

# North Lanarkshire Council Report

## Finance and Resources Committee

approval  noting

**Ref** EK/VR/FC

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## Annual Accounts Outturn

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### Executive Summary

The purpose of this report is to inform Committee that the annual statutory accounts of the council for the year ended 31 March 2020 were submitted to the Council's External Auditors, Audit Scotland, by the statutory date of 30 June, and subsequently reported to the Audit and Scrutiny Panel at its meeting of 3 September.

The report also explains any major variations against the Council's annual budget for the year 2019/20.

### Recommendations

It is recommended that the Finance and Resources Committee:

- (1) note the contents of the report.

### The Plan for North Lanarkshire

**Priority** Improve North Lanarkshire's resource base

**Ambition statement** (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

## 1. Background

- 1.1 The Annual Accounts demonstrate the Council's stewardship of the public funds with which it is entrusted. The Annual Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Local Authority Accounts (Scotland) Regulations, require the Council to submit a set of unaudited accounts to its external auditors, Audit Scotland, by 30 June following the end of the financial year, however as a result of the Coronavirus pandemic, provision was made within the Coronavirus (Scotland) Act which provided flexibility for Authorities to postpone publication of their 2019/20 accounts.
- 1.2 In addition, the Council's approved Financial Regulations require Council Services to remain within the approved budgetary provision, and to report all significant deviations within their budget monitoring reports.

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## 2. Report

### 2.1 General Fund Account

- 2.1.1 The General Fund surplus brought forward from 2018/19 of £44.372m has been increased to reflect the net surplus for the year of £4.029m.
- 2.1.2 As outlined in table 1 below, the cumulative General Fund Surplus at 31 March 2020 is £48.401m, represented by £31.787m of earmarked funds for specific future commitments, the approved contingency reserve level of £8m and an unallocated balance of £8.614m. A projected unallocated balance of £15.144m was reported to this Committee on 28 May 2020 as part of the Council's provisional outturn report, with the movement primarily as a result of the requirement to earmark £6.000m in relation to the expansion of early learning and childcare.

<b>Approved Earmarked Funds</b>	<b>£m</b>	<b>£m</b>
20/21 One off Costs of Savings Programme	6.595	
Early Years & Childcare Expansion	6.000	
Digitisation	5.759	
Balances held by Schools under Devolved School Management	3.072	
Pupil Equity Fund	2.132	
Insourcing of CLNL	2.000	
Business Gateway Contract	1.510	
City Deal	0.777	
Dilapidations	0.619	
Family Firm	0.365	
Other Earmarked Funds	2.958	31.787
<b>Unallocated - Change Management Fund</b>		<b>8.614</b>
<b>Contingency Reserve</b>		<b>8.000</b>
<b>General Fund Surplus as at 31 March 2020</b>		<b>48.401</b>

Table 1

## 2.2 **Budget Outturn Position 2019/20**

2.2.1 As noted in 2.1.2 above, the provisional outturn position was reported to Committee on 28 May 2020 and highlighted a General Fund underspend of £2.416m. However, the final outturn position differed from the reported position mainly due to the net increase in earmarked reserves of £9.178 which is assessed as part of the year-end processes, partially offset by a release from Insurance Fund of £3.674m and a drawdown from Capital Fund of £4.506m.

## 2.3 **Housing Revenue Account**

2.3.1 The Housing Revenue Account (HRA) reported a £2.581m surplus position to Committee in May however this position differed from the final outturn primarily as a result of the in-year use of earmarked reserves (£1.625m). The surplus of £1.219m has been added to the balance brought forward to enable an earmarked cumulative surplus of £14.146m. Of this surplus, some £11.895m has already been approved for specific purposes including temporary accommodation (£5.502m). Adjusting for the £1.450m contingency reserves, this leaves a current unallocated balance of £0.801m.

## 2.4 **Other Matters**

2.4.1 The Council has previously recognised the need to provide for on-going commitments arising from equal pay compensation claims. The total opening 2019/20 provision value of £7.456m comprised of £7.000m in relation to General Fund and £0.465m for HRA. Total claims and associated costs paid out during 2019/20 equated to £1.709m in total. The level of the remaining provision (£5.754m) was assessed and concluded to be a reasonable level to cover the expected pension cost for previously settled claims.

2.4.2 The Council has a controlling interest in a number of bodies that have been incorporated into the Group Accounts. After consolidation, the Group balance sheet shows net assets of £1,673.706m, an increase on the single entity position of £115.683m.

2.4.3 The accounting position in relation to the Council's pension arrangements highlights a headline deficit based on the standard IAS19 calculation of £342.322m. This is a snapshot valuation as at 31 March 2020 and will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary. It should however be noted that due to Government announcement on the McCloud remedy consultation, the pension liability for the final accounts may be subject to review. The consolidated group entities pension arrangements are also affected by this announcement. The Council is working in partnership with Audit Scotland to determine whether a revised Actuarial Valuation requires to be sought. As a result, the pension liability in both single entity and group accounts may be amended as appropriate for the final accounts however the movement is not expected to be significant.

2.4.4 The impact of the current Coronavirus pandemic is not fully known and as a result there continues to be uncertainty surrounding the position of the property market. As a result, less weight can be placed upon previous market evidence for comparison purposes, to inform opinions of value, which therefore gives rise to increased uncertainty over the valuations of the current year of the Council's 5 year rolling valuation programme. It should be noted that the Council's Surveyors have not deemed this uncertainty great enough to require the valuations to be issued on the basis of 'material valuation uncertainty'. Nonetheless, it would be prudent to note that less certainty can be attached to the valuation than may otherwise be the case.

**2.5 Conclusion**

- 2.5.1 Despite the flexibility in deadlines afforded by the Coronavirus (Scotland) Act, the unaudited accounts have been submitted by the statutory deadline of 30 June, demonstrating continued effective financial management, particularly in light of the Coronavirus pandemic. The cumulative General Fund surplus will assist in managing the financial challenges currently facing the Council, including those linked to the pandemic.

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**3. Equality and Diversity**

**3.1 Fairer Scotland Duty**

There is no specific impact in relation to Fairer Scotland.

**3.2 Equality Impact Assessment**

There is no specific Equality Impact Assessment required.

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**4. Implications**

**4.1 Financial Impact**

There is no financial impact resulting from the contents of this report

**4.2 HR/Policy/Legislative Impact**

There are no HR Policy or Legislative impact resulting from the contents of this report.

**4.3 Environmental Impact**

There is no environmental impact linked to this report.

**4.4 Risk Impact**

There is no risk impact linked to this report.

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**5. Measures of success**

- 5.1 N/A

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**6. Supporting documents**

- 6.1 No appendices



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