

**North Lanarkshire Municipal Bank
Limited**

Report and Financial Statements

Year Ended

31 March 2022

Company Number: SC013128

Directors

Councillor J Ashraf – resigned 9 June 2022
Councillor R Burrows – resigned 9 June 2022
Councillor T Castles – resigned 9 June 2022
Councillor J Hume
Councillor I McNeil – resigned 9 June 2022
Councillor N Pettigrew – resigned 13 March 2022
Councillor S Watson
Councillor D Ashraf – appointed 9 June 2022
Councillor J J Leckie – appointed 9 June 2022
Councillor M McBride – appointed 9 June 2022
Councillor L Roarty – appointed 9 June 2022
Councillor G Robinson – appointed 9 June 2022

Secretary and registered office

Elaine Kemp, Chief Officer (Finance), Civic Centre,
Windmillhill Street, Motherwell, ML1 1AB

Company number

SC013128

Auditor

BDO LLP, 2 Atlantic Square, 31 York Street, Glasgow, G2 8NJ

Clearing Bank

Royal Bank of Scotland

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

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Introduction

The directors are pleased to report that the company has had a successful performance during the 2021 / 2022 financial year.

Business review

During the year to 31 March 2022, the Municipal Bank continued to monitor its investment strategy within its existing banking structure and operations, to ensure adequate protection against interest rate risk.

A periodic review of the level of customer balances, comparative interest rates and movements in the Bank of England base rate was undertaken, providing the bank with a firm base to establish its own interest rate policy for interest payable to customers.

Compliance Review of Anti-Money Laundering and Financial Crime

In May 2021 the Royal Bank of Scotland (RBS) contacted the North Lanarkshire Municipal Bank requesting a review of the customer due diligence, anti-money laundering (AML) and protection against financial crime arrangements. A meeting was held in June 2021 with the RBS compliance team, which was subsequently followed up by the completion of a questionnaire. This provided RBS with additional information around the municipal bank's arrangements in relation to protection against money laundering, counter terrorism financing, sanction screening and due diligence around know your customer.

Whilst the municipal bank has many controls in place, RBS concluded these required to be upgraded including:

- dedicated staff resource to anti-financial crime and anti-money laundering
- greater automation and screening
- improved customer due diligence process
- the need for annual independent audits of controls

After consideration of the financial impact of implementing the proposed upgrade requirements, including significant investment in staffing/IT systems and additional administrative cost burdens, it was decided the costs of the bank were no longer sustainable over the medium to longer term. Therefore, at a meeting of the directors on the 20 October 2021 the directors agreed unanimously that steps be taken to progress the cessation of banking services, with the preparation of a detailed wind-up delivery plan and associated timeline of these process to be completed by the 30 September 2022. This decision was announced publicly informing customers of the planned closure of the Bank in September 2022.

Closure Progress

On 1 February 2022, the Board endorsed the creation of a closure project working group to fully manage the closure process including identification of key tasks, risks, legal and regulatory requirements and the creation of a detailed project plan and timetable to facilitate the process being completed by the 30 September 2022. This project group includes representatives from various council services, including Legal, Financial Solutions, Strategic Communications and any others deemed key to the delivery of the process. Brodies LLP were engaged to provide specialist legal advice and support including legal and governance requirements, treatment of any unclaimed balances and dissolution process and requirements.

Recognising the reliance customers place on the banking services, the Board ensured a sensitive approach to supporting customers was adopted during the transition period, with support for the most vulnerable customers and those who do not have access to alternative banking facilities. Appropriate proposals for engagement with customers was developed, including signposting of alternative services and advice available within the local areas.

A dedicated helpline was created providing individual and tailored support in the account closing process/transfer of funds.

Closure Progress (continued)

Following the public announcement of the planned closure in October 2021, there has been a reduction in balances by the financial year-end in March 2022 of £2.804m, however it is expected over the coming months there will be a material reduction in balances as customer are formally notified of the closure plans through the formal closure process and close their accounts and a suspension of new accounts being opened. Therefore, the bank anticipates a significant material change in balances at least 12 months from sign off or the cessation date whichever is the earlier.

Going concern

As described above, the directors have made the decision to cease trading in September 2022. These financial statements have therefore been prepared on a basis other than that of a going concern. No changes were required to the financial statements. Further details are included in the report of the directors.

Other Principal risks and uncertainties

Other principal risks and uncertainties facing the company are:

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

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

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

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

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

Key performance indicators

Balance due to customers has decreased from £21.845m to £19.041m.

The amount of temporary loans repayable on demand is £19.067m (2021: £21.871m).

Interest received from monies advanced to the Council is £0.181m (2021: £0.200m)

Interest paid to customers £0.024m (2021: £0.043m).

Accounts**Customer accounts repayable on demand**

During the year, there was a decrease of £2,784,322 (2021: £16,169 increase) in net deposits taken from customers. The following is a summary of business transacted during the year:

	2022	2021
	£	£
Balance due to customers at start of year	21,844,741	21,872,539
Interest accrued at start of year	(38,558)	(85,525)
Interest accrued at end of year	19,026	38,558
	<u>21,825,209</u>	<u>21,828,572</u>
Net increase/(decrease) in deposits during the year	(2,784,322)	16,169
Balance due to customers at year end	<u>19,040,887</u>	<u>21,844,741</u>

The opening accrued interest was settled in the period, with the closing balance sheet accrual being outstanding and included within creditors, 'customer accounts repayable on demand' as at 31 March 2022.

Number of accounts

The number of active accounts at 31 March 2022 was 4,462. The table below indicates the number of accounts since the year ended 31 March 2011:

	Customers
31 March 2011	8,144
31 March 2012	7,925
31 March 2013	7,702
31 March 2014	7,476
31 March 2015	7,142
31 March 2016	6,821
31 March 2017	6,416
31 March 2018	6,099
31 March 2019	5,706
31 March 2020	5,321
31 March 2021	4,998
31 March 2022	4,462

Interest on deposits

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

From 1 April 2021 until 31 May 2021

£1+	0.20%
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From 1 June 2021 until 31 March 2022

£1+	0.10%
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Interest is paid on sums deposited for a minimum of one calendar month. The minimum deposit is £1, where fourteen days' notice of withdrawal may be required. All customer accounts have interest paid gross.

Future Developments

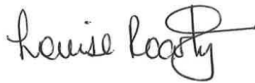
The formal closure process continued in 2022/2023 with initial formal communications issued to account holders in May 2022, supported with a wide-reaching communications strategy including press releases, website publications and social media messaging to widen and increase knowledge and awareness of the bank's impending closure, and guidance on steps for account holders to close their accounts before 30th September. This communications strategy continued with further direct communications issued to customers in July and September to encourage as maximum account closures as possible.

The Bank successfully ceased operations on 30 September 2022 with vastly reduced customer balances held of £0.800m, a reduction of £18.241m from those held at 31 March 2022.

These unclaimed balances are now held by North Lanarkshire Council on behalf of NLMB customers and future claims for account balances can be made directly to the Council.

The Bank is progressing the dissolution process with notification to Companies House in due course, with subsequent winding up of the company thereafter.

By order of the board



L Roarty
Director
16 March 2023

The directors present their report together with the audited financial statements for the year ended 31 March 2022.

Results and dividends

The Statement of Comprehensive Income is set out on page 12 and shows the result for the year of £nil (2021: £nil). The directors did not recommend a dividend payment in the year.

Principal activities

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

Directors

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

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

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

Status of the company

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

Going concern

These financial statements have been prepared on a basis other than going concern as it is the directors' view that the company will not continue as a going concern for at least a period of 12 months from the date that these financial statements are approved. This view formed at a Directors meeting on the 20 October 2021 at which the directors agreed unanimously that steps be taken to progress the cessation of banking services, with the preparation of a detailed wind-up delivery plan and associated timeline of these process to be completed by the 30 September 2022. This decision taken following a compliance review of anti-money laundering and prevention of financial crime arrangements which was undertaken by the Royal Bank of Scotland, which highlighted weaknesses in procedures and processes. After consideration of the financial impact of implementing the proposed upgrade requirements, including significant investment in staffing/IT systems and additional administrative cost burdens, it was decided the costs of the bank were no longer sustainable beyond this horizon.

Notwithstanding the above decision, the company in the intervening period will rely upon the support of its parent, North Lanarkshire Council ('NLC'). The company has received a letter of support, that is legally binding, that confirms North Lanarkshire Council will continue to provide financial support which cover the point at which the bank will no longer requires this in line with the proposed cessation date within the next 12 months. The letter also confirms that NLC will repay amounts owed to the company when required. The directors consider that NLC have the wherewithal to provide this support.

Going concern (continued)

As a result of the above the Directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements and the financial statements have been prepared on a basis other than going concern. The financial statements did not require any adjustments resulting from their preparation on a basis other than going concern.

Financial risk management objectives and policies

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

Currency risk

The company is not exposed to currency risk.

Liquidity risk

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

Interest rate risk

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

Credit risk

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

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

Directors' responsibilities statement (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 1 of the financial statements, the directors do not believe the going concern basis to be appropriate and, in consequence, these financial statements have not been prepared on that basis.

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

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

Disclosure of information to the auditor

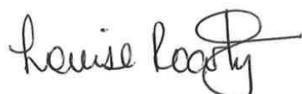
Each of the persons who are directors at the time when the directors' report is approved has confirmed that:

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

Auditor

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

By order of the Board



L Roarty, Director
16 March 2023

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements North Lanarkshire Municipal Bank Limited ("the company") for the year ended 31 March 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of preparation

We draw attention to note 1 - going concern to the financial statements which explains that the directors intend to cease banking activities by 30 September 2022 and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 1 - going concern. Our opinion is not modified in this respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the strategic report and report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and report of the directors has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and report of the directors.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- assessing the design and implementation of the control environment to identify areas of material weakness to focus on the design of our audit testing;
- reviewing compliance with key laws and regulations which impact the business;
- assessing whether the accounting policies, treatments and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice and whether there are instances of potential bias in areas with significant degrees of judgement such as setting interest rates;
- identifying whether there are instances of potential bias in areas with significant degrees of judgement and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- addressing the risk of fraud through management override of controls by testing the appropriateness of a sample of journal entries and other adjustments; assessing whether judgements made in accounting estimates are indicative of a potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- carrying out detailed testing, on a sample basis, of transactions and balances, agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Mark McCluskey (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Glasgow, UK

22 March 2023

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

Statement of comprehensive income for the year ended 31 March 2022

	Note	2022 £	2021 £
Interest receivable:			
North Lanarkshire Council – short term advances	4	180,677	200,281
Interest payable:			
Interest paid to customers	5	(24,282)	(43,004)
Net interest income		156,395	157,277
Administrative expenses:			
Management expenses		174	180
Audit fee and expenses	6	9,157	9,475
Printing and stationery		2,464	3,022
Payment to Agencies and Other Bodies		124,600	124,600
Publicity campaign		0	0
Rental of premises		20,000	20,000
		156,395	157,277
Profit on ordinary activities before taxation		-	-
Taxation on profit on ordinary activities		-	-
Profit for the financial year		-	-
Total comprehensive income for the year		-	-

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

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

The notes on pages 18 – 23 form part of these financial statements.

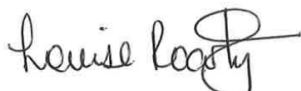
North Lanarkshire Municipal Bank Limited

Balance Sheet as at 31 March 2022

Company number: SC013128

	Note	2022 £	2021 £
<u>Financial Assets measured at amortised cost</u>			
Loans and advances to North Lanarkshire Council repayable on demand	7	19,067,413	21,870,785
Sundry debtors		-	-
		19,067,413	21,870,785
<u>Liabilities</u>			
Customer accounts repayable on demand	8	19,040,887	21,844,741
Accruals and deferred income	9	26,522	26,040
Total liabilities		19,067,409	21,870,781
<u>Equity</u>			
Called up share capital	11	4	4
Total liabilities and equity		19,067,413	21,870,785

The financial statements were approved by the Board and authorised for issue on its behalf on 16th March 2023.



L Roarty
Director

The notes on pages 18 – 23 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2022

	Share Capital £	Retained earnings £	Total equity £
As at 1 April 2020 and 1 April 2021	4	-	4
Result for year	-	-	-
Other comprehensive income for the year	-	-	-
As at 31 March 2021 and 31 March 2022	4	-	4

The notes on pages 18 – 23 form part of these financial statements.

Statement of cash flow for the year ended 31 March 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Result for the financial year		-	-
Adjustments for:			
Interest receivable	4	(180,677)	(200,281)
Interest payable	5	24,282	43,004
Sundry debtor		-	-
Increase/(decrease) in trade and other creditors		482	750
Increase/(decrease) in deposits by customers		(2,784,322)	16,168
Decrease/(increase) in loans advanced to NLC		2,803,372	27,048
Net cash generated from operating activities		(136,863)	(113,310)
Cash flows from investing activities			
Interest paid		(43,814)	(86,971)
Interest received		180,677	200,281
Net cash generated from investing activities		136,863	113,310
Net cash generated before financing activities		-	-
Cash flows from financing activities			
Allotment of shares		-	-
Net cash flow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-

The notes on pages 18 – 23 form part of these financial statements.

1 Accounting policies

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

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

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

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

The following principal accounting policies have been applied.

Interest receivable

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

Interest payable

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

Debtors

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

Cash and cash equivalents

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

Creditors

Short term creditors are measured at transaction price.

Financial instruments

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

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

1 Accounting policies (continued)

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

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

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

Going concern

These financial statements have been prepared on a basis other than going concern as it is the directors' view that the company will not continue as a going concern for at least a period of 12 months from the date that these financial statements are approved. This view formed at a Directors meeting on the 20 October 2021 at which the directors agreed unanimously that steps be taken to progress the cessation of banking services, with the preparation of a detailed wind-up delivery plan and associated timeline of these process to be completed by the 30 September 2022. This decision taken following a compliance review of anti-money laundering and prevention of financial crime arrangements which was undertaken by the Royal Bank of Scotland, which highlighted weaknesses in procedures and processes. After consideration of the financial impact of implementing the proposed upgrade requirements, including significant investment in staffing/IT systems and additional administrative cost burdens, it was decided the costs of the bank were no longer sustainable beyond this horizon.

Notwithstanding the above decision, the company in the intervening period will rely upon the support of its parent, North Lanarkshire Council ('NLC'). The company has received a letter of support, that is legally binding, that confirms North Lanarkshire Council will continue to provide financial support which cover the point at which the bank will no longer requires this in line with the proposed cessation date within the next 12 months. The letter also confirms that NLC will repay amounts owed to the company when required. The directors consider that NLC have the wherewithal to provide this support.

As a result of the above the Directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements and the financial statements have been prepared on a basis other than going concern. The financial statements did not require any adjustments resulting from their preparation on a basis other than going concern.

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

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

3 Staff costs

The Bank's staff are employees of North Lanarkshire Council and their remuneration is incorporated into the staff costs of that Council. North Lanarkshire Council recharged an amount of £124,600 (2021: £124,600) in respect of staff costs.

North Lanarkshire Municipal Bank Limited employs no employees (2021: nil).

The directors received no fees or other emoluments in respect of their services during the year (2021: £nil).

4 Interest receivable

	2022 £	2021 £
Short term advance interest	180,677	200,281
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	2022 £	2021 £
Interest payable on customer deposits	24,282	43,004
	<u> </u>	<u> </u>

Interest payable for 31 March 2022 £19,026 was accrued at the end of the year and interest for 31 March 2021 £38,558 was accrued in the prior year.

6 Auditor's remuneration

	2022 £	2021 £
Auditor's remuneration – audit services	7,380	9,475
Auditor's remuneration – non-audit services	1,777	53
	<u> </u>	<u> </u>

7 Short term advances repayable on demand

	2022 £	2021 £
Short term advances repayable on demand	19,067,413	21,870,785

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

8 Customer deposits

	2022 £	2021 £
Customer deposits repayable on demand	19,040,887	21,844,741

At 31 March 2022, the company's principal financial liabilities comprise customer deposits repayable on demand. All customer account balances are guaranteed by North Lanarkshire Council.

9 Other creditors

	2022 £	2021 £
Accruals and deferred income	26,522	26,040

10 Financial Instruments

As at 31 March 2022, the company's principal financial instruments comprise short term advances and the receipt of monies held on deposit from account holders. The main purpose of the bank is to provide finance to North Lanarkshire Council at favourable interest rates.

The main risk arising to the company is interest rate risk. The company holds funds on behalf of its customer account holders which are subject to interest at predetermined interest rates set by the directors. The interest rates applicable on customer account balances held during the year ended 31 March 2022 are as follows:

From 1 April 2021 – 31 May 2021		From 1 June 2021 – 31 March 2022	
£1+	0.20%	£1+	0.10%

Throughout 2021/22, the relationship for investing funds with North Lanarkshire Council remained prudent and met the requirements of the Financial Services and Markets Act 2000 (Exemption) Order 2001.

	2022	2021
	£	£
Financial Assets		
Financial assets measured at amortised cost	19,067,413	21,870,785
Financial Liabilities		
Financial liabilities measured at amortised cost	19,067,413	21,870,785

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

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

11 Called up share capital

	Allotted, called up and fully paid	
	2022 £	2021 £
77 Ordinary shares of 5p	4	4
	4	4

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

12 Related party transactions

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

North Lanarkshire Municipal Bank was charged £124,600 (2021: £124,600) in the form of a management charge in relation to staffing and support costs and £20,000 (2021: £20,000) for rental of premises by North Lanarkshire Council. North Lanarkshire Municipal Bank Limited received £180,677 (2020: £200,281) in the form of interest from North Lanarkshire Council due to the temporary loan balance to North Lanarkshire Council. The balance owed by North Lanarkshire Council to North Lanarkshire Municipal Bank Limited at 31 March 2022 amounted to £19,067,413 (2021: £21,870,785) and is included within note 7 to these financial statements.

13 Financial risk management

A periodic review of the level of customer balances, comparative interest rates and movements in the Bank of England base rate was undertaken, providing the bank with a firm base to establish its own interest rate policy for interest payable to customers.

14 Ultimate controlling party

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

15 Analysis of net debt

	At 1 April 2021	Other Movement	At 31 March 2022
Cash at bank and in hand	-	-	-
Debt due within 1 year	21,870,781	(2,803,372)	19,067,409