reported to the Transformation and Digitisation Committee in November 2021. One improvement action was identified - this was to consider the inter-connectedness of the DigitalNL programme risks with those on the Corporate Risk Register and the Business Solutions Service Risk Register to ensure risks are managed at the appropriate level in the organisation, and the mitigating actions and controls are aligned and implemented accordingly.
- **Reviewing whether the arrangements for the Data Governance Board (DGB) adequately contribute to the achievement of the council’s vision as detailed in the Roadmap.** Undertaken at a time that followed changes to the membership of and arrangements for the DGB, this self-evaluation identified two areas requiring improvement for which an action plan has been agreed by the Board. These improvement actions focus on (a) those which require to be considered within the context of the efficient operation of the DGB, and (b) those which require to be aligned to the combined Action Plan for the Board (which comprises the Information Governance Action Plan and Data and Information Management Strategic Roadmap work packages) to avoid any duplication and ensure a fully integrated approach to improvement.
- **The effectiveness of current arrangements for the North Lanarkshire health and social care IJB and how well the Board meets its intended outcomes.** Findings from this self-evaluation exercise demonstrate the extent of the positive results and good practice

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examples identified by the assessment team. Only three areas for improvement were identified and these aim to further strengthen existing arrangements and add value to existing practices, rather than fill any gap or address any significant issue in terms of effectiveness. Findings from this exercise also serve to reassure the new members of the IJB (both Elected Members and executive members) of the effectiveness of the current arrangements for the Board and its supporting governance, and sets out the priorities for improvement in this respect.

3.1.5 The evidence has also included an annual review and refresh of the council's Strategic Governance Framework. In this respect:

- An annual review process is in place to fulfil the requirements of the national *Delivering Good Governance in Local Government: Framework*. This process also sets out the role of the Chief Officers and Elected Members who are responsible for implementing the council's governance arrangements and ensuring the local code is assessed on an annual basis to ensure ongoing effectiveness and compliance. The annual review and update of the Strategic Governance Framework was endorsed by the Corporate Management Team at their meeting in June 2022 in line with their role to also identify any improvement actions and/or future planned developments in relation to key governance arrangements and continuous improvement activity.
- In line with the annual review process, each of the *elements and mechanisms* within the Strategic Governance Framework have been reviewed with updates made as required to the relevant documentation and hyperlinks, as well as the review timeframe and date of next update, and the assessment of the current position (which includes the corresponding RAG status). This process ensures all *elements and mechanisms* are as up to date as they require to be while providing a method by which to identify and prioritise items requiring to be reviewed and updated further.
- An Internal Audit on *Corporate Governance* in March 2022 cited the formal assessment process now in place through the Strategic Governance Framework and its accompanying review programme as good practice. It was also cited that there are now "*formal and robust arrangements*" in place to ensure that such reviews are undertaken on an annual basis.
- The Internal Audit on *Corporate Governance* also reported on the assessment of the council's local code against the *Delivering Good Governance in Local Government: Framework* and found that this process was "*generally robust and effective*". The findings also noted that the assessment had indicated a "*high level of compliance with the Corporate Governance framework, which was broadly consistent with Internal Audit's assessment undertaken of Principles A and B*".

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.

4. Continuous improvement

4.1 The Plan for North Lanarkshire 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. The Plan provides a very clear and compelling narrative for the shared ambition which the council (and partners) are working towards; a narrative that has become well embedded throughout the strategic management, service delivery, and corporate governance approaches across the council.

4.2 The Programme of Work process (established in 2019) provides a clear roadmap for work across council services and with partners. Directing policies and plans to support delivery of The Plan for North Lanarkshire, the Programme of Work is therefore instrumental in bringing together the elements that support strategic planning, local development, enterprise activities, and community investment in a cohesive manner.

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- 4.3 Sitting alongside this - as a key aspect of the council's strategic planning framework - is the Strategic Policy Framework. This specifies the hierarchy of strategies, policies, and plans which underpin delivery of the long-term vision set out in The Plan for North Lanarkshire and ensures that strategy and policy remain connected to delivery in order to collectively facilitate a co-ordinated approach to identifying the resources and working practices needed to support delivery of the long-term vision. Through a structured approach, the Strategic Policy Framework aims to ensure that strategies, policies, and plans are formulated, developed, implemented, monitored, and reviewed in a consistent and transparent manner across the council. The annual update to the Strategic Policy Framework was approved by the Policy and Strategy Committee in March 2022. The supporting review programme ensures each of the strategies, policies, and plans are up to date, reviewed and updated at an appropriate interval, and reported to the relevant committee.
- 4.4 The fourth annual iteration of the Programme of Work (for 2022/23) was approved by the Policy and Strategy Committee in March 2022. This reflects the changes required to deliver on the long-term ambition and the broad range of innovative and transformative programmes of work and projects required 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 council has long since recognised that it does not have the luxury of a traditional *once and done* approach to strategic planning and change and the Programme of Work has enabled a recurring and dynamic approach in this respect. It has enabled delivery of the long-term vision to be informed by an annual strategic planning process that is influenced by national policy changes and new developments which impact on the achievement of the vision and which require due consideration in future strategies, policies, plans, and programmes of work. However, the considerable challenges that remain across North Lanarkshire - as demonstrated by the latest performance results reported to the Policy and Strategy Committee in March 2022 - means that an even greater focus is required to escalate the pace and depth of change in order to maximise positive outcomes for the people and communities of North Lanarkshire. As such, a commitment has been made to ensure further work is undertaken during 2022/23 to fundamentally evaluate activities undertaken, resources expended, and results achieved against the direction of travel in order to assess the impact towards achieving The Plan for North Lanarkshire's long-term vision of inclusive growth and prosperity for all.
- 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 six inter-related corporate frameworks:
- Strategic Policy Framework
 - Strategic Governance Framework
 - Strategic Performance Framework
 - Strategic Self-Evaluation Framework
 - Project Management Framework
 - Framework for Demonstrating Improved Outcomes for Communities
- 4.7 To ensure these frameworks remain aligned to The Plan for North Lanarkshire and Programme of Work, all 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 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

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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.

- 4.9 The annual review process now established through the Strategic Governance Framework ensures that the council's governance arrangements are regularly assessed for ongoing effectiveness within the context of The Plan for North Lanarkshire.
- 4.10 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. The external auditors Annual Audit Report (AAR) for 2020/21 (reported to the Audit and Scrutiny Panel in December 2021) concluded that four of the improvement actions were now complete, and noted good or reasonable progress was being made regarding the remaining four.
- 4.11 During 2021/22, the COVID-19 pandemic continued to impact on the council's delivery of planned day to day activities and achievement of strategic priorities, albeit to a lesser extent than the previous year. The impact of this is also recognised in the annual audit opinion from the Head of Audit and Risk. In line with the guidance set out by the Scottish Government, a COVID Operating Model was approved at the Council meeting in March 2022. This provides a template as to how the council will operate over the next six months in a manner which recognises the ongoing risks associated with the pandemic, sets out the routine protection measures to be adopted across all council facilities, and allows for delivery of all council services in a manner more reflective to what existed pre-pandemic.
- 4.12 In line with the commitment to review the new hybrid working model (approved at Committee in December 2021), there will also be a review of the COVID Operating Model within a similar timeline. The purpose of this will be to reflect on any issues arising through its implementation and to have regard to any change in national policy which is likely to be kept under review over the same time period.
- 4.13 Following the decision taken by the Policy and Strategy Committee at its meeting in January 2020 the insourcing of culture, sport and leisure services was effective from 1 April 2021, under the new, focussed, and integrated Active and Creative Communities (ACC) team.
- 4.14 Six monthly reports during 2021/22 have provided the Audit and Scrutiny Panel with oversight and assurance of governance, financial governance, and risk management arrangements within the council's Arm's Length External Organisations (ALEOs). The reports have also highlighted where Covid has impacted on company operations, including the safeguards that were put in place during the pandemic to maintain service delivery and ensure safe working practices and the recovery strategies developed to resume service delivery as Covid restrictions were lifted.

5. Current year issues arising from Internal Audit activity during 2021/22

- 5.1 In his Internal Audit annual report for 2021/22, presented to the Chief Executive and Corporate Management Team in June 2022 the Head of Audit and Risk provided an overview of the activities of the Internal Audit section for the year 2021/22.
- 5.2 This included highlights of issues arising from Internal Audit activity during the year. In this respect, the Head of Audit and Risk commented on the following:
- The significant proportion of Internal Audit staff who were temporarily seconded to other

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duties for a period during part of the year, in response to the pandemic. This impacted on the ability of Internal Audit to undertake planned work and details of the impact on the work programme and how outstanding work was prioritised were reported to the Audit and Scrutiny Panel in March 2022. Although this has had some impact on Internal Audit's ability to deliver all planned work, the Head of Audit and Risk reported that "*I am content that sufficient work has been undertaken to support the preparation of my annual opinion*".

- A small number of audit assignments reported during 2021/22 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 2022/23 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.
- All audit investigations of suspected fraud and/or irregularities are reported to the Audit and Scrutiny Panel in line with the agreed Internal Audit reporting protocol. There were no material frauds or irregularities identified in 2021/22 that required to be brought to the attention of the Corporate Management Team.
- The ongoing need for the council to continue to respond to challenges arising from the public health emergency but there was less direct pressure on governance and internal controls than in 2020/21 when the council had to transition very quickly to significantly different ways of operating with consequential impacts on governance, internal control, and risk management arrangements.
- While there are no issues that require the Head of Audit and Risk to qualify his annual opinion, there are a small number of areas highlighted which will continue to be the focus of future audit coverage:
 - Programme of Work reports to committee - which are considered not to always easily allow elected members to monitor and/or assess progress against plans (timescales and budgets). Similarly, there is currently no mechanism to easily allow senior management to review progress across the range of Programme of Work activities. Management has previously committed to improving the ability of key stakeholders to monitor the progress of major projects / programme of work activities.
 - The Strategic Performance Framework - supportive of the approach adopted, Internal Audit recognises that implementation of effective, timely, and regular performance reporting on key strategic and operational performance measures to the Corporate Management Team and Service Committees has been significantly impacted over the last two years due to the need to respond to, and prioritise resources as a result of, the pandemic.
 - Current and future operating model - and the linked planned developments impacting upon workforce, digital transformation, service re-design, assets, and governance and how these actions are managed and progressed and the extent to which these contribute towards the achievement of the council's ambitions.

5.3 Despite the challenges presented by the pandemic and notwithstanding the results of some specific individual audit assignments, overall the Head of Audit and Risk reported that he was satisfied that the council's internal control and governance arrangements remained reasonably robust throughout 2021/22.

6. Previous year issues - 2020/21

6.1 In his Internal Audit annual report for 2020/21 the Head of Audit and Risk provided an overview of the activities of the Internal Audit section for that year. While this included highlights of a number of the more significant issues which arose from the work undertaken by Internal Audit during the year, none of these required actions which carried forward into the following year or which have not already been identified in paragraph 5.2 above.

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7. Certification

- 7.1 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.
- 7.2 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.
- 7.3 Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate or its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Des Murray

Des Murray
Chief Executive

27 October 2022

James Logue

Councillor James Logue
Leader of the Council

27 October 2022

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 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council-only and group Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, and Cash Flow Statements, the council-only Housing Revenue Account, Council Tax Income Statement, the Non Domestic Rates Income Statement, the Sundry Accounts Statement, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 six 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 ability of the council and its group 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.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report 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 Responsibilities, the Head of Financial Solutions is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Financial Solutions determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Financial Solutions is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

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 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 and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;
- 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.

Other information

The Head of Financial Solutions is responsible for other information in the annual accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on 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 the 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 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.

A handwritten signature in black ink, appearing to read 'B. Howarth', with a horizontal line extending to the right from the end of the signature.

Brian Howarth ACMA CGMA,
Audit Scotland,
8 Nelson Mandela Place,
Glasgow,
G2 1BT,

27 October 2022

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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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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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