

# Statement of Accounts

## 2017/18



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# Head of Finance Narrative Report for the Statement of Accounts

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## Introduction

A Local Authority's Statement of Accounts is prescribed, in terms of what and how information is shown within them. It also needs to follow complex, international accounting rules, further complicated by the fact they are not wholly appropriate to the Local Government sector because of the unique way it is funded. These make for a long and technical document which can be difficult 'to interpret and understand'. Therefore, this 'Narrative Report' is designed to help the reader get the main messages and issues on the Council's use of its financial resources in 2017/18 and highlight any issues that have impacted on these statements of accounts and its financial position at the end of the financial 2017/18 financial year; alongside some key messages on its activities.

These Statement of Accounts cover the period 1 April 2017 to 31 March 2018 and have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2017/18' (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This prescribes what and how information is shown within these accounts.

There are 4 key statements together with supporting notes, as follows

- **The Comprehensive Income and Expenditure Statement (CIES):** shows the accounting cost in year of providing services in accordance with generally accepted accounting practices;

Supporting this statement is the 'Expenditure and Funding Analysis' which shows the Income and Expenditure position as reported internally and the accounting adjustments made to that which gets us to the CIES so that it follows proper accounting practices.

This is essentially 'the bridge' that confirms and explains how the Council's reported outturn for 2017/18 to its Cabinet is the basis of the CIES here in the accounts.

- **The Movement in Reserves Statement:** summarises the Council's income and expenditure activity (in the CIES) and shows how this is adjusted back to arrive at the Council's funding/or council tax position, and how surpluses/ deficits have been distributed to reserves;

This, essentially, shows how the CIES position is reversed back to the Council's reported outturn for 2017/18 by way of reversing out the accounting adjustments used in the CIES

- **The Balance Sheet:** shows the value as at the 31 March 2018 of the assets and liabilities held and recognised by the Council;
- **The Cash Flow Statement:** shows the movements in cash and cash equivalents of the Council during the reporting period.

The Statement of Accounts includes consolidated group accounts which are shown in pages 136 -152:

- **The Group Accounts:** are prepared in addition to the single entity accounts where local Authorities have material interests in subsidiary and associated companies and joint ventures. The Group Accounts have been prepared to include Newport Transport Limited, a 100% owned municipal bus company and comprise the Movement in Reserves Statement; the Comprehensive & Income Expenditure Statement; the Balance Sheet; the Cash Flow Statement and associated notes.

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This narrative is split into two broad sections – the (1) ‘review of the year’ and (2) ‘future developments – look forward’

## **REVIEW OF THE YEAR**

This section deals with key issues in 2017/18, for example, the Council’s year-end revenue and capital outturns, key risks, significant issues affecting the balance sheet and performance. During the year, there were many achievements for the Council, these include:

- The successful sale of Friars Walk meant that the Council was able to clear the outstanding debtor in relation to the loan given to Queensberry Ltd, and subsequently significantly reduce the level of borrowing that the Council had itself, in relation to the loan.
- Significant investment in the continuation of the 21<sup>st</sup> Century Band A programme with a number of new schools opened and nearing completion, including the new Welsh Medium Secondary school.
- Newport Council are one of ten local authorities that have committed to the Joint Working Agreement for the ‘City Deal’. The City Deal provides funding to support schemes which will stimulate the economic growth of the region. The agreement with the UK Government and Welsh Government provides £1.2 billion of which £734m is allocated to the Metro, with the balance of £495m being made available as the ‘Wider Investment Fund’. The Wider Investment Fund is made up of: £375m grant from the UK Government paid over 20 years, UK Treasury Contribution, with year 1-5 being £50m revenue grant, followed by years 6- 20 being £325m capital grant; and £120m Local Authority Partnership capital contribution to be drawn down as required. In 2017/18 Newport contributed the first £2.7m towards this scheme.
- Following the success of Friars Walk, further support for City Centre regeneration schemes, including the redevelopment of 123-129 Commercial Street, the proposals for the significant development of Chartist Tower and successful bids for a number of grants to the Heritage Lottery Fund, including for redevelopment of Market Arcade and the Transporter Bridge.

### **(1) The Council’s financial outturn position**

#### **Revenue**

The financial context for the Council’s financial management in 2017/18 was once again very challenging. With Revenue Support Grant, which funds approximately 78% of the Council’s net costs, reducing by 0.7%, and investment required to deal with cost increases / increasing demand and priorities for the Council, savings of £5,575k had to be delivered in year and these were agreed by the Council’s Cabinet in March 2017, alongside an increase in Council Tax income of c£2.6m

Against this continuing challenging position, the Council underspent on its 2017/18 revenue budget by £1,299k and this was reported to the Cabinet in May 2018. Whilst a net underspend position was reported, there were areas of significant overspending in the Council: Children’s social care out of area placements, Special Education Needs out of area placements and Adult social care Community Care but mitigated by underspending on Council Tax Reduction Scheme, better Council Tax collection, higher and unexpected WG specific grants received and use of the revenue budget contingency. This broad pattern of overspending and underspending is not uncommon within the sector.

Cabinet approved the £1,299k underspend to be transferred to a number of reserves, and noted/agreed the use of £5,543k from reserves already included in the outturn which were either part of the base budget, agreed in-

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year or consistent with policy/use. This represents a net 'draw' from reserves of £4,244k, split between use of capital reserves (capital receipts) of £2,841k net and the balance from various revenue reserves of £1,402k

The table below summarises the revenue outturn for 2017/18.

	Budget	Actual Expenditure	Reserves to be agreed by Cabinet	Outturn	Variance To Original
	£'000	£'000	£'000	£'000	£'000
Social Services:					
- Children & Young People	21,068	23,059	-	23,059	1,991
- Adult & Community Services	41,070	39,776	34	39,810	(1,260)
Education	14,878	15,792	-	15,792	914
Schools	90,297	91,271	-	91,271	974
Regeneration, Investment & Housing	9,194	9,260	-	9,260	66
Streetscene & City Services	17,743	17,753	200	17,953	210
Corporate Services & Chief Executive	16,225	15,918	35	15,953	(272)
Capital Financing Costs & Interest	27,040	24,972	-	24,972	(2,068)
<b>Total Expenditure On Services</b>	<b>237,515</b>	<b>237,801</b>	<b>269</b>	<b>238,070</b>	<b>555</b>
Levies/Other	21,858	20,374	-	20,374	(1,484)
Base budget transfer to / (from) Reserves	40	1,668	990	2,658	2,618
Other non-service income & expenditure	5,486	6,087	40	6,127	641
General Contingency	1,473	-	-	-	(1,473)
<b>Net Council Fund</b>	<b>266,372</b>	<b>265,930</b>	<b>1,299</b>	<b>267,229</b>	<b>857</b>
Government Grants	(208,250)	(208,250)	-	(208,250)	-
Council Tax	(58,122)	(58,979)	-	(58,979)	(857)
<b>Underspend available to be distributed from Reserves</b>	<b>-</b>	<b>(1,299)</b>	<b>1,299</b>	<b>-</b>	<b>-</b>

## Capital

Total capital expenditure in 2017/18 was £34.1m (£32.4m in 2016/17). The main items within this figure are shown below:

	Adjusted Estimate	Actual Expenditure	Variance
	£'000	£'000	£'000
Education	28,139	21,601	(6,538)
Regeneration, Investment & Housing	13,339	6,788	(6,551)
People & Business Change	2,777	96	(2,681)
Law & Regulation	6	3	(3)
Adult & Community Services	926	909	(17)
Children & Young People Services	26	26	-
Streetscene & City Services	5,364	4,649	(715)
<b>Total Capital Expenditure</b>	<b>50,577</b>	<b>34,072</b>	<b>(16,505)</b>

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The most significant capital expenditure during the year related to:

- £21.5m on schools including projects within the 21<sup>st</sup> Century School programme;
- £2.7m contribution to the Cardiff Capital City Region Deal;
- £0.9m on management of assets across the Council;
- £1.6m on Housing Renovation schemes including disabled facilities and energy efficiency grants;
- £0.9m to relocate a number of services from the information station back to the Civic Centre, to allow the space to be rented and creating an ongoing rental income for the Council.
- £1.9m on fleet replacement;

There were significant variances totalling £16.5m against the planned capital budgets in 2017/18, of which £2.7m was underspending on projects and the balance of £13.8m slippage on delivery and which was approved to be carried forward into the 2018/19 budget year. Most of the slippage related to School's projects. The Council has approved a £70m schools expansion programme for Band B school projects which will be spent over the next 5 years or so and more time and resources are being invested up-front to plan the resulting schemes / projects so that delivery can happen to time and budget in going forward.

A new 5-year capital programme was approved by the Council's Cabinet in February 2018 – spanning 2018/19 – 2022/23 and this has been developed within an 'affordability envelope' which ensures there will be no further pressure put on the revenue budget for borrowing/funding costs. It invariably limits the size of the programme but was sufficient enough to fund a £70m Band B schools programme with an amount left to allocate as the programme develops. Further projects can then be added if they generate savings/ income to pay for any costs of borrowing associated with them, as appropriate and use of WG capital grants continues. .

## **(2) Balance Sheet – the Council's Reserves, Provisions and Contingencies**

The Balance Sheet shows a 'snapshot' of the Council's assets and Liabilities as at 31 March 2018, including its reserves.

Key aspects however include its reserves and provisions it holds to cover on-going risks as these are integral to its financial planning and management of risk in its on-going operations, pension deficit and the impact of Friar's Walk funding.

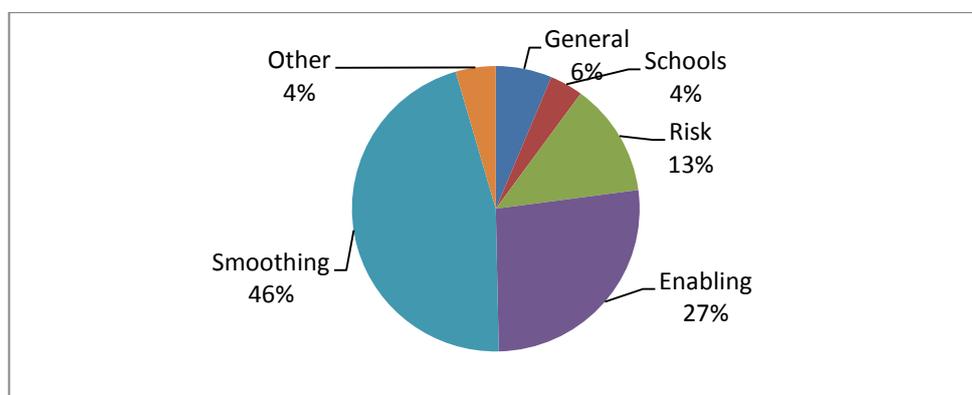
### Usable reserves

The graph below summarises the Council's reserves, showing those reserves which cover risk, enabling, smoothing expenditure, the general reserves, schools reserves and other reserves.

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Note 10 to the accounts that follow shows the value of the individual reserves that make up the categories above. The Council continues to have a strong balance sheet position with usable reserves of £102.9m and which provides a good platform to meet future challenges and risks.

The reserves as at 31/3/2018 provide

- Adequate cover for the assessed significant risks identified by the Council – such as pay inflation above planning / funded parameters, self-insurance and residual financial issues related to the Friar's Walk scheme, the Council funded leisure/retail scheme in Newport City centre. General Reserves have been maintained at £6.5m, the minimum required as assessed by the Council's HoF.
- Good level of 'enabling' reserves to fund its strategic/transformational programmes and fund other 'cost to change'/savings' projects, city centre development funds and support to the Council's capital programme
- The funding required for the future costs over and above the available base budget, for the Council's PFI projects. This element alone represents nearly 45% of the Council's total Reserves and these reserves represent the 'budget' for future PFI costs

## Unusable reserves

Also detailed on the balance sheet are unusable reserves which are non-cash backed reserves which allow for significant accounting adjustments as to not impact on the council tax payer during the year.

## Impact of Pension Deficit on Reserves

The Council participates in the Local Government Pension Scheme. Employees and employers contribute into the fund and along with investment income and growth generated; the funds are used to pay its pension obligations. The Fund is valued every three years to assess if the assets are sufficient to fund its pension obligations, taking account of actuarial assumptions of members' life expectancy, investment returns, value of pensions paid out etc. A valuation was undertaken in 2016, which identified a need to increase the contribution to the fund, due to an increased deficit valuation of the fund. The Council will be building these pressures into the Medium Term Financial Plan (MTFP), when these contributions increase from 2018/19 onwards.

On an annual basis, and for the purpose of providing information to meet pension's costs reporting regulations, the scheme's actuaries provide an interim update. As at 31 March 2018, this assessed the scheme as in deficit at £324.0m.

However, this position must not be taken out of context. The fund is there for the long term funding of pensions. Therefore, this deficit on the pension scheme and its impact on the Council's overall reserves is also a long term issue – the deficit and liability would not arise in any single year. The deficit is currently being addressed over

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the long term by increased employer and employee contributions in the 2017/18 year on-going, as well as the pension scheme benefits being calculated differently, such as moving to career average salaries as opposed to final salary.

Further details on pension balances and transactions can be found in Notes 40-41.

## Provisions

Provisions are funds set aside on the balance sheet to meet likely liabilities. They are reviewed each year and in particular, an assessment of what new issues and risks are in place which may require sums to be identified and set aside is made.

Following our assessment of risks, total short term provisions increased by £1.0m to £6.5m and long term provisions increased from £5.8m to £8.4m. The significant changes include:

- New provision for the Friars Walk income subsidy payment which is due over the next 14 years if the rental income achieved by the centre is below a certain value. An estimate has been included based on current tenancy and payments. This has been funded via the Friars Walk earmarked reserve.
- New provision for the social care task provision, which is money set aside for the estimated liability for Local Authorities to settle historical liabilities stemming from the Supreme Court ruling last August on the funding of tasks performed by a registered nurse.
- Increase in the insurance provision for expected payments out for claims that are known but unpaid.
- Increase in the accumulated absences provision. This is a non-cash backed provision and is offset by the accumulated absences reserve, therefore there is no impact on cash or the general fund from this increase.

The long-term provision for landfill capping has also decreased slightly during 2017/18 following use of the reserve on landfill capping charged to the provision of £143k. This provision is capitalised and therefore is charged to revenue via the prudent Minimum Revenue Provision. The provision includes long-term estimated values for after care costs over 60 years, which were part of a full review during 2016/17.

Details of the movements of individual provisions are shown in Note 23.

## Contingencies

A number of contingent liabilities are disclosed in the Statement of Accounts (Note 43). No financial provisions have been made for these as they are in relation to events where the Council has little influence or control over, uncertainty whether they will actually happen, whether there will be any financial impact and if so, how much. However, where applicable, the Council have taken a prudent approach and put funds aside within reserves to deal with two of the issues disclosed, as noted below.

However, along with the provisions Note 23, it gives the reader of the Statement of Accounts information about the financial risks facing the Council. For 2017/18, contingent liabilities disclosures covered:

- 1 Municipal Mutual Insurance (MMI) run off claims, where Newport City Council may be required to meet the balance of remaining claims;

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- 2 On-going insurance claims against Newport City Council, for which no provision is justifiable at this point under accounting regulations. A reserve of £1.6m has been set aside to fund these potential risks however.

## Balance Sheet - Debtors & Borrowing (Friars Walk)

A number of balance sheet balances have changed significantly during the 2017/18 financial year, most of which are explained by the sale of the Council funded Friar's Walk scheme.

- at 31/3/2017 – the Council had borrowed itself to make the loan payments to the schemes developer and these were included in 'short term borrowing' with the loan repayment included in 'short term debtor'
  - at 31/3/2018, following the sale, the Council's own borrowing was repaid, thereby reducing the short term borrowing value on the balance sheet from c£65.5m to c£5.4m, and also taking out the corresponding short term debtor as the repayment cleared the principal and majority of interest outstanding, reducing from c£124.7m to c£37.7m
  - at 31/3/2018, following the sale, a new long term debtor was set up for £7.5m for future income share per the sale agreement and this has increased the value of that on the balance sheet from c£14m to c£22.1m
- Whilst the Council had to borrow cash externally for this scheme, it was also funding part from 'internal borrowing' in line with its Treasury Management Strategy and the repayment paid back the internal borrowed cash, thereby enabling the Council to be a cash investor – that is reflected in these accounts by the 'short term investments' of £20m.

## **(3) Material Assets/Liabilities**

Other than outlined elsewhere in this foreword, the Council has not taken on any other material assets or liabilities during the year.

## **(4) Future Changes to Accounting Policies**

There were no significant changes to accounting policies that would have had a material impact on Council's financial statements. However there are a number of accounting policies that have been issued but have not been adopted by the Code of Practice of Local Authority Accounting in the United Kingdom. These include IFRS 9 Financial Instruments; IFRS 15 Revenue from contracts with customers; IAS 7 Statement of Cash Flows; IAS12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) and IFRS 16 Leases. We do not anticipate these changes in future accounting policies to have a material impact on our general fund or overall accounting statements. We will be working alongside Wales Audit Office in the coming financial year to ensure we are meeting the requirements of these statements when adopted.

## **(5) Non-Financial Performance**

### The Council's Improvement Plan

The council has a duty to demonstrate continuous improvement, and has identified 8 areas for improvement in its Improvement Plan 2016-18. The improvement plan helps to prioritise the resources of the council on to key areas identified through consultation with the public, elected members and employees.

Within the context of tight funding, relatively low Council Tax and increasing demand for services, the Council performed well in 2017/18, improving its key performance measures, bringing forward key developments for the

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city and managed within its budget. It provides a strong platform for future years which are increasingly challenging and explained in the next section.

Good progress has been made at the end of 2017/18 with an excellent rating for supporting young people into education, employment or training and good ratings for Ensuring people have the right social services to meet their needs, ensuring people have access to suitable accommodation, city regeneration and development, Ensuring the best educational outcomes for children and Improving outcomes for youth justice.

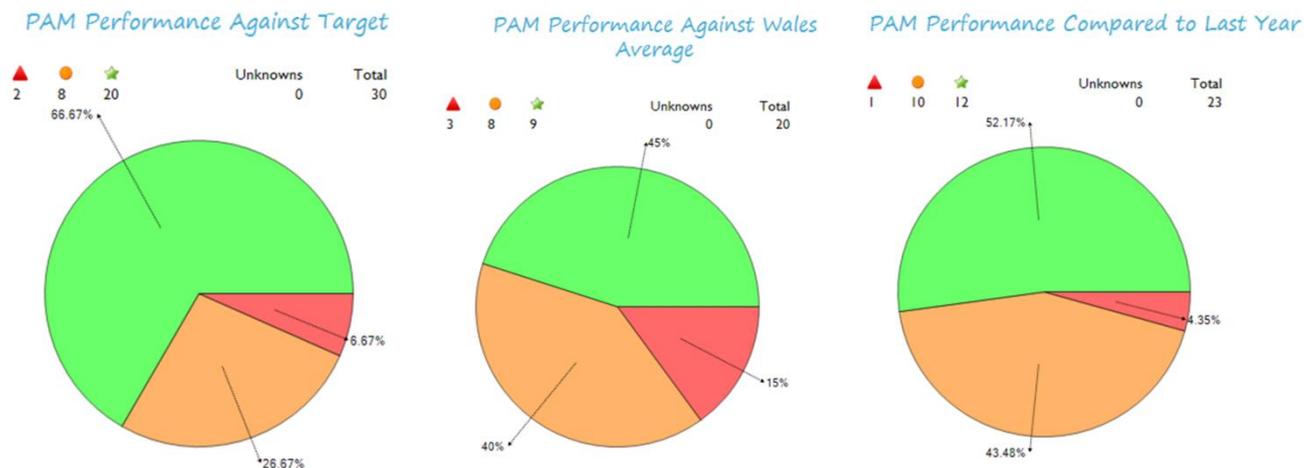
The Council has been able to demonstrate that with the increasing budget challenges and demand pressures it continues to deliver good services to the public and in a number of cases are showing improvements. This is evidenced in the Public Accountability Measures below.

## Public Accountability Measures (PAM)

Data for Public Accountability Measures is submitted nationally and used to compare Newport to the other 21 authorities in Wales. The charts below show:

- Performance against targets set locally by the authority – This shows that 67% of measures have achieved or exceeded target.
- Performance against Wales average – shows that we achieve 45% of targets at or above Wales Average.
- Performance compared to last year – improved performance in 52% of the targets set.

The national data for 2017/18 will be available in August and released publically in September.



## FUTURE DEVELOPMENTS – LOOK FORWARD

### (1) Financial Resilience

It should be noted that whilst the Council's outturn for 2017/18 was favourable and allowed funds to be set aside in the earmarked reserves, as in previous years there continued to be overspending within some service areas, in particular within Social Care on community care and out of authority placements, and within Special

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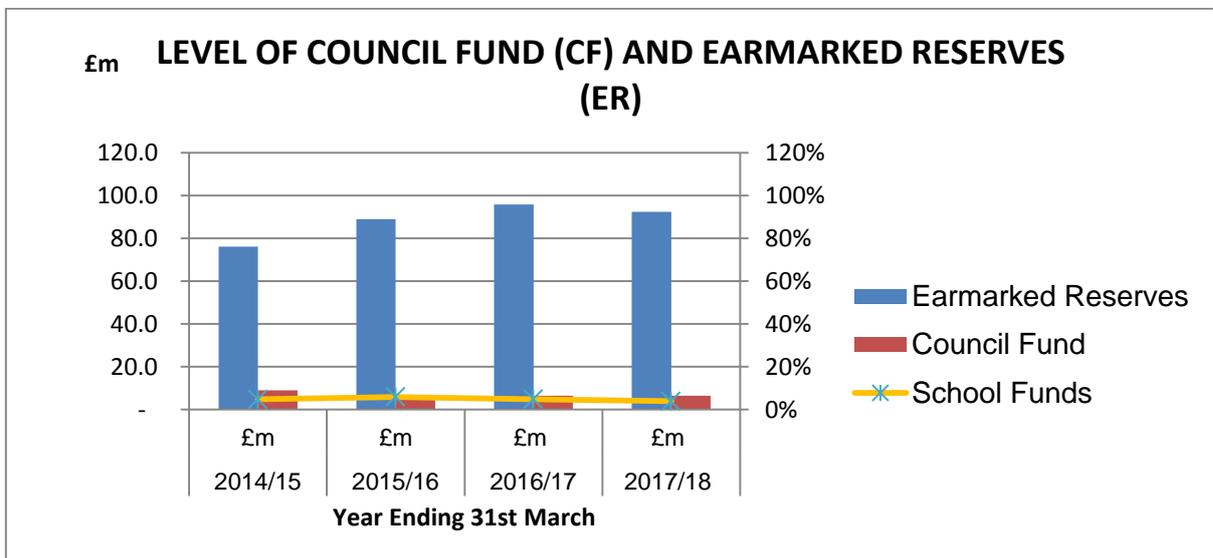
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Education Needs (SEN) Out of County Places. There were also pressures within StreetScene and underlying issues still remain with deliverability of savings in that area. Furthermore, new 2018/19 budget savings remains a key area of risk to be monitored as the year unfolds. The Council has a general contingency in its base budget which provides short-term mitigation to these issues, and has set aside a £2.2m additional specific contingency in relation to the pressure faced in People services discussed above, there are also additional anticipated underspends on the Council Tax Reduction Scheme line which offsets the overall anticipated overspends within directorates. This protects the overall budget but the resolution to these outstanding issues is key considerations in ensuring the Council's base budget is robust in going forward. Based on the above, the HoF confirmed the robustness of the budget and level of reserves to the full Council when they met to agree the 2018/19 budget.

## Level of Reserves

The level of Earmarked Reserves (excluding Council and School Funds) as at 31<sup>st</sup> March 2018 totalled £92.6m, this has reduced slightly from the figures as at 31<sup>st</sup> March 2017 which was £95.8m. This is due to a number of planned transfers, the key movements are detailed earlier in this foreword. This also includes a significant increase of £2.4m from a change in the Minimum Revenue Provision (MRP) policy in 2017/18, which gave an in year saving which was taken to earmarked reserve to support the Medium Term Revenue Plan (MTFP). This provides the Council with a level of resilience against future uncertainties and risks, and also allows the smoothing of expenditure where the future impact on funding or expenditure is significant i.e. PFI reserves. The vast majority of these reserves are earmarked for specific purposes.

The graph below shows the increase in both the level of earmarked and council fund reserve from 2014/15 to 2017/18.



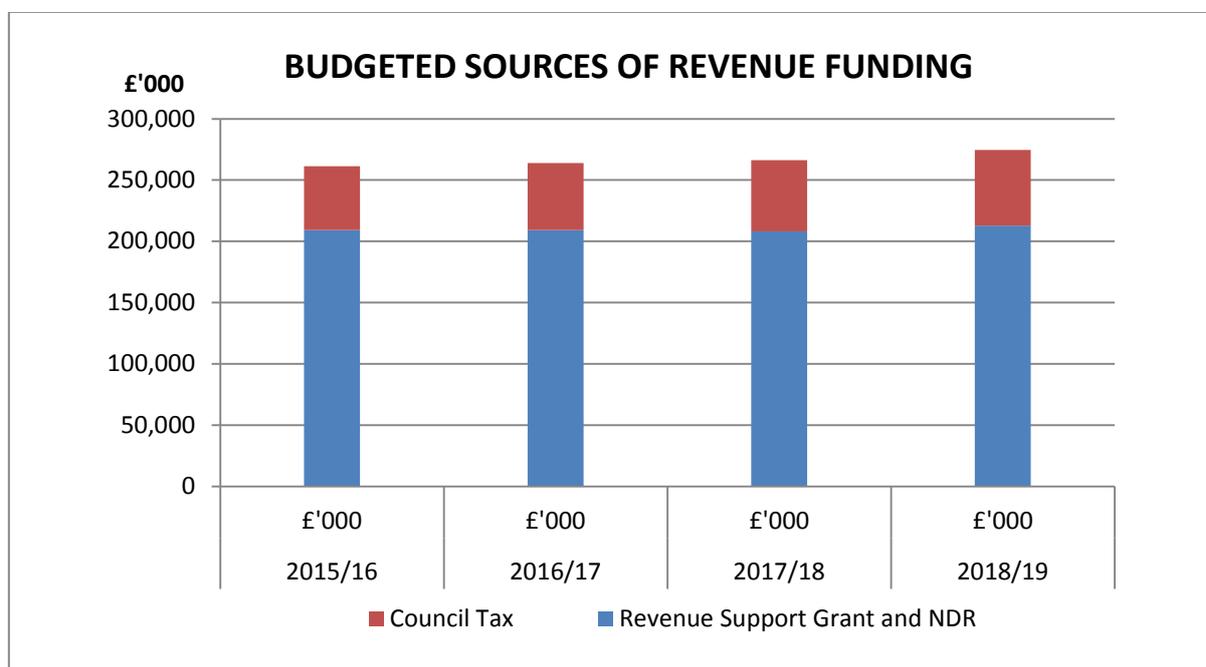
## Sources of Funding

The graph below shows the reliance the Council has on Central Government funding, and its sources of revenue funding. Revenue Support Grant and redistribution of Non Domestic Rates made up approximately 78% of our funding, which has been reducing in relative terms over a number of years. This is a key risk to the Council as reductions in Central Government funding have a significant impact on the funding the Council achieves.

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As has already been mentioned elsewhere in this foreword, the increasing financial challenges being faced by this Council, with others, will dominate how we plan, structure and deliver services in the future. I am confident that the Council has a strong position to take this forward in terms of enabling funds.

## **(2) Medium Term Financial Plan (MTFP)**

The Council approved a new Corporate Plan which sets out a clear set of aspirations and plans for the future back in their November 2017 meeting. This is the first budget setting period within this strategic plan. There is work ongoing to develop our new change programme and ensure that the necessary investment (revenue and capital) is available to achieve the priorities set out in the Corporate Plan.

As highlighted within the Corporate Plan, our mission is 'Improving People's Lives'. To deliver this the council must be modern and forward looking and aligned with the aspirations of the Well-being of Future Generations Act.

Under the Council's mission to 'Improve People's Lives', there are 20 commitments for change relating to the following four areas;

- Resilient communities
- A thriving City
- Aspirational people
- A modernised council

These will represent a budget challenge on the MTFP.

The Council's future plans and change programme will need to ensure a strategic approach is taken on the future direction of Council services. This means that it will need to meet the medium term financial sustainability

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challenge, meet key priorities set out in the Corporate Plan and our duties under the Well-Being of Future Generations Act in terms of sustainability and well-being objectives. The new Corporate Plan is rightly ambitious and whilst this presents significant financial challenges within the current climate of austerity, the Authority has made a commitment to address key priorities over the plan's lifespan.

The latest MTFP (shown below) is the articulation of the financial challenges and the current organisational change programmes and savings over the next four years. It includes those service changes/ savings which have already been approved for these years from the February 2017 Cabinet meeting as well as new proposals. Whilst the Council is required to set a balanced budget for 2018/19, this is to the backdrop of sustaining over £40m of savings over the last five years and future uncertainties such as the impact of future pay awards and Welsh Government (WG) financial settlements. It should be noted that this 'plan' will inevitably develop and change as assumptions are updated or confirmed for future years.

The Council's financial strategy continues to maintain key services to the public, develop improvements in how services are delivered and fund key priorities including City centre regeneration

	2018/19	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000	£'000
<u>Pressures</u>					
Inflation	3,523	5,387	3,599	3,695	16,204
Other	14,043	6,560	5,701	3,819	30,123
<b>Total Pressures</b>	<b>17,566</b>	<b>11,947</b>	<b>9,300</b>	<b>7,514</b>	<b>46,327</b>
<b>Transfer to/(from) Reserves</b>	<b>(1,200)</b>	<b>300</b>	<b>600</b>	<b>300</b>	<b>-</b>
(INCREASE)/DECREASE IN REVENUE SUPPORT GRANT(Final settlement 2.18%, assumed -1.0% in 19/20 and thereafter)	(4,540)	2,062	2,041	2,022	1,585
Increase in tax base - C.Tax @ 17/18 rate	(853)	-	-	-	(853)
C. Tax @ 4.8% in 2018/19 and 4% thereafter	(2,831)	(2,379)	(2,399)	(2,419)	(10,028)
Less consequential increase in benefits	736	467	480	484	2,167
<b>GAP</b>	<b>8,878</b>	<b>12,397</b>	<b>10,022</b>	<b>7,901</b>	<b>39,198</b>
Savings	8,878	2,182	46	-	11,106
Balance - @ -1.0% WG reduction 2019/20 onwards	-	10,223	9,976	7,901	28,100

Significant one-off costs will be required to implement these change and efficiency projects. As highlighted previously there are enabling reserves set aside for these future costs including the invest to save reserve.

In addition to the MTFP, the Council has approved the Capital Programme for the next five years, which includes significant investment of £127m, this includes key schemes, such as Band B 21st Century Schools Programme, contribution to City Deal, Landfill Development, and support of significant Heritage Lottery Fund related schemes. The development of the programme will be dynamic and will be added to over the coming years, Cabinet agreed a framework that this will be carried out within to ensure the Council gets the best value for money from its capital funding, while keeping to a funding affordability envelope during the existing challenging austerity period.

Risk

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The Council maintains a corporate risk register which is regularly reviewed by the Corporate Management Team and Cabinet, as well as the Audit Committee from a procedural/risk management framework viewpoint. The Council's budget strategy and MTFP framework needs to reflect risks and incorporate appropriate financial mitigation, where required. The table below lists the current approved corporate risks reported to Cabinet which will then require further on-going review from our budget strategy viewpoint.

Table 1. Corporate Risk Register as at 23<sup>rd</sup> May 2018

Ref	Risk	Brief Description	Probability x Impact = Score			Responsible Officer
			Probability	Impact	Score	
<b>High Risks</b>						
13	<b>Asset Management – Carriageways and Buildings</b>	This links to budget challenge and Government changes to financial settlement and grant funding. This refers to the council's ability to maintain assets in the short, medium and long term due to increasing budget pressures.	5	5	25	Strategic Director - Place
8	<b>Risk of stability of external suppliers</b>	Growing cost of delivering services and purchasing materials will impact on external supplier's ability to continue to fulfil contract obligations. Potentially short notice of inability to provide services.	4	5	20	Strategic Director - People
6	<b>Balancing the Council's Medium Term budget</b>	Risk of not meeting / funding key priorities.	4	4	16	Chief Executive
7	<b>Increased pressure on demand led services</b>	As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.	4	4	16	Strategic Director - Place  Strategic Director - People
9	<b>Increasing pressure on existing infrastructure</b>	The M4 Bridge tolls will be abolished for all vehicles at the end of 2018 with an interim reduction in tolls being introduced on the 8 <sup>th</sup> January 2018. This is a positive opportunity for the city but the council must consider the potential impact on existing infrastructure.	4	4	16	Strategic Director - Place
<b>Medium Risks</b>						
1	<b>Legislative Requirements</b>	That new legislative requirements potentially place significant duties on the Authority that it cannot fulfil (resulting in adverse judgements from regulators, significant fines and potential court proceedings and/or existing	3	4	12	Chief Executive

# Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

Ref	Risk	Brief Description	Probability x Impact = Score			Responsible Officer
			Probability	Impact	Score	
		services are compromised), includes Well-being of Future Generations Act.				
2	<b>Capacity and capability to meet the councils objectives</b>	That there are not skills and or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.	4	3	12	Chief Executive
10	<b>Climate Change: Effects on future condition and availability of Council Infrastructure and reducing the future impact of further greenhouse gas emissions.</b>	It is generally accepted that the effects of global warming will result in: <ul style="list-style-type: none"> <li>· All areas of the UK get warmer and the warming is greater in summer than in winter;</li> <li>· Little change in the amount of precipitation (rain, hail, snow etc.) that falls annually but it is likely that more of it will fall in the winter with drier summers for much of the UK</li> <li>· Sea levels rise – more in the south of the UK than the North.</li> </ul>	3	4	12	Strategic Director - Place
14	<b>Recruitment and retention of specialist professional staff</b>	Resilience of Council services and ability to retain specialist professional staff and attract new employees in a competitive market place.	4	3	12	Chief Executive
4	<b>Brexit</b>	That the financial implications of leaving the European Union have a negative impact on the council's financial position.	3	3	9	Chief Executive
5	<b>In year financial management</b>	Overspending can undermine service delivery and medium term planning where significant mitigation means services need to defer spending to manage the overall budget.	3	3	9	Chief Executive
12	<b>Increasing risk of cyber attacks</b>	Data loss, disaster recovery, impact of possible fines	3	3	9	Chief Executive
3	<b>Safeguarding</b>	That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm.	2	4	8	Strategic Director - People

# Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

Ref	Risk	Brief Description	Probability x Impact = Score			Responsible Officer
			Probability	Impact	Score	
11	<b>Increasing demands on IT Services and the modernisation agenda</b>	Increased demand for IT services with a reducing budget poses a risk to the future development of IT infrastructure and the development and delivery of the modernised council agenda.	2	3	6	Chief Executive

The impact of these challenges is reviewed as part of the financial monitoring process and through the Corporate Risk Register, both of which are reported regularly to the Cabinet and the Senior Management Team. The Council's Audit Committee also regularly review the Corporate Risk Register.

## CONCLUSION

In summary, 2017/18 was a challenging year financially, but with strong financial management, significant overspends in service areas were able to be managed in-year by use of our contingency and some other non-service underspends including Council Tax Reduction Scheme and Council Tax collection surplus. The challenging service area positions does however provide the Council with challenges going forward as demand pressures continue to increase and funding from Welsh Government is decreasing significantly in real terms.

Whilst the Council has the strong balance sheet and financial resilience to support the MTFP, there needs to be strong leadership and a strategic view of making realistic and deliverable savings to meet the significant financial challenge over the coming years. This is alongside an increasing pressure on the capital programme, which needs to be delivered within the affordability envelope alongside the MTFP.

# Statement of Responsibility for the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## The Council's Responsibilities

The Council 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. In this Council, that officer is the Head of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts

## The Head of Finance's Responsibility

The Head of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently
- Made judgments and estimates that were reasonable and prudent
- Complied with the Local Authority Code.

The Head of Finance has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Head of Finance Certificate

I certify that the Statement of Accounts set out in pages 53 to 152 give a true and fair view of the financial position of Newport City Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

*M Rushworth*

Meirion Rushworth  
Head of Finance  
20 September 2018

*J Baker*

John Baker  
Chair of Audit Committee  
20 September 2018

## What is Corporate Governance?

Corporate governance is the system of rules, practices and processes by which an organisation is directed and controlled. Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

## What does 'Good' Corporate Governance look like?

Good governance is about the processes for making and implementing decisions. It's not about making 'correct' decisions, but about the best possible process for making those decisions, ensuring that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

## What this statement will tell you

This Statement describes the extent to which Newport City Council has, for the year ended 31 March 2018, complied with the requirements of the Accounts and Audit (Wales) Regulations 2014.

It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2018-19 period.

This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE); the 'Delivering Good Governance in Local Government Framework 2016' and 'Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

## 1 Scope of Responsibility

- 1.1 Newport City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.
- 1.4 The Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.
- 1.5 The Council's Code of Corporate Governance sets out its commitment to good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Cabinet and then Council in July 2013 with a further update approved by Cabinet in July 2014. A copy of the Code can be obtained from the Head of Finance. The Code will be revised in accordance with 'Delivering Good Governance in Local Government Framework 2016' and 'Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016' in 2017/18. This statement explains how the Council has complied with the CIPFA /SOLACE Framework and Guidance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

## 2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year 2017/18, and up to the date of approval of the statement of accounts.

## 3 The Governance Framework

- 3.1 The Council's Code of Governance will be reviewed in line with the following principles:

Overarching requirements for acting in the public interest

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

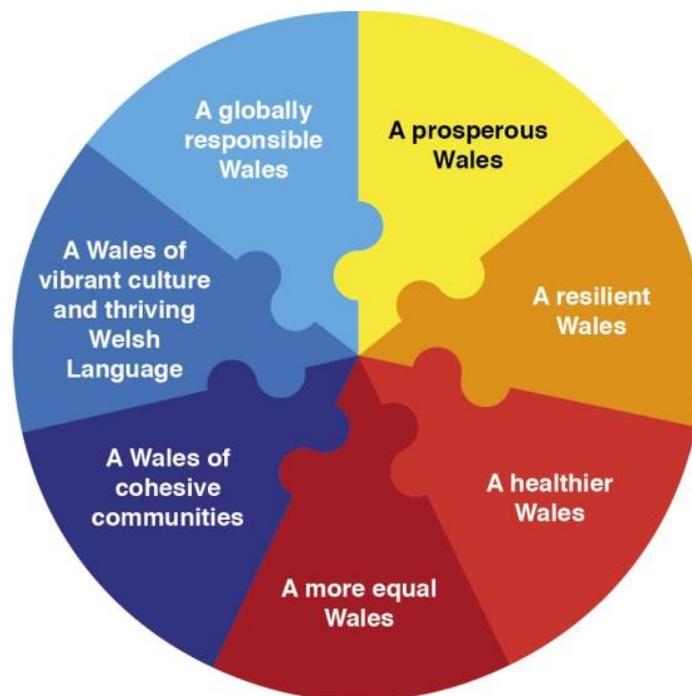
Achieving good governance in the public sector also requires effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

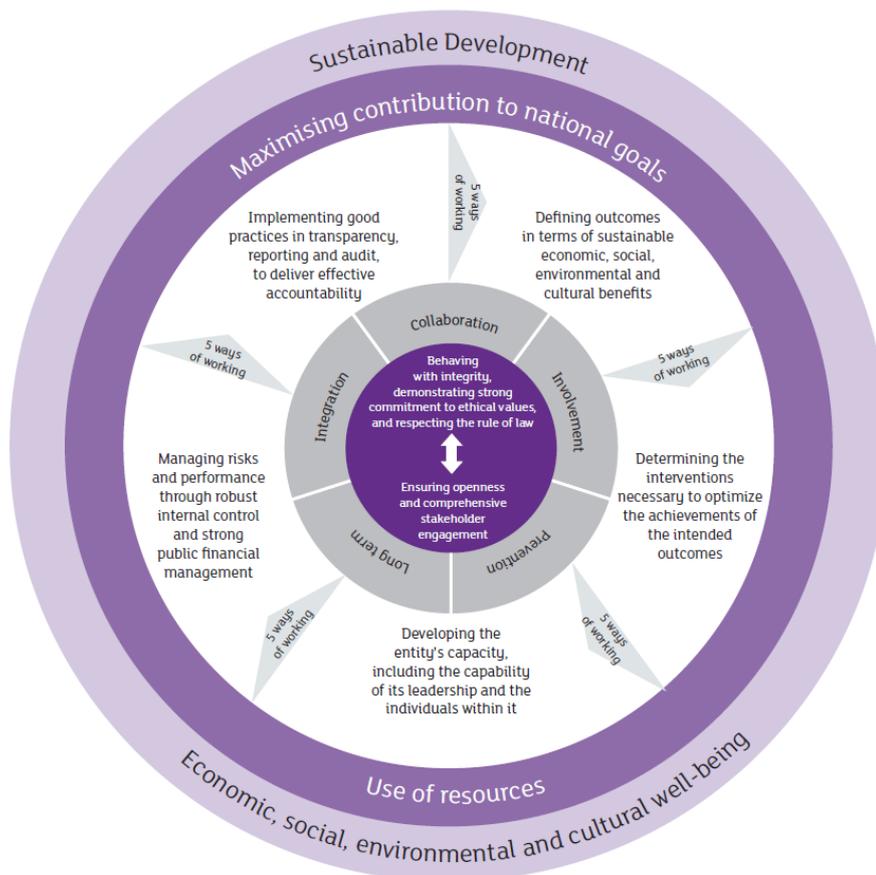
## Wellbeing of Future Generations (Wales) Act 2015

3.2 The diagram on the following page brings together the above principles of good governance with the requirements of the Well-being of Future Generations (Wales) Act 2015; it shows sustainability as all-encompassing. The core behaviours of:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- Ensuring openness and comprehensive stakeholder engagement



This needs to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes which, in turn, should ensure effective use of resources as the Council maximises its contribution to the economic, social, environmental and cultural well-being of Wales.



## The Three Lines of Defence in effective Risk Management and Control

3.3 Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories:

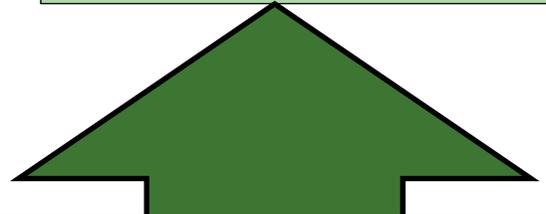
- First Line - functions that own and manage risks e.g. management and supervisory controls;
- Second Line - functions that oversee risks e.g. Governance structures and processes such as Scrutiny Committees and;
- Third Line - functions that provide independent assurance on the management of risks e.g. Internal Audit along with external providers of assurance such as External Audit and External Inspections & Regulatory Reports (e.g. ESTYN).

The model helps the Council understand how each area contributes to the overall level of assurance and how best good governance can be integrated and supported.

# Annual Governance Statement (AGS)

**Audit Committee**  
(AGS Approval Committee)

Leader, Cabinet Members, Chief Executive, Chief Financial Officer, Monitoring Officer, Corporate Management Team  
(Provides oversight of the 3 lines of defence assurance framework)



**1<sup>st</sup> Line of Defence  
Business and Operational  
Management**

Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance, ensuring compliance.

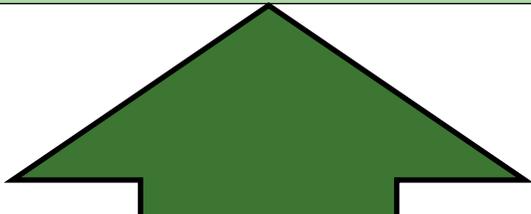


**Operational Management & Staff**

**Managing Performance & Data Quality**

**Programme & Project Management**

**Delivery of Service Plans**



**2nd Line of Defence  
Oversight and Support**

Strategy / Policy / Direction setting, decision-making, assurance oversight.

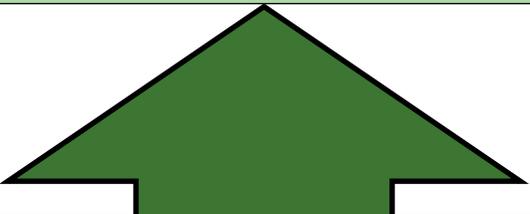
**Committee and Scrutiny Functions**

**Senior Management Functions**

**Quality Control Checks**

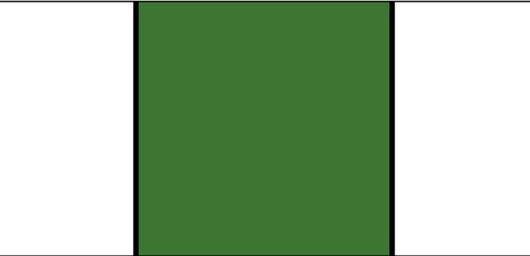
**Risk Management**

**Functional Compliance  
(Information Management, HR, Legal,  
Procurement & Accountancy)**

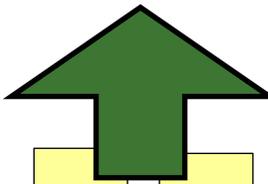
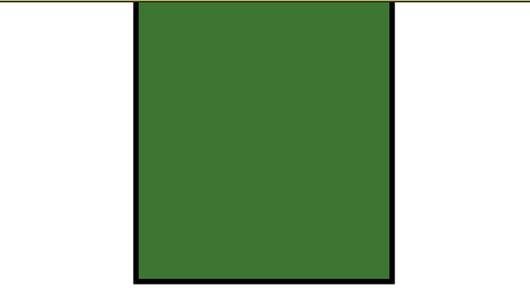


**3<sup>rd</sup> Line of Defence  
Independent Assurance**

Independent challenge and audit, reporting assurance, audit opinion assurance levels



**Internal Audit**



**External Audit**

**External Inspections & Regulatory Reports**

## Corporate Plan

- 3.4 The Council's Corporate Plan for 2017 to 2022 "Building on Success – Building a Better Newport" sets out the 5 year vision and direction for the Council.
- 3.5 A new Corporate Plan was agreed by the Council in November 2017, and sets out what the Council would do over the next five years to Build on Success and Build a Better Newport, focussing on jobs and the economy, education and skills, fairness and equality, community safety and cohesion, the environment, transport, culture, and social wellbeing.
- 3.6 The Corporate Plan forms part of the Council's policy framework, and prior to agreement had been through the necessary consultation with scrutiny and members of staff.
- 3.7 Within the Corporate Plan twenty commitments for change, relating to the following four areas have been outlined:
- Resilient communities,
  - A thriving city,
  - Aspirational people,
  - A modernised council.

These are the four themes that will drive our council in the years towards 2022.

- 3.8 Newport City Council's Well-being Objectives are:
- To improve skills, educational outcomes and employment opportunities
  - To promote economic growth and regeneration while protecting the environment
  - To enable people to be healthy, independent and resilient
  - To build cohesive and sustainable communities

## Our Mission: Improving people's lives (why we do what we do)

- 3.9 Newport is forward-thinking in its aspirations for the City and how it can improve outcomes for its citizens. Our mission and values are not a quick fix or knee-jerk reaction to the financial context. Rather, they seek to tackle deep seated challenges and allow us to make the most of the strength of our communities and our staff and build on the improvements and transformations that are already underway.
- 3.10 In summary, aligned with the aspirations set out in the Well-being of Future Generations Act, we believe, 'Improving People's Lives' means:
- Our communities are strong and can look after themselves.
  - We have a strong local economy and local people have the skills they need to find work.
  - Our city and surrounding communities feel safe and they are places where people want to make their lives.
  - For citizens that need tailored specialist support we intervene early and work together with people to help stabilise, maintain and improve their lives as quickly as possible.
  - Our City Council's key role is a facilitator and enabler, with a focus on prevention.

## Our values: Improving people's lives (how we do what we do)

3.11 Our values describe the behaviour we need to embed in everything that we do from service delivery and commissioning, to how we approach decision making and the sort of work environment we create. They are the foundation for the way our organisation operates. They are also the values we seek to encourage among our residents and partners more broadly. Our three values are:

### BE COURAGEOUS

This means that we expect our staff, and services to be ambitious and innovative. We expect this to be the case whether services are delivered directly by our council, through regional networks or provided by an external organisation.

### BE POSITIVE

As an organisation we are always helpful and constructive, support and enable residents to do more for themselves. We take a pragmatic, glass half-full approach and we approach in relation to the challenges and opportunities facing our city and we approach tasks and decisions with confidence and tenacity.

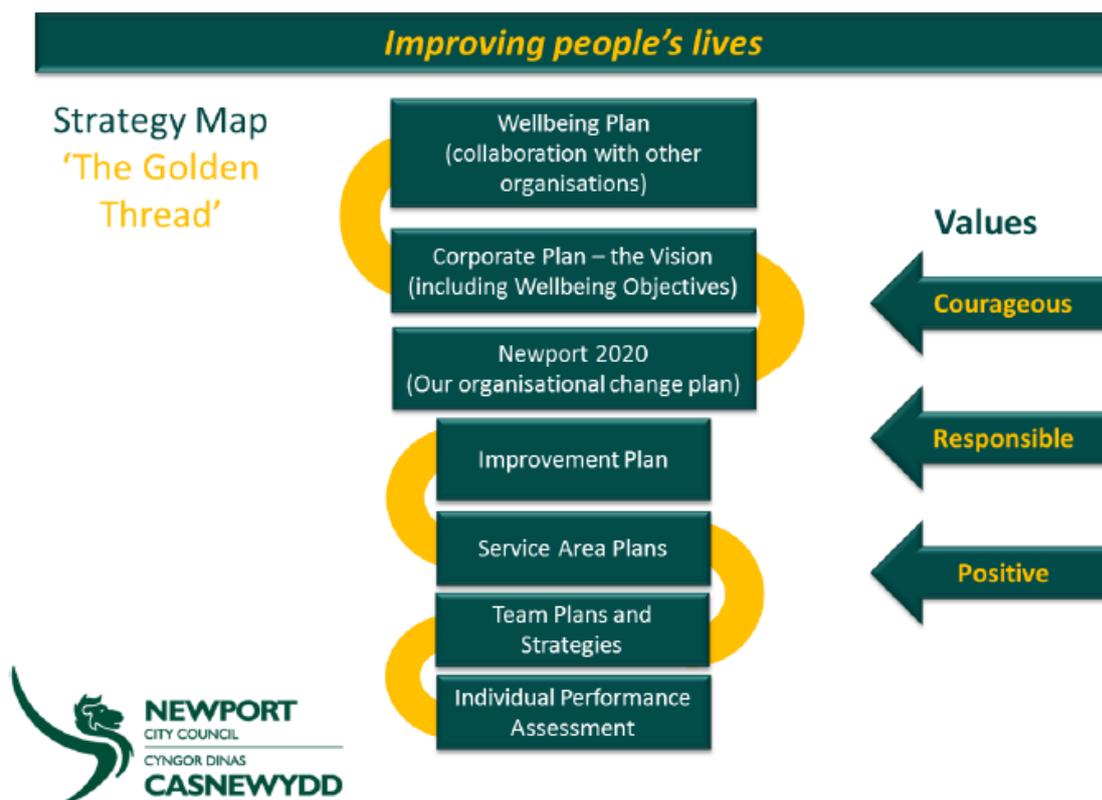
### BE RESPONSIBLE

Being responsible means that we trust staff and all providers who deliver services on our behalf to take responsibility and to be accountable for their actions and the quality of their work.



## Delivering the Corporate Plan

- 3.12 The intended outcomes agreed in the plan set the key priorities for the Council. The Wellbeing of Future Generations Act was introduced in 2016 and aims to help create a Wales that we all want to live in, now and in the future. To give current and future generations a good quality of life we need to think about the long term impact of the decisions we make. The council has set its Wellbeing Objectives and they are included in this plan because they form part of the council's vision for the future.
- 3.13 The Corporate Plan should not be viewed in isolation; it makes up part of the strategic planning map or 'golden thread' that integrates the plans and strategies of the council. The Corporate Plan sets the vision and direction for the council and sits below the Wellbeing Plan which is agreed in collaboration with partners. The strategic direction flows down from the Corporate Plan; the actions to deliver the vision flow up from individuals whose every day work contributes to the performance and delivery of the vision.



- 3.14 The Corporate Plan has been produced at a time of significant financial challenge within the public sector, the workforce and budgets must be carefully planned and managed to ensure that we can deliver what we have set out to do; this is done within each service area in their service plans. The Corporate Plan will be underpinned by the development and delivery of a comprehensive change programme which will align with the time frame of the Corporate Plan. The actions planned by service areas will contribute to the delivery of the Corporate Plan, service plans are set in conjunction with cabinet members and scrutiny committees to ensure oversight and accountability for the delivery of the actions.

- 3.15 The council is also operating at a time of great political and legislative changes, it is important that through risk management and well thought out strategic planning the work of the council continues to provide improved outcomes for citizens and communities. The council also works to ensure compliance with the current legislation and any changes that may occur, in order to do this the council works closely with the Wales Audit Office who are the council's external auditors.
- 3.16 The plan sets out clearly our priorities and demonstrates our commitment to improving social, economic, environmental and cultural well-being and developing plans through the sustainable development principles – long term, integration, collaboration, involvement and prevention.

## Monitoring the Corporate Plan

- 3.17 An annual statement of progress is presented to members and senior officers and published so that it can be shared with all employees and members of the public to present an open and transparent view of the how the council is working towards it vision and objectives and how further work will be focused to ensure further improvement.
- 3.18 Actions set out in services plans and the improvement plan will contribute to the delivery of the objectives, and these will also be presented to members for challenge and appraisal.
- 3.19 The Wales Audit Office as the Council's external auditor will provide comment on the Council's ability and progress in delivering its vision.
- 3.20 The [Improvement Plan](#) is the delivery vehicle for the Corporate Plan. This will be updated in line with the Corporate Plan during 2018/19 and will be continually monitored to ensure the objectives of the Corporate Plan are achieved.

## ONE Newport Public Service Board

- 3.21 The One Newport Public Service Board (PSB) monitors the [Single Integrated Plan](#) (SIP) (Cabinet February 2013) – 'Feeling good about Newport 2013-17' which represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic and environmental well-being of the whole community.
- 3.22 PSBs were established by the Well-being of Future Generations (Wales) Act 2015 and must work in accordance with the sustainable development principle and achievement of the seven wellbeing goals by:
- assessing the state of the city's economic, social, environmental and cultural wellbeing;
  - setting local objectives that are designed to maximise their contribution within the city to achieving those goals;
  - taking all reasonable steps to meet those objectives.
- 3.23 The PSB considered the results of a partnership evaluation exercise in June 2017 and an action plan for future improvement. The evaluation considered strategic leadership and direction, governance, capacity, engagement, outcomes, merging & collaboration.
- 3.24 The priority themes within the SIP are:
- Economy and Skills;
  - Health and Well-being;
  - Safe and Cohesive Communities.
- 3.25 There are also 2 overarching themes (Tackling Poverty and Vulnerable Groups) that the core themes should consider when developing their plans and priorities.

- 3.26 As part of the joint well-being duty the PSB must prepare and publish an assessment of the state of economic, social, environmental and cultural well-being. In Newport this Local Well-being Assessment was published in May 2017 and are known as Community Well-being Profiles. The Local Well-being Assessment comprises of one overarching Profile for Newport and 20 community level profiles at a ward level.
- 3.27 The PSB must also prepare and publish a Local Well-being Plan setting out its objectives and the steps it will take to meet them. The Plan must say why the PSB feels their objectives will contribute to achieving the national well-being goals and how it has regard to the Local Well-being Assessment in setting its objectives and steps to take.
- 3.28 The consultation draft of the Local Well-being Plan was presented to the PSB on 21st November 2017. A statutory 12 week consultation period took place from 27th November 2017 to 18th February 2018.
- 3.29 The consultation responses were discussed at the PSB on 13th March 2017 and a number of changes to actions were agreed and proposed at that meeting. These changes have been included in the final Plan which was formally agreed at the PSB meeting in May 2018 with the current SIP remaining in place until then.
- 3.30 The Council's stakeholders are consulted in regard to determining the priorities needed to realise the vision set out in the Corporate Plan, Improvement Plan, SIP, Well-being Plan and the service-planning process establishes and communicates those priorities and means of achieving them.

## **Risk Management Strategy**

- 3.31 The Council's Risk Management Strategy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing significant risks to the Council's priorities, services and major projects. The risks and the controls necessary to manage them are recorded in the respective service plans, and any required improvements to controls are monitored to ensure implementation. One of the requirements of the WFG Act is to use the wellbeing goals and five ways of working to frame risks in short, medium and long term; and steps to manage them.
- 3.32 Processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised. This is supported by reviews undertaken by the external auditors and inspectors, and co-operating with the Welsh Government and as part of the wider collaborative agenda.
- 3.33 The Chief Executive and the Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework, In-Phase.
- 3.34 In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of procurement and project management.
- 3.35 The Corporate Risk Management Strategy has been reviewed and revised to strengthen existing arrangements and support the delivery of the Corporate Plan. The sustainable development principle of the Wellbeing of Future Generations Act (Wales) 2015 has also been embedded in the process and frames each risk identified in the Corporate Risk Register. Anticipating and preparing for future challenges, trends, threats and opportunities is an essential part of the councils risk strategy and allows for better preparedness and the incorporation of mitigation into planned activities and policies. This helps the council to take a longer-term strategic approach, and makes present policy more resilient to future uncertainty.

## Decision Making Process

- 3.36 The Constitution, which can be found on the Council's website, sets out:
- how the Council operates and makes decisions;
  - the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;
  - the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers;
  - a scheme of delegated powers for decision-taking;
  - responsibilities for reviewing and agreeing the Council's corporate governance arrangements;
  - arrangements for ensuring it is regularly reviewed and updated;
  - its related codes and protocols.
- 3.37 The Council takes its decisions by way of the full Council meeting or the Executive. The Executive comprises the Cabinet working as a collective. Decisions are also taken by individual Cabinet Members and Chief Officers. The Scheme of Delegation and the Terms of Reference which are included in the Constitution, make it clear at which level decisions are taken. Agendas, reports, decision schedules and minutes of all meetings of the Council or the Cabinet are available to the public by way of the Council's website except in exceptional circumstances where reports are not available to the public as they may contain exempt or confidential matters. Any minutes or decisions arising from the consideration of such reports are, however, available to the public via the website. Report and Decision schedules showing decisions taken by individual Cabinet Members are also available to the public via the website except in similar exceptional circumstances.
- 3.38 Every report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer and by the Section 151 Officer and (where there are staffing issues) by the Head of People and Business Change. The report template ensures report authors consider potential risks, equalities, WFG and financial implications of their proposals.
- 3.39 The Head of Law and Regulation is the designated 'Monitoring Officer' in accordance with the Local Government and Housing Act 1989, and ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman investigation resulting in a finding of maladministration.
- 3.40 The Head of Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972.
- 3.41 Agendas, reports, decision schedules and minutes of all Committee meetings are available to the public by way of the Council's website except in exceptional circumstances where exempt or confidential matters are discussed.

## Scrutiny Committees

- 3.42 The Council introduced new Scrutiny Committees during 2017/18. Members of the Scrutiny committees review policies and question key decisions made by the council's Cabinet to ensure they are open, accountable, transparent and in the best interests of the local area and its residents.

- 3.43 Scrutiny committees also review the council's achievements against planned targets, issues of local concern and services provided by the council and other public organisations. In Newport City Council there are four Scrutiny committees:
- Overview and Scrutiny Management Committee
  - Performance Scrutiny Committee - Partnerships
  - Performance Scrutiny Committee - People
  - Performance Scrutiny Committee - Place and Corporate
- 3.44 Each Committee is politically balanced and the chairs are allocated in proportion to the number of seats held by political groups.
- 3.45 In line with the Local Government Measure a separate **Democratic Services Committee** was established during 2012/13 along with a Chief Democratic Services Officer; this committee meets quarterly dealing with national consultation exercises, national policy and Members codes and development.
- 3.46 The **Standards Committee**, which includes a majority of independent representatives, advises on and monitors the Member Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.
- 3.47 The Education Service is responsible for three statutory committees which challenge, monitor and support the delivery of statutory functions. The committees are made up of Council officers, representative Headteachers and external partners. These committees are the Schools' Forum, the School Admission Forum and the Early Years Development & Childcare Partnership.

## Audit Committee

- 3.48 The Audit Committee considers the work of internal and external auditors and the responses to audit recommendations. It also has responsibility for approving the Annual Statement of Accounts and its associated reports (which include this statement).
- 3.49 The Audit Committee is politically balanced and has appointed an independent chairman; he is not part of the political structure of the Council. Members have reviewed its effectiveness during the year and feel that it makes a positive contribution to the Council's governance arrangements.

## Internal Audit

- 3.50 Internal Audit operate to the standards set out in the Public Sector Internal Audit Standards (PSIAS) and its role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor is accountable to the Head of Finance and the Audit Committee.
- 3.51 As required under the PSIAS the Newport City Council Internal Audit team underwent an external quality assessment during 2017/18. The report (issued March 2018) stated that Internal Audit were 'generally compliant' with the PSIAS which was the top grading. An action plan to address any areas of partial or non-compliance with the standards has been drawn up by the Chief Internal Auditor and will be shared with the Audit Committee during 2018/19.
- 3.52 The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes. The overall opinion for 2017/18 was '**Reasonable**'.

## External Audit & Regulatory Bodies

- 3.53 The Council has an objective and professional relationship with its external auditors and statutory inspectors. The Council is subject to external compliance requirements such as the Wales Audit Office high level risk assessments for its financial systems and information and technology, and the extensive requirements of Public Services Network (PSN) compliance, assessed annually by the Cabinet Office, and Payment Card Industry Data Security Standards (PCI-DSS).

## The Ethical Governance Framework

- 3.54 The ethical governance framework includes:

- codes of conduct for officers and members, which are reviewed, updated and tested for compliance;
- a protocol governing Member/Officer relations;
- a whistle-blowing policy widely communicated within the Council and which is regularly reviewed;
- registers of personal and business interests for Members and Chief Officers;
- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied; and
- the Strategic Equality Plan and Equality Objectives 2016-2020 (Cabinet February 2016).

- 3.55 Established anti-fraud, bribery and corruption arrangements provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. These include procedures designed to combat money-laundering, the anti-fraud, bribery and corruption policy and the whistleblowing policy.

- 3.56 A revised anti-fraud, bribery and corruption policy statement was considered by the Audit Committee in January 2018 and will be taken through Cabinet in 2018/19.

## Information Management & Data Protection

- 3.57 Local Authorities collect, store, process, share and dispose of a vast amount of information. The Council must meet its statutory responsibilities effectively and protect the personal information it holds throughout its life cycle and invest in security measures to ensure compliance with data and information security standards as outlined in the Digital Strategy 2015-2020.

- 3.58 Following adoption of the Information Risk Management Policy in 2013 the Council has defined roles and responsibilities for information risk as:

- The Senior Information Risk Owner (SIRO) has high level responsibility for controls relating to information security and the role is undertaken by the Head of Law & Regulation (independent of operational responsibilities);
- Information Asset Owners (IAO's) must effectively manage the information assets that they own;
- The Information Management team are the operational lead on information governance in conjunction with the IT Service;
- The Information Governance Group provides a high level management overview of information governance;
- The Council's Information Risk Register is maintained by the Information Management team to document and manage risks, reported annually.

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- 3.59 The Council is required to meet statutory obligations regarding the handling of data; the Digital Strategy incorporates an Information Risk Management Policy which outlines roles and responsibilities for information risk management. This ensures that the requirements of legislation, including the Data Protection Act 1998, Environmental Information Regulations 2004 and the Freedom of Information Act 2000 are met and that the risks around information are managed appropriately. The Information Risk Management Policy also formalised the requirement for an Annual Information Risk Report which was reviewed by Scrutiny Committee before being reported to the Cabinet Member for Community & Resources in November 2017.
- 3.60 The Annual Information Risk Report provides an annual assessment of the Council's information governance arrangements and key risks, supported by an action plan. The highest level information risks are escalated in the Corporate Risk Register as appropriate.
- 3.61 General Data Protection Regulation (GDPR) is regulation by which the European Parliament, the European Council and the European Commission intend to strengthen and unify data protection for individuals within the European Union. The GDPR came into force in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR. Many of the GDPR's main concepts and principles are much the same as those in the current Data Protection Act (DPA), so if the council complies properly with the existing DPA then most of its approach to compliance will remain valid under GDPR and is the starting point to build from. However, there are new elements and significant enhancements, so the council will have to do some things for the first time and some things differently.

## Human Resources

- 3.62 The Council's recruitment procedures provide equality of employment opportunities. An equality-assessed pay structure to meet the requirements of the Single Status Agreement of 1997 was implemented in April 2015.
- 3.63 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.

## Safeguarding

- 3.64 We all share a responsibility, both corporately and individually, to ensure that all children and adults are treated with respect and protected from others who may abuse them.
- 3.65 All Newport City Council employees including voluntary staff members, elected members and contractors, who come into contact with children or vulnerable adults in the course of their work must understand their employee responsibilities and whenever necessary take action to safeguard and promote the welfare of a child or vulnerable adult.
- 3.66 The Council has a Safeguarding Policy Statement (May 2014) and supporting policies which have been reviewed during 2017/18.
- 3.67 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help to ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.

## 4 Review of Effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by

the work of the Senior Leadership Team within the Council which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

- 4.2 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 4.3 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i. periodic reviews of the Constitution and ethical governance arrangements by the Monitoring Officer;
  - ii. periodic reviews of the financial controls by the Chief Finance Officer;
  - iii. formal risk management and regular on-going review of the processes involved;
  - iv. the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that Heads of Service implement agreed management actions;
  - v. the work of the Scrutiny Committee and other Committees, including its Standards Committee and Audit Committee;
  - vi. the opinions and recommendations of the Council's external auditors and other inspection and regulatory agencies;
  - vii. regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;
  - viii. the outcomes of the Annual Information Risk Report are monitored quarterly by the Information Governance Group
  - ix. progress against the Single Integrated Plan (SIP) is monitored by scrutiny and the PSB twice a year

## **5. Principal A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 5.1 The Protocol for Member/Officer relations was considered by the Standards Committee in January 2018 with a further review to take place in 2018/19 prior to recommendation of approval to Council.

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- 5.2 Following the Local Government elections in May 2017 mandatory training was provided to new Members of the Council along with other training sessions for existing members.

Training Course	Brief Description
Code of Conduct	Mandatory training for new members
Governance	Mandatory training for new members
Licensing Committee	Mandatory training for Licensing Committee members
Planning Committee	Mandatory training for Planning Committee members
Scrutiny Committee Training	Briefing of terms of reference for those on each Scrutiny Committee
Chairing Skills Training	Chairing skills training for Scrutiny Chairs
Safeguarding	Corporate Safeguarding training for all members
Planning Committee	Section 106 agreements
Scrutiny Committee Training	Questioning skills for Scrutiny Committee members
Treasury Management	Seminar for all members
Wellbeing of Future Generations Act Training	Wellbeing of Future Generations Act Training for all members

- 5.3 In order to monitor all key Council decisions for fairness a 'Fairness Commission' was established which was the first Fairness Commission in Wales. Members of the Fairness Commission were chosen to represent a range of interests, experiences and backgrounds from across the city, including education, trade unions, equality groups, faith communities and the two main political parties in the Council. The Fairness Commission is chaired by an academic from the University of South Wales.
- 5.4 Reviews of the Council budget proposals have been undertaken by the Fairness Commission.
- 5.5 Induction training for employees covers code of conduct, expected standards of behaviour and the importance of the whistleblowing policy. These documents are also available on the staff intranet.
- 5.6 A revised Whistleblowing Policy was commended in March 2015 and a confidential helpline set up. In 2017/18 2 disclosures were made under the policy. These were both appropriately investigated and acted upon in accordance with the agreed policy.
- 5.7 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 5.8 There were 2 complaints of Member misconduct made to the Ombudsman in 2017/18 involving City Councillor but neither was accepted for investigation. There were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.

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- 5.9 The Ombudsman had issued the Council with his Annual letter for 2016/17 which set out information relating to the numbers of complaints of maladministration and misconduct which were referred to his office during this period relating to Newport City Council and its Councillors.
- 5.10 The Number of complaints received in Newport was below the Welsh average, in particular, serious complaints of maladministration. Most of the complaints received by the Ombudsman were discontinued or resolved. There were no findings of maladministration or misconduct during 2017/18. In Newport's case, whilst the volume of complaints increased this mostly lead to a satisfactory outcome. There were no public interest reports.
- 5.11 Ahead of the implementation of the General Data Protection Regulations in May 2018, during 2017/18 a GDPR Task and Finish group was established with representation from each service area. With the assistance of the group, the council has made progress including in the following areas; awareness raising, communicating privacy information, guidance on consent, incident reporting and identifying the information we hold. Further work is required to complete this work and comply fully with GDPR in common with many other organisations.
- 5.12 All waivers of the Contract Standing Orders and urgent decisions are reported through the Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Standing Orders.
- 5.13 The Audit Committee has the power to call in a Head of Service and Cabinet Member to hold them to account for addressing required improvements to the internal control environment within their service area.
- 5.14 40 Internal Audit opinions were issued in 2017/18. The overall opinion on the adequacy of the internal control environment for 2017/18 was **REASONABLE (in 2016/17 the overall opinion was Reasonable)**.

	2015-16	2016-17	2017-18
Very Good	0	N/A	N/A
Good	9	7	11
Reasonable	17	22	23
Unsatisfactory	8	5	6
Unsound	0	1	0
<b>Total</b>	<b>34</b>	<b>35</b>	<b>40</b>

- 5.15 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will be following this up in 2018/19. 92% of agreed management actions for 2016/17 had been implemented by management.
- 5.16 Reasons why the outcome of some internal audit reviews were deemed to be unsatisfactory were presented to Audit Committee; the Head of Service had been called in to the Audit Committee to provide assurances that appropriate action would be taken to make the necessary improvements.
- 5.17 The audit opinions are about the level of assurance provided regarding the adequacy of the internal control environment, governance arrangements and risk management processes in place within a particular service area or establishment at a particular point in time. They are not a reflection of how well the service is delivered or the establishment is run.

## 6 Principle B: Ensuring openness and comprehensive stakeholder engagement

- 6.1 The Overview and Scrutiny Annual Report for 2016/17 was considered by Council in September 2017.

- 6.2 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles.
- 6.3 The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council now broadcasts Council meetings and Planning Committees live on the internet and is working towards webcasting other formal member meetings. Live tweets are broadcast from Newport Council's Twitter account.
- 6.4 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message.
- 6.5 Individual Cabinet Members can make decisions under the scheme of delegation; agendas and decisions for all Cabinet Members are published on the Council's website.
- 6.6 Standing Orders of the Council were amended in July 2017 to include a session for open questions to the Leader of the Council at full Council meetings.
- 6.7 From May 2016 Public Service Board (PSB) papers were published online on the One Newport partner website to ensure transparency, as were agenda and minutes of the Single Integrated Plan Board.
- 6.8 Public engagement and consultation is key to the WFG Act. One of the five ways of working is Involvement - *the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves*. This is now considered in all Cabinet Member reports through changes in the report template.
- 6.9 As part of Newport City Council's commitment to being open and transparent it publishes its data on the website which the public is free to view and use [www.newport.gov.uk/transparency](http://www.newport.gov.uk/transparency). Examples of open data sets:
- Newport Matters production costs
  - Pupil Numbers
  - Public health funerals
  - Council Pay & Grading
  - Payments to suppliers
  - Councillor allowances & expenses
  - Business rates
  - Freedom of Information

## School Reorganisation Programme

- 6.10 The Council undertook the 2017/18 school reorganisation programme in accordance with the Welsh Government statutory School Organisation Code. The programme included the following proposals:
- 4.1.0 Permanent removal of the Learning Resource Base at Llanwern High School
  - 4.1.1 Expansion of Millbrook Primary School
  - 4.1.2 Expansion of Maes Ebbw School
  - 4.1.3 Establishment of a new primary school on the Glan Llyn development

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- 6.11 Each consultation was supported by full stakeholder engagement as outlined in the statutory code. This included the publication of detailed consultation packs and a children and young people summary version, distribution of response forms, drop-in sessions and meetings with the school councils at relevant and local schools. Following each consultation, a consultation report was prepared and published which outlined how the consultation was carried out, who was engaged and the relevant responses. These reports were provided as annexes to the Cabinet Member report which approved moving to the next stage in the process – publication of the statutory notice. The statutory notice is the stage at which legal objections can be lodged against proposals.
- 6.12 No legal objections were lodged in respect of Millbrook Primary School and Maes Ebbw School proposals and thus the final decisions to approve implementation were taken by the Cabinet Member for Education and Skills in accordance with the Council’s agreed democratic process.
- 6.13 A single objection was received however in respect of the Llanwern Learning Resource Base proposal and as a result the final decision was taken by the Cabinet, acting as the Local Determination Panel. 15 objections were received in respect of the proposal to establish a new primary school at Glan Llyn and therefore this decision will also shortly be referred to Cabinet, acting as the Local Determination Panel.
- 6.14 The Local Authority works closely with the governing bodies of all schools across Newport and as key stakeholders they are consulted where appropriate on all matters.
- 6.15 The Council has responded to Freedom of Information Act requests within the required 20 days:

	2015-16	2016-17	2017-18
No’ of FOI requests	914	1087	1037
No’ responded to within 20 days	844	914	916
Percentage of FOIs responded to within 20 days	92%	84% Target 88%	88.3% Target 88%

## 7 Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

- 7.1 The Corporate Plan, as outlined above, was rewritten in 2017, and incorporates the Council’s wellbeing objectives as required by the WFG Act. The Plan sets out clearly the Council’s priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and promoting sustainable development.
- 7.2 The One Newport Local Service Board (LSB) Single Integrated Plan (SIP) (Cabinet February 2013) – ‘Feeling good about Newport 2013-17’ represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic and environmental well-being of the whole community. Following the introduction of the WFG Act the [Public Services Board \(PSB\)](#) [link] was established to replace the LSB. No single organisation can meet the total needs of a community, so there is a requirement to plan and deliver services in collaboration with other public and private sector organisations.
- 7.3 The SIP identifies key priorities and programmes that the LSB will work towards achieving over a set period of time. These priorities have been identified as those where the PSB and other key stakeholders must work together to achieve success as outlined above.

- 7.4 The One Newport Local Service Board Single Integrated Plan annual report for 2016/17 was taken to the Public Services Board in June 2017. Progress against the Single Integrated Plan 2017/18 was presented quarterly to the Public Services Board, and also to Scrutiny Committee.
- 7.5 The 2016-2018 Improvement Plan was agreed by Cabinet in April 2016 which stated the 8 improvement objectives and included feedback from scrutiny committee consultation. These are linked to the themes in the Corporate Plan 2012-2017 and are centred around the sustainable economic, social and environmental benefits.
- 7.6 In September 2016 Cabinet received a year-end review outlining the progress made in 2016/17 towards delivery of the current Improvement Plan. It was noted that overall progress was assessed as being “good”, with most improvement objectives performing well. In particular, excellent progress had been made against Objective 2, “ensuring people have the right social services to meet their needs”. The report also highlighted that this was the sixth consecutive year where the number of informal (stage 1) complaints had decreased since the recording process began in 2011. The overall assessment of progress towards achieving the Improvement Objectives set out in the plan was classed as ‘Green – Good.’
- 7.7 In October 2017 Cabinet received a progress report to Q1 on the Improvement Plan 2016-2018; the overall assessment for Q1, of progress towards achieving the Improvement Objectives set out in the plan is classed as ‘Green – Good.’ meaning that good progress is being made overall. Three objectives were rated as ‘Amber – Acceptable’ in quarter 1 and action was to be taken to ensure underperforming measures were addressed in quarter 2. As part of the new scrutiny structure and accountability arrangements in place, for the first time this report had been presented to the Scrutiny Committees for consideration before Cabinet.
- 7.8 In January 2018 Cabinet received a progress report to Q2 on the Improvement Plan 2016-2018; the overall assessment for Q2, of progress towards achieving the Improvement Objectives set out in the plan is classed as ‘Green – Good.’ meaning that good progress is being made overall. Two objectives improved from ‘Amber – Acceptable’ in quarter 1 to ‘Green – Good’ in Q2:
- Ensuring people have the right social service to meet their needs
  - Ensuring people have access to suitable accommodation

However, one measure IP8 ‘Improving outcomes for youth justice’ remained as ‘Amber – Acceptable’ and reasons were provided for this. Although this was being managed, Members recognised the additional pressure this had caused for the service.

- 7.9 In April 2018 Cabinet received a progress report to Q3 on the Improvement Plan 2016-2018; the overall assessment of progress towards achieving the Improvement Objectives set out in the plan is classed as ‘Green – Good.’ IP8 ‘Improving outcomes for youth justice’ remained as Amber – acceptable. Good progress was being made overall.
- 7.10 The Wales Audit Office issued the Council with Certificate of Compliance following an audit of the Council’s Improvement Plan 2016 - 2018 which went to Cabinet in November 2017, confirming the Council had discharged its duties under section 15 (6) to (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

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- 7.11 In a report to Cabinet in September 2017, [Good governance when determining significant service changes] the WAO provided their findings from a review of the council's governance arrangements when determining significant service changes. This was part of a national review undertaken by Wales Audit Office across all Welsh Councils, and the report detailed the findings for Newport City Council. It was concluded that the Council's governance arrangements for determining significant service change were improving, and it recognised that its vision and change programme needs to be refreshed to strengthen its arrangements further.
- 7.12 WAO reported that the Council's governance arrangements were clear and well understood, and progress had been made since the Corporate Assessment. Pre-decision scrutiny had increased, and it was positive to note that officers were prepared to put forward a full range of options for discussion by Members. The Council had effective arrangements for stakeholder engagement, although improvements could be made to how the Council then made use of this information. There was also opportunity to improve monitoring of the impact of service change, for example by agreeing monitoring arrangements before changes were agreed. No formal recommendations were made as a result of this review. Although it was noted that the Council's governance arrangements could be strengthened by;
- reviewing its change programme so that it is better aligned to its overall vision for service change;
  - clearly defining the criteria it will use to decide what is included in its change programme;
  - providing support and training to Members to equip them with the appropriate skills to consider future service changes;
  - ensuring that the findings from stakeholder engagement and consultation are consistently included in business cases to inform officer and member decision-making; and
  - setting out how the impact of proposed changes will be measured and monitored in proposals and business cases

The Council has responded to this by compiling an action plan to address the proposals for improvement that have been identified.

- 7.13 In September 2017, the Annual Improvement Report 2016/17 was presented to Cabinet by officers. This report is compiled each year by the WAO and brings together regulatory reports that have been received throughout the year from the WAO and other regulators such as ESTYN, CSSIW etc. The WAO form an overall opinion of whether the Council is likely to meet its duty to demonstrate continuous improvement by looking at the findings of these reports.
- 7.14 Based on 2016/17 regulatory work the WAO have concluded that the Council is likely to meet its statutory duty to demonstrate continuous improvement in 2017/18. The Cabinet welcomed the news that the Council was continuing to improve, despite the financial, legislative and population growth challenges it was facing.
- 7.15 Progress has been made in ensuring that the Strategic Director's vision of 'Every Child, Every Chance, Every Day' is shared and understood by Education Service staff and schools. This also forms the basis of the foreword to the Education Service Plan which is a public document. This vision links to the Corporate Plan and Medium Term Financial Plan.
- 7.16 The Annual Report of the Director of Social Services was presented to Cabinet in July 2017. This report is an evaluation of 2016/17 performance for Social Services and it sets out the Council's improvement in providing services to people in Newport, who access information, advice and assistance, and those individuals and carers in receipt of care and support. The report sets out to demonstrate how Newport Social Services has responded to the new requirements of the Social Services and Well-being (Wales) Act 2014 and how we have promoted and accounted for the delivery of well-being standards to the citizens of Newport. The Director concluded that the evidence demonstrated the authority was well placed to continue to provide a comprehensive range of services that deliver improved wellbeing outcomes for citizens of Newport.

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- 7.17 2017/18 service planning incorporated an understanding of customer needs, service area outcomes and improvement priorities, performance management and monitoring, an action plan to achieve the outcomes, an assessment of service related risk, an acknowledgement of regulators' proposals for improvement and an equalities impact assessment.
- 7.18 Newport 2020 was introduced in February 2016 as the Council's organisational change plan and has been used to inform the newly agreed Corporate Plan.
- 7.19 Communication is important to Newport; the Annual Statement of Accounts 2016/17 was taken through the Audit Committee process before being endorsed by Cabinet and Council. All Council decisions, reports and questions asked by Members are available on the website; as are Cabinet Member decisions, Audit Committee reports, Performance Board and the work of the Scrutiny Committees. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included in Newport Matters which is distributed to every household in the City, is also available on the Council's intranet and website.
- 7.20 Equality Impact Assessments are required by law under the Equality Act 2010. Newport's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Newport. A range of these were undertaken during 2017/18 which have been published on the Council's website.
- 7.21 The Public Services Board review includes the monitoring of targets to ensure policies are delivering the agreed outcomes to ensure services are effective, focused on local people and improved quality of life in the City. In terms of measuring the environmental impact of policies, plans and decisions, the Council is working with the Welsh Local Government Association as one of 10 lead authorities for sustainability, and this will also form part of the Wellbeing Assessment and Wellbeing Plan work.

## **8 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 8.1 The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This Policy forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority (LA) to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government (WG) Guidance on Schools Causing Concern (March 2016).
- 8.2 Where the Education Service has concerns with schools' performance it can consider adding additional governors to support and improve the governance arrangements.
- 8.3 The Customer Complaints Policy is available on the website, where the public can also report a problem or concern via the 'Report it' option on the web front page.
- 8.4 Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved. Although service plans were not completed for 2017/18, new long term service plans are being developed for implementation during 2018/19.
- 8.5 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery and look for opportunities to improve. The Council's complaint / compliment procedure is available on the web site. The following table shows the number of complaints received for the past three years:

	2015-16	2016-17	2017-18
Stage 1 Complaints	293	297	284
Stage 2 Complaints	34	30	24
Complaints to Ombudsman	9	28*	37

\* The Ombudsman upheld 1 complaint in part

- 8.6 The Customer Services Strategy includes a target of increasing the number of people using online services. This was monitored by a performance indicator within Streetscene and City Services which was classed as 'Green – Good' for 2017/18.
- 8.7 And where things are not working as well, the Cabinet recognised the shared role of Cabinet Members, Members and Officers in performance against Improvement targets. The Cabinet also recognised the role of scrutiny in looking at any systematic failures. Newport is learning from its mistakes. The implementation of action plans continued across the board with the Corporate Assessment, Improvement Plan, Estyn Inspections, service plans and internal audit reports, along with findings from external audit.

## **9 Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- 9.1 Councillor programmes have been held mainly based on their various roles within the Council. The Democratic Services Committee recognised the Council needed to do more to base the programme on individual needs as identified by Councillors. To this end the Committee agreed to pilot a series of interviews with the Organisation Development team to participate in this pilot.
- 9.2 There is an on-going programme of events and training for Members involved in Planning & Licensing Committees and Sub Committees.
- 9.3 Embedded Appraisal arrangements for Chief Officers are in place, including:-
- Chief Executive's Annual Appraisal;
  - Chief Executive's one to one meetings with Strategic Directors;
  - Executive Directors' one to one meetings with Heads of Service;
  - Appraisal of Chief Officers (Heads of Service).
- 9.4 A new employee performance management system (Clear Review) was launched during 2017. This replaced the annual appraisal system with a platform which will enable ongoing evaluation and encourages all staff to give feedback to colleagues. This ensures that all officers and managers reflect on their objectives and staff are able to link their objectives directly to the organisational goals set within the Corporate Plan. The system also allows continued professional development (CPD) opportunities to be identified which are needed to improve the skill, knowledge and understanding of employees.
- 9.5 Core Skills training is available through Organisational Development aligned to our corporate values with specific training available on topics such as Customer Care, Stress Management and Equality and Diversity.
- 9.6 Management Capacity is being developed through:-
- A mandatory introduction to Management programme for new line managers;
  - Further In-house management development modules for middle managers
  - Aspiring Leaders Programme delivered in partnership with the University of South Wales
- 9.7 Senior Management lead Cabinet Member briefings on a regular basis. Briefings stimulate discussion around the need for Member training. These considerations are followed up with Democratic Services, ensuring that an appropriate and timely Members training programme is planned.

- 9.8 Scrutiny is leading a programme of training and support aimed at improving challenge and scrutiny. The Gwent Scrutiny Challenge is being undertaken in partnership with Gwent colleagues and with support from Welsh Government's Scrutiny Development Fund, Wales Audit Office, Welsh Local Government Association and Centre for Public Scrutiny.
- 9.9 Developing the Relationship between Cabinet and Scrutiny was a major focus of both the National Scrutiny Study (WAO 2014) and the Corporate Assessment, highlighting the need to clarify roles and responsibilities of Cabinet and Scrutiny. The WAO concluded that the Council has started to improve its governance arrangements, however, the value of scrutiny is not yet being maximised. Regular meetings have taken place to further develop the relationship between Scrutiny and the Executive.
- 9.10 The scheme of delegation in the constitution sets out the various responsibilities of Members and Officers. This is updated as required via the Democratic Services Committee. Standing Orders and the Constitution were updated to take account of the requirements of the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations in July 2014.
- 9.11 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.
- 9.12 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; authors of all scrutiny, Audit Committee, Cabinet, Council reports need to obtain comments from the Monitoring Officer, Chief Finance Officer and the Head of People and Business Change before submission. All reports taken in 2017/18 included such comments.
- 9.13 A protocol on Members / Officers relations is included within the Council's Constitution and this was reviewed by the Standards Committee January 2018 with a further review to take place in 2018/19 prior to recommendation of approval to Council. The Procedure for Dealing with Complaints of Breaches of the Members' Code of Conduct was reviewed in March 2015. A Planning Committee Code of Best Practice and a Licencing Committee Code of Practice are also in place.
- 9.14 There were some 'cosmetic' changes made to the Council Constitution during October 2017 to reformat the document, make it easier to understand and navigate through online. The following was updated;
- Updates to job titles
  - Portfolio updates following the election (e.g. Cabinet Member delegations – which is an executive matter delegated to the Leader)
  - Member allowances update, as approved by Council April 2017
  - Adding role descriptions agreed by Council in April 2017
- 9.15 Remunerating Members - The Members' scheme is now determined by the Independent Remuneration Panel. A report on any discretionary payments is presented to the Council following consideration by the Democratic Services Committee. The Schedule of Member Remuneration 2017/18 was published on the website.
- Partnerships / Collaboration Working**
- 9.16 Partnership and Co-operative Principles (Outcome Agreement) is included within the Council's Improvement Plan with its aim being to support the delivery of public sector reform by working collaboratively with our partners to improve outcomes for the City. A single plan for partnership working in Newport is being delivered via the "One Newport" Public Services Board (Single Integrated Plan) – current themes are Economy and Skills, Health and Wellbeing, and Safe and Cohesive Communities.
- 9.17 The establishment of the Education Achievement Service (EAS) for 5 South East Wales Education authorities in 2012 including Newport, has appropriate governance arrangements in place. The EAS Business Plan for 2016-2019 was taken through Scrutiny in March 2016.

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- 9.18 Prosiect Gwyrdd is a key partnership Newport is involved in with 5 neighbouring local authorities (Cardiff, Vale of Glamorgan, Caerphilly and Monmouthshire); Newport's Contract Waste Profile was reported to Cabinet March 2012. This partnership is covered by an Inter-Authority Agreement (IAA).
- 9.19 The Gwent Frailty Programme was launched in April 2011. The Frailty Programme is a multi-agency partnership aimed at improving Intermediate Care services in Gwent and spans the Aneurin Bevan Health Board (ABHB), 5 Local Authority partners and a number of voluntary sector organisations.
- 9.20 In One Place obtained Cabinet support in November 2013 to facilitate collaboration between Aneurin Bevan Health Board (ABHB), the five local authorities and Housing Associations within Gwent with the aim of streamlining the process of developing suitable accommodation for people with complex health and social care needs in Gwent.
- 9.21 One Newport Public Services Board (PSB) includes health, police, colleges, local government, housing, third sector and central government; it has a shared strategic purpose detailed in the Single Integrated Plan with terms of reference and the Performance Management Framework. The Public Services Board was created in 2016 following the WFG Act. The terms of reference of the board were reviewed in 2017/18 at the first meeting following a local government election as required by the WFG Act.
- 9.22 The South East Wales Improvement Collaborative (SEWIC) Fostering Group is a working group to develop a marketing strategy, with the objective of creating a unified brand to represent all 10 of the local authorities in South East Wales. It reports to SEWIC Board of Social Services Directors.
- 9.23 In July 2015 Cabinet was informed of the Team around the Cluster which is a collaboration between schools and public services (health, social care, police) designed to meet the needs of vulnerable children. The model had been tested with two pioneer clusters (Llanwern and Newport High) and there had already been significant improvements in the lives of vulnerable children and families and Head Teachers have given their support to this initiative.
- 9.24 In 2016/17 a business case was developed for delivery of IT services as a partnership with the Shared Resource Service (SRS). The SRS is a collaborative ICT provision in South East Wales that comprises Gwent Police, Monmouthshire County Council, Torfaen County Borough Council and Blaenau Gwent County Borough Council. The SRS is underpinned by a Memorandum of Understanding (MoU) that enables a single management structure across the board. Newport CC became a partner of SRS in April 2017. The progress of implementation as reported through scrutiny.
- 9.25 Newport City Council continues to be part of the Cardiff Capital Region City Deal. With the Leader and Chief Executive attending Joint Cabinet meetings. The Accountable Body, City of Cardiff, will ensure that there is a means of managing financial, legal and governance arrangements of the Cardiff Capital Region.
- 9.26 There is a Council policy on information sharing along with numerous information sharing protocols with our partners. Information sharing is key to joined up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Newport signed up to this in January 2011. The Council is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.

## **10 Principle F: Managing risks and performance through robust internal control and strong public financial management**

- 10.1 To ensure the Council continues to meet its statutory duty to demonstrate continuous improvement the monitoring of performance is undertaken through Cabinet, Cabinet Members and Scrutiny Committees.

- 10.2 The year-end Performance Analysis for 2016/17 was taken through Cabinet in October 2017 which showed
- 40% of measures performed better than target.
  - 52% of our service plan measures have performed better than last year.
  - 32% of our service plan measures have performed better than Wales's average.
  - Newport had improved in 52% of the national measures.
- 10.3 Performance management arrangements had been improved with regular monitoring by the Cabinet and Cabinet Members as well at officer level. The Authority had made its targets more difficult to achieve in an effort to push the organisation into improving services.
- 10.4 Mid-Year Performance Analysis for 2017/18 was taken through Cabinet in January 2018. The Council continued to meet its obligation to demonstrate continuous improvement in performance. This was against a back drop of cuts to council budgets, more challenging targets and a set of measures which had changed.
- 68.29% of Service Plan measures are meeting or exceeding their targets
  - 53.57% of the national measures have improved performance when compared to 2016/17 year end
  - 73% of the Improvement Plan measures are meeting or exceeding target
- 10.5 A report was taken through Cabinet in November 2017 regarding pupil performance for Foundation Phase, Key Stage 2 and Key Stage 3 at the end of the academic year 2016/17 for schools in Newport. During the academic year 2016-17 the performance at Foundation Phase, Key Stage 2 and Key Stage 3 improved compared to the previous academic year. At Foundation Phase and at Key Stage 2, performance was better than expected based on the Free School Meal population.
- 10.6 Cabinet were informed of verified pupil performance data at Key Stage 4 and Key Stage 5 in January 2018. The proportion of pupils achieving the Level 2 threshold inclusive of English/Welsh first language and mathematics has declined 57.3% in 2016 to 55.5% in 2017. Although there was a decline, Newport LA was ranked 10th in 2017, an improvement on 15th in 2016.
- 10.7 Every Child Group - This is a monitoring group with senior and middle managers from Central Education and representative Headteacher partners to challenge and support Key Performance Indicators and is held half-termly.
- 10.8 Minutes, Agendas & Reports along with their subsequent decision schedules and questions to Cabinet Members are all available on the web site. Council, Cabinet, Scrutiny and Audit Committee reports are available on the Council's website.
- 10.9 New scrutiny committees were established during 2017 to better represent the Council's structure; Partnerships, People and Place & Corporate. There is also an Overview and Scrutiny Management Committee.

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10.10 Audit Committee meets regularly and its activities can be seen via the Council's website; it met 6 times in 2017/18. It received

- The Annual Internal Audit Report 2016/17
- The Annual Internal Audit Plan 2017/18
- The Draft Annual Internal Audit Plan 2018/19
- Quarterly updates from Internal Audit re opinions / performance
- Standing Order 24 (Urgent Decisions) and Waiving of Contract Standing Orders quarterly reports
- Treasury Management report and updates
- Corporate Risk Register quarterly updates
- Draft and Final 2016/17 Financial Statements, including the Annual Governance Statement
- 6 monthly updates on Internal Audit low assurance opinions
- Regulatory Reports Summary and other WAO reports
- A revised Anti-Fraud, Bribery and Corruption Strategy Policy Statement
- Feedback from the Audit Committee self-evaluation exercise

10.11 To enable good, quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs, a report template has been developed which helps authors to consider relevant issues in report writing and insists that statutory officers are consulted. Minutes, Agendas & Reports along with decision schedules are all available on the website. Legal / Finance / HR officers attend key meetings to respond to questions as required.

## Risk Management

10.12 The Council's Corporate Risk Register was updated and taken through Cabinet in April 2017, with 1 high risk and 7 medium risks presented. A full review of the Risk Register was undertaken and presented to Cabinet in September 2017, this review identified a total of 14 risks; 4 remained from the previous report, 2 risks had been closed and 2 updated, in addition 8 new risks (5 high and 9 medium risks) were identified. The Register was reviewed in January 2018 (5 high and 9 medium risks, no changes); updates were also presented to the Audit Committee during the year.

10.13 Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. The major risks Newport has identified, following the full review of the risk register in September 2017 and an assessment of the current controls or mitigation in place; the top 14 risks facing the Council as at this time were as follows:

	Risk	Risk Assessment September 2017	Risk Assessment January 2018
1	Legislative Requirements - Medium	12	12
2	Capacity and capability to meet the councils objectives - Medium	12	12
3	Safeguarding - Medium	8	8
4	Brexit - Medium	9	9
5	In year financial management - Medium	12	12
6	Balancing the Council's Medium Term budget - High	16	16
7	Increased pressure on demand led services - High	16	16
8	Risk of stability of external suppliers - High	20	20
9	Increasing pressure on existing infrastructure - High	16	16
10	Climate Change - Medium	12	12
11	Increasing demands on IT Services and the modernisation agenda – Medium	6	6
12	Increasing risk of cyber attack - Medium	9	9
13	Asset Management – Carriageways and Buildings - High	20	20
14	Recruitment and retention of specialist professional staff - Medium	12	12

- 10.14 The above figures relate to a likelihood v impact score where the higher the number, the higher the risk.
- 10.15 The Audit Committee felt that managing the risks faced by service areas was an important aspect of the manager's role and should be part of his / her day to day responsibilities. Further work was required to ensure that risk management became fully embedded within Council operations so that it became more of a living document so that operational managers took greater responsibility for owning and dealing with the risks identified in their areas.
- 10.16 A report template for all formal member and scrutiny reports requires authors to consider risk and its management or mitigation when writing reports.
- 10.17 Each Head of Service incorporates the keys risks to their service within operational plans which identified the impact, the likelihood and any mitigation in place to manage those risks.

## Information Governance

- 10.18 The purpose of the Annual Information Risk Report is to provide an assessment of the information governance arrangements for the Council and identify where action is required to address weaknesses and make improvements. The 2016/17 report was received by Scrutiny in July 2017 and reported to the Deputy Leader with the Scrutiny Committee comments in November 2017. The 2017/18 report is currently in draft with the Information Governance Group.
- 10.19 The Annual Information Risk Report forms an important element of information risk management, and includes an action plan. The report highlights the improvements which have been made over the previous 5 years;
- PSN (Public Services Network) compliance maintained;
  - Creation and management of Information Governance Group which meets quarterly;
  - Creation of the Information Asset Register
  - 699 staff have attended corporate training courses, 534 in Social Services, 32 councillors and 135 in schools;
  - New policies have been developed and existing policies updated;
  - Information risk register created and managed;
  - 298 incidents recorded over the last 5 years. 2 most serious incidents referred to the ICO (Information Commissioners Office) with no action taken against the council;
  - Development of Information Sharing Protocols (12) along with Data Disclosure Agreements (9);
  - The council's priority IT systems were formally identified for the first time;
  - Increased the percentage of laptops used. Wireless facilities have been provided in council and other buildings as part of Newport Community Cloud. Egress Switch solution rolled out to all users. The Xerox Mail solution being rolled out;
  - Roll out of Electronic Document Management Solutions (EDMS) in 7 areas of the council. Development and management of a Modern Records facility;
  - Met Freedom of Information Requests target in 4 out of 5 years. 7 new data sets published
  - (Link) [Annual Information Risk Report 2016-17](#)
- 10.20 The Information Commissioner (ICO) recommends that Councils publish information proactively and the Council has adopted the ICO [publication scheme](#) in this respect. The model publication scheme commits the Council to publishing certain classes of information. It also specifies how the Council should make the information available, any charges, and what we need to tell members of the public about the scheme. This has been updated in line with new requirements to provide sets of electronic data on request.
- 10.21 Freedom of Information requests are also available through an online form on the Council's website.

## Financial Stewardship

- 10.22 Where value for money of the public pound is concerned, the budget proposals were examined by a joint meeting of Scrutiny Committees and then by the individual committees as part of the budget process. It is intended that the Medium Term Financial Plan (MTFP) will form the basis of some of the Scrutiny Reviews in the coming year. As part of its review process the internal audit team checks to ensure corporate contacts are being utilised.
- 10.23 There are robust arrangements for effective financial control through the Council's accounting procedures, Financial Regulations and Contract Standing Orders (CSOs), revised May 2016. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. Procedures for tendering and contract letting are included in the CSOs. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Council's Audit Committee and full Council.

## Procurement Gateway Process

- 10.24 In 2015 NCC introduced a 'Procurement Gateway Process' mandatory to follow if seeking to commission or procure goods, services or works over £4,000 in value. The processes are designed to give a consistent approach to procurement across the Authority and enable senior management to have visibility of the goods and services being purchased by the Council.
- 10.25 The Gateway process was implemented due to major reforms in EU legislation for procurement and the Introduction of the National Procurement Service for Wales (NPS), ensuring compliance and transparency.
- 10.26 The Council needed to ensure that it is in compliance with the new Directives and that it is not purchasing anything that must be sourced via collaborative arrangements such as those by NPS.
- 10.27 For all procurements over £100,000 there is a monthly Gateway Board chaired by the Chief Executive that will approve or reject new Business Cases. The Strategic Procurement Category Managers lead service areas in both the gateway process and submitting business case.

## Thresholds:

- 10.28 Up to £4,000 it is necessary only to demonstrate and record that value for money is being achieved.
- 10.29 From £4,000 to £25,000, requirements should either be sought through the 'Quick Quote' section on [www.sell2wales.gov.uk](http://www.sell2wales.gov.uk) or openly advertised on [www.sell2wales.gov.uk](http://www.sell2wales.gov.uk).
- 10.30 From £25,000 to £100,000 all requirements must be openly advertised on [www.sell2wales.gov.uk](http://www.sell2wales.gov.uk) and tendered using the Council's electronic eTenderWales tendering system.
- 10.31 Over £100,000 all requirements must be openly advertised on [www.sell2wales.gov.uk](http://www.sell2wales.gov.uk) and tendered using the council's electronic eTenderWales tendering system.

## Medium Term Financial Plan

- 10.32 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year. The updated MTFP and budget monitoring reports were presented to and approved by Cabinet in June 2017, July 2017, September 2017, November 2017, December 2017, January 2018 and February 2018. The 2017/18 Budget consultation and MTFP were submitted to Council in February 2017; budget proposals also went through the Learning, Caring and Leisure Scrutiny, Street Scene, Regeneration and Safety Scrutiny, Community Planning and Development Scrutiny. The Council recognises that timely and accurate budget monitoring information is essential for effective decision making purposes. A public consultation exercise was also undertaken to determine the 2017/18 budget proposals.

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## 11 Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- 11.1 In April 2016 Cabinet supported the establishment of the Regional Partnership Board following the Social Services and Wellbeing (Wales) Act 2014; the partners being Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen local authorities, Aneurin Bevan University Health Board, Torfaen Voluntary Alliance, Gwent Association of Voluntary Organisations.
- 11.2 The WAO's review of progress against its Corporate Assessment of Newport and Corporate Assessment follow up recommendations (2015/16) was presented to and accepted by Cabinet in October 2016. It identified 4 proposals for improvement and determined that the Council has made progress against all the recommendations made in the Corporate Assessment follow-up report. Progress reports and updates on the action plan to address the recommendations and proposals for improvement were submitted to Cabinet in April 2017, November 2017 and March 2018.
- 11.3 A review was conducted by WAO of 'Good governance when determining significant services changes' and a report was submitted to Cabinet in September 2017. No recommendations were made as a result of this review and 5 areas were highlighted where the Council's governance could be strengthened. The Council responded to this by compiling an action plan to address the proposals for improvement that were identified.

## 12 Action Plan

- 12.1 Based on our review of the governance framework, the following issues will be addressed during 2018/19 to further improve and strengthen the governance arrangements and their effectiveness in future years.

Issue	Action	Responsible Officer
3.56 The established anti-fraud, bribery and corruption policy statement required review. This was endorsed by the Audit Committee.	The revised anti-fraud, bribery and corruption policy statement to be taken through Cabinet, approved and published on the NCC website. Staff to be made aware via internal communications.	Chief Internal Auditor
5.1 The protocol for Member/Officer relations was considered by the Standards Committee in January 2018 but the revised protocol had not been approved by Full Council.	A further review of the protocol to take place in 2018/19 prior to recommendation of approval to Council.	Head of Law & Regulation
5.11 The implementation of the General Data Protection Regulations (GDPR) in May 2018 required new elements and significant enhancements to be considered, so the Council will have to do some things for the first time and some things differently.	The GDPR Task and Finish group to continue to meet and implement improvements in conjunction with service areas to fully comply with GDPR requirements. An Internal Audit review of actions taken to take place during the 2018/19 year.	Head of People & Business Change
7.12 To continue to strengthen the Council's governance arrangements following the Wales Audit Office, Good	To continue to monitor the action plan which was presented to Cabinet in September 2017.	Chief Executive

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Governance When Determining Significant Service Changes report.		
8.4 To ensure that Service plans have been devised, scrutinised and approved by the relevant Cabinet Member for each service area.	Each service area to draft a service plan for the period 2018-2022 for approval. These will be reviewed by Scrutiny and approved by the Cabinet Member and subject to half yearly review.	All Heads of Service

## 13 Conclusion

- 13.1 We propose over the coming year to continually monitor and review the projects within each service area to mitigate and manage these risks to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: *Deborah Wilcox* .....Date...19<sup>th</sup> September 2018

Leader

Signed: *Will Godfrey* .....Date...19<sup>th</sup> September 2018

Chief Executive

# ***Independent Auditor's Report to the Members of Newport City Council***

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**The independent auditor's report of the Auditor General for Wales to the members of Newport City Council**

**Report on the audit of the financial statements**

**Opinion**

I have audited the financial statements of:

- Newport City Council; and
- Newport City Council Group

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Newport City Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

Newport City Council Group's financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Newport City Council and Newport City Council Group as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

**Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). 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 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. 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**

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's or group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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## **Other information**

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18; 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 the Annual Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Newport City Council and Newport City Council Group in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

### **Responsibilities**

#### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Newport City Council Group's financial statements, which give a true and fair view, and for such internal control as the

# **Independent Auditor's Report to the Members of Newport City Council**

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responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
25 September 2018

24 Cathedral Road  
Cardiff  
CF11 9LJ

## **Electronic Publication of Financial Statements**

The maintenance and integrity of Newport City Council website is the responsibility of the Council; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# Expenditure and Funding Analysis

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The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources 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 directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Corporate Services includes the service areas Directorate, Finance, People and Business Change and Law and Regulation.

2017/18	Net Expenditure Chargeable to the General Fund £'000	Adjustments between the funding and accounting basis £'000	Net expenditure in the CIES £'000
Children and Young People	23,059	2,886	25,945
Adults and Community	39,810	3,929	43,739
Education	15,792	7,326	23,118
Schools	91,271	12,307	103,578
Regen Investment + Housing	9,260	10,496	19,756
Streetscene and City Services	17,953	12,176	30,129
Corporate Services	15,953	6,765	22,718
Other Non Department Costs (Non Service)	54,131	(53,240)	891
<b>Net Cost of Service</b>	<b>267,229</b>	<b>2,645</b>	<b>269,874</b>
Other Income and Expenditure	(267,229)	18,791	(248,438)
<b>(Surplus) or Deficit</b>	<b>-</b>	<b>21,436</b>	<b>21,436</b>
<b>Opening General Fund as at 31 March 2017</b>	<b>(6,500)</b>		
(Surplus) / Deficit on the General Fund	-		
Transfer between Earmarked reserve and general funds	-		
<b>Closing General Fund as at 31 March 2018</b>	<b>(6,500)</b>		

2016/17	Net Expenditure Chargeable to the General Fund £'000	Adjustments between the funding and accounting basis £'000	Net expenditure in the CIES £'000
Children and Young People	21,214	1,241	22,455
Adults and Community	40,266	2,175	42,441
Education	14,300	6,128	20,428
Schools	90,001	12,393	102,394
Regen Investment + Housing	9,966	5,809	15,775
Streetscene and City Services	18,929	15,704	34,633
Corporate Services	15,610	3,465	19,075
Other Non Department Costs (Non Service)	32,088	(31,508)	580
<b>Net Cost of Service</b>	<b>242,374</b>	<b>15,407</b>	<b>257,781</b>
Other Income and Expenditure	(242,374)	(1,240)	(243,614)
<b>(Surplus) or Deficit</b>	<b>-</b>	<b>14,167</b>	<b>14,167</b>
<b>Opening General Fund as at 31 March 2016</b>	<b>(6,500)</b>		
(Surplus) / Deficit on the General Fund	-		
Transfer between Earmarked reserve and general funds	-		
<b>Closing General Fund as at 31 March 2017</b>	<b>(6,500)</b>		

# Comprehensive Income and Expenditure Statement

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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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure £'000	2016/17		Notes	2017/18		Net Expenditure £'000	
	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000		
25,293	(2,838)	22,455	Children's and Young People Services	29,156	(3,211)	25,945	
68,744	(26,303)	42,441	Adults and Community Services	72,698	(28,959)	43,739	
25,549	(5,121)	20,428	Education	27,711	(4,593)	23,118	
124,936	(22,542)	102,394	Schools	125,386	(21,808)	103,578	
32,942	(17,167)	15,775	Regeneration, Investment and Housing	38,019	(18,263)	19,756	
48,970	(14,337)	34,633	Streetscene and City Services	45,340	(15,211)	30,129	
23,760	(4,685)	19,075	Corporate Services	27,753	(5,035)	22,718	
58,116	(57,536)	580	Other Non Department Costs	56,286	(55,395)	891	
<b>408,310</b>	<b>(150,529)</b>	<b>257,781</b>	<b>Cost of services</b>	<b>422,349</b>	<b>(152,475)</b>	<b>269,874</b>	
20,256	(1,157)	19,099	Other operating expenditure	11	21,615	-	21,615
23,960	(4,029)	19,931	Financing and investment income and expenditure	12	22,261	(2,401)	19,860
-	-	-	(Surplus) / deficit on discontinued operations		-		
-	(282,644)	(282,644)	Taxation and non-specific grant income	13	-	(289,913)	(289,913)
<b>452,526</b>	<b>(438,359)</b>	<b>14,167</b>	<b>(Surplus) / Deficit on Provision of services</b>		<b>466,225</b>	<b>(444,789)</b>	<b>21,436</b>
		(7,430)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets				(537)
		33,573	Actuarial (gains) / losses on pensions assets / liabilities				(20,900)
		<b>26,143</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(21,437)</b>
		<b>40,310</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(1)</b>

# Movements in Reserves Statement

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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 unusable 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 (CIES). These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund (surplus) / deficit before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at the 31 Mar 2016 carried forward</b>	<b>(6,500)</b>	<b>(86,752)</b>	<b>(8,059)</b>	<b>(101,311)</b>	<b>40,216</b>	<b>(61,095)</b>
Movement in reserves during 2016/17						
(Surplus) / deficit on the provision of services	14,167	-	-	14,167	-	14,167
Other comprehensive Income and Expenditure	-	-	-	-	26,143	26,143
<b>Total Comprehensive Income and Expenditure</b>	<b>14,167</b>	<b>-</b>	<b>-</b>	<b>14,167</b>	<b>26,143</b>	<b>40,310</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(16,364)	-	(3,683)	(20,047)	20,047	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(2,197)</b>	<b>-</b>	<b>(3,683)</b>	<b>(5,880)</b>	<b>46,190</b>	<b>40,310</b>
Transfer to/ from Earmarked Reserves	2,197	(2,197)	-	-	-	-
<b>Increase/ Decrease in 2016/17</b>	<b>-</b>	<b>(2,197)</b>	<b>(3,683)</b>	<b>(5,880)</b>	<b>46,190</b>	<b>40,310</b>
<b>Balance at the 31 Mar 2017 carried forward</b>	<b>(6,500)</b>	<b>(88,949)</b>	<b>(11,742)</b>	<b>(107,191)</b>	<b>86,406</b>	<b>(20,785)</b>
<b>Balance at the 31 Mar 2017 carried forward</b>	<b>(6,500)</b>	<b>(88,949)</b>	<b>(11,742)</b>	<b>(107,191)</b>	<b>86,406</b>	<b>(20,785)</b>
Movement in reserves during 2017/18						
(Surplus) / deficit on the provision of services	21,436	-	-	21,436	-	21,436
Other comprehensive Income and Expenditure	-	-	-	-	(21,437)	(21,437)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,436</b>	<b>-</b>	<b>-</b>	<b>21,436</b>	<b>(21,437)</b>	<b>(1)</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(19,994)	-	2,841	(17,153)	17,153	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>1,442</b>	<b>-</b>	<b>2,841</b>	<b>4,283</b>	<b>(4,284)</b>	<b>(1)</b>
Transfer to/ from Earmarked Reserves (Note 10)	(1,442)	1,442	-	-	-	-
<b>(Increase) / Decrease in 2017/18</b>	<b>0</b>	<b>1,442</b>	<b>2,841</b>	<b>4,283</b>	<b>(4,284)</b>	<b>(1)</b>
<b>Balance at the 31 Mar 2018 carried forward</b>	<b>(6,500)</b>	<b>(87,507)</b>	<b>(8,901)</b>	<b>(102,908)</b>	<b>82,122</b>	<b>(20,786)</b>

# Balance Sheet

Statement of Accounts 2017/18

Newport City Council

The Balance Sheet shows the value as at the Balance Sheet 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 Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31-Mar-17		Notes	31-Mar-18
£'000			£'000
493,523	Property, Plant and Equipment	14	500,703
17,977	Heritage Assets	15	17,968
10,396	Investment Property	16	7,577
251	Long Term Investments	17	251
14,077	Long Term Debtors	17	22,078
<b>536,224</b>	<b>Long Term Assets</b>		<b>548,577</b>
-	Short Term Investments	17	20,445
408	Assets Held for Sale	21	234
184	Inventories	18	156
124,726	Short Term Debtors	19	37,839
2,365	Cash and Cash Equivalents	20	3,151
<b>127,683</b>	<b>Current Assets</b>		<b>61,825</b>
(2,837)	Bank Overdrafts	20	(2,378)
(65,472)	Short Term Borrowing	17	(5,429)
(32,916)	Short Term Creditors	22	(39,945)
(5,422)	Provisions	23	(6,465)
(2,247)	Other Short Term Liabilities	17	(2,292)
<b>(108,894)</b>	<b>Current Liabilities</b>		<b>(56,509)</b>
(11,935)	Long Term Creditors	17	(11,989)
(5,803)	Long Term Provisions	23	(8,479)
(146,591)	Long Term Borrowing	17	(145,815)
(324,745)	Pension Liability	25	(324,017)
(45,154)	Other Long Term Liabilities	17	(42,807)
<b>(534,228)</b>	<b>Long Term Liabilities</b>		<b>(533,107)</b>
<b>20,785</b>	<b>Net Assets</b>		<b>20,786</b>
(107,191)	Usable Reserves	24	(102,908)
86,406	Unusable Reserves	25	82,122
<b>(20,785)</b>	<b>Total Reserves</b>		<b>(20,786)</b>

# Cash Flow Statement

Statement of Accounts 2017/18

Newport City Council

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.

2016/17 £'000		Note	2017/18 £'000
14,167	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		21,435
(49,940)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	(135,259)
19,720	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	17,400
<u>(16,053)</u>	<b>Net cash flows from Operating Activities</b>		<u>(96,424)</u>
(484)	Investing Activities	27	36,396
13,473	Financing Activities	28	58,783
<u>(3,064)</u>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<u>(1,245)</u>
<u>(3,536)</u>	Cash and cash equivalents at the beginning of the reporting period	20	<u>(472)</u>
<u>(472)</u>	<b>Cash and cash equivalents at the end of the reporting period</b>	20	<u>773</u>

# Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## 1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Public Accounts and Audit (Wales) Regulations 2005, and in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and is supported by International Financial Reporting Standards (IFRS).

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.

### **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.

### **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 which 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.

### **Discontinued Operations**

Discontinued operations arise where an activity has permanently ceased; terminates during the period or within three months of the period end; has a material impact on the Council's service provision or on the Council's net expenditure; and the operation has clearly defined assets, liabilities, income and expenditure on operations for operational and financial reporting purposes.

### **Exceptional Items**

# Notes to the Statement of Accounts

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Newport City Council

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Statement of Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## **Prior Period Adjustments, Changes in Accounting Policies, and 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 when 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 prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **Charges to Revenue for Non-Current Assets**

Service revenue accounts and central support services are debited with the following amounts to recognise the real 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.

The Council is not required to raise council tax to cover these charges but instead has to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This charge is known as the minimum revenue provision (MRP) and is calculated in accordance with an annual MRP policy approved by the Council.

Depreciation, impairment losses and amortisations are therefore replaced by the MRP in the Movement of Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account.

## **Employee Benefits**

### ***Benefits Payable during Employment***

Short-term employee benefits are those due to be settled 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 (or any form of leave, e.g. time off in lieu) 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 following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### ***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure

# Notes to the Statement of Accounts

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Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council 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.

## **Post-Employment Benefits**

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pension on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by Torfaen County Borough Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked 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 was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Childrens and Families Services and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

## **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Torfaen County Borough (Greater Gwent) pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected 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 around areas such as mortality rates and employee turnover rates, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Torfaen County Borough (Greater Gwent) pension fund attributable to the Council are included in the Balance Sheet at their bid value
  - Equity securities – quoted prices in active markets
  - Real Estate, investment funds and unit trusts, cash & cash equivalents = quoted prices not in active markets
- The change in the net pensions liability is analysed into the following components:

## **Service Costs**

- **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;

# Notes to the Statement of Accounts

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Newport City Council

- **past service cost** – the increase in liabilities arising from current year decisions 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 as part of Non Distributed Costs;
- **net interest on the net defined benefit liability (asset)** - the 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.

## Re-measurements

- **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;
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

**Contributions paid to the Torfaen County Borough (Greater Gwent) pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions 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, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

## **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Full pensions details are included in Notes 40 and 41.

## **Events after the Balance Sheet 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.

## **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as borrowings and investments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

## **Financial Instruments**

### ***Financial Liabilities***

Financial liabilities are contractual obligations to deliver cash or other financial assets or exchange potentially unfavourable assets and liabilities. These are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Account for interest payable are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income & Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited in the Comprehensive Income & Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income & Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Account, regulations allow the impact on the Council Fund Balance to be spread over future years. Where there has been an early repayment and no new loans taken up then the Council policy is to spread the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. However, where a new loan has replaced the early repayment, the gain or loss is spread over the term of the new loan.

# Notes to the Statement of Accounts

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Newport City Council

The reconciliation of amounts charged to the Comprehensive Income & Expenditure Account to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement in Reserves.

## **Financial Assets**

Financial assets include cash, equity instruments and contractual rights to receive cash or exchange potentially favourable assets or liabilities. In this respect, loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income & Expenditure Account is the amount receivable for the year in the loan agreement.

The Council does not issue loans to external organisations at interest rates less than market rates, with the exception of loans which are offered in relation to Welsh Government initiatives e.g. the Houses to Homes Scheme.

The Council does not have financial assets that are Available for Sale.

## **Government Grants and Contributions**

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income. Capital Grants are reversed out to the capital adjustment account as expenditure is incurred. Grants or contributions requiring return if conditions are not satisfied, are held on the balance sheet within creditors until the conditions are met at which point they are recognised in the Comprehensive Income and Expenditure Statement.

## **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

The Council's Heritage Assets are held in a number of collections in varying locations across the Council. The Council holds collections of heritage assets in order to increase the knowledge, understanding and appreciation of the history and culture of the Council's local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However some measurement rules are relaxed in relation to heritage assets as detailed below. The Council's collections of heritage assets are accounted for as follows.

### ***Museum Collection***

The Museum collection includes paintings (both oil and watercolour) and lithographs which are reported in the Balance Sheet at market value. The collection is generally re-valued every five years by the most appropriately deemed method. On occasion assets will be re-valued outside of this where they are loaned to other organisations. The assets within the collection are deemed to have indeterminate lives, and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation, with valuations made with reference to appropriate commercial markets for the assets using the most relevant and recent information from sales at auctions.

### ***Library Collection***

The Central Library is home to a special book collection, which is reported in the Balance Sheet at market value. The collection is generally re-valued every five years by the most appropriately deemed method. The assets within the collection are deemed to have indeterminate lives, and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

# Notes to the Statement of Accounts

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The collection is relatively static, with acquisitions and donations very rare. Where they do occur acquisitions are recognised at cost and donations are recognised at a valuation made with reference to appropriate commercial markets.

## **Tredegar House – Property and Contents**

Tredegar House is a 17th century Charles II mansion and grounds which is reported in the balance sheet at market value. In line with the Council's accounting policies on property, plant and equipment, the property is re-valued every five years, and depreciated over its estimated remaining useful life.

The contents of the property include paintings, furniture and other artefacts of the time period. These items are reported in the balance sheet at insurance value which is based on market values. These insurance valuations will be updated every five years. The artefacts within the collection are considered to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static, with acquisitions and donations very rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the museum's curators in accordance with the Council's policy on valuations of art collections.

## **Public Art and Features**

The Council holds a large number of public art features, such as murals and statues, on public display throughout the local area. These are reported in the Balance Sheet at market value. The collection is re-valued every five years by the Council's internal experts based on anticipated replacement costs of the art, which is considered to closely represent their market value. The assets within the Public Art collection are deemed to have indeterminate lives, and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation, with valuations made with reference to appropriate commercial markets.

## **Archaeology**

The Council does not consider that reliable cost information can be obtained for the items held within its archaeological collection. This is because of the diverse nature of the assets held and the lack of comparable market values. Consequently the Council does not generally recognise these assets on the balance sheet. However where specific costs can be identified, these will be capitalised, for example the freeze drying requirements of the Newport Ship. Depreciation on these items is considered on a case by case basis. The Council's acquisitions principally relate to the ancient ship discovered in the early 1990's. The Council does not normally make any purchases of archaeological items.

## **Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for these assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see impairment note in this summary of significant accounting policies.

The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the Statement of Accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see later notes in this summary of significant accounting policies).

# Notes to the Statement of Accounts

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Newport City Council

## **Interest in Companies and Other Entities**

The Council has considered the status of its relationships with its partner organisations and where not material these interests in other companies and entities are shown in a disclosure note in the notes to the Statement of Accounts. Newport Transport Ltd are consolidated with Newport City Councils statements in the group accounts.

## **Inventories and Long Term Contracts**

The value of stocks at the year-end is recorded in the Statement of Accounts at historical cost. This valuation is not in accordance with IAS2 or the Code of Practice, which requires the value to be stated as the lower of cost and net realisable value (NRV). Any difference between cost and NRV is considered to be negligible and historical cost has been used for all valuations.

## **Investment Property**

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 held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **Jointly Controlled Operations and Jointly Controlled Assets**

Joint operations are arrangements undertaken by the Council in conjunction with other ventures that make use of its assets and resources. Joint Committees are examples of Jointly Controlled Operations. Where material, the relevant proportion of the transactions and balances for Joint Committees are included within the Council's Financial Statements. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee.

A joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Note 47 outlines the income and expenditure of these operations for information.

## **Leases**

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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy, where fulfilment of the arrangement is dependent on the use of specific assets.

## The Council as Lessee

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue 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.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## The Council as Lessor

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment (PPE), Investment Properties, 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. A gain, representing the Council's net investment in the lease, is 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), and matched by a lease (long-term debtor) asset in the Balance Sheet. The Council currently recognises one such lease debtor in the accounts.

The Council utilises external care home facilities to support its customers' needs. In most instances occupancy is relatively small. However, there are two homes of 4 and 6 beds where occupancy is significant. Notwithstanding this, the valuation of these two properties is small compared to the total PPE asset base and therefore is not included in the figures shown in Note 14.

Lease rentals receivable are apportioned between:

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- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

## ***Operating Leases***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **Overhead and Support Service**

The costs of overheads and support services are no longer charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Code of Practice. The Statement of Accounts are now disclosed as per the management reporting structure of the Council. The overheads are now reported against where the budget for that spend is sat.

## **Property, Plant and Equipment**

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.

## ***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 maintains a deminimus cost of £10,000 for any asset to be capitalised. However where groups of assets e.g. PCs are purchased individually fall below the deminimus level, these will be considered for capitalisation as a group of assets on a case by case basis. Where the acquisition or creation of IT systems incorporates both physical hardware and licences to use the system, judgement is made as to whether this will be classified wholly as Property, Plant and Equipment or Intangible Assets, as per the CIPFA Code of Practice on Local Council Accounting.

## ***Measurement***

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

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- Land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- Non-specialised operational properties – existing use value (EUV);
- Specialised operational properties (such as schools) – depreciated replacement cost (DRC);
- Vehicles, plant and equipment – depreciated historical cost as a proxy for current value on materiality grounds;
- Infrastructure assets – depreciated historical cost or nominal value if unavailable;
- Community assets – historic cost where available, or existing use value (EUV);
- Assets under construction – historical cost; and
- Investment properties and surplus assets – fair value, estimated at highest and best use from a market participant's perspective.

Assets are included in the balance sheet at current value and are re-valued where there have been material changes in the value, but as a minimum every five years. When Assets under Construction are completed, they are valued at the date of completion in line with the appropriate valuation method for the asset type. Valuations are on the basis recommended by CIPFA and in accordance with the statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by:

- where there is a balance in the Revaluation Reserve the difference between the historic carrying value of the asset and its re-valued value is written off 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 difference between the historic carrying amount of the asset and its re-valued value (impaired value) is written down against the relevant service line(s) in the Comprehensive income and Expenditure Account.

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.

Valuations are undertaken by Mrs Sarah Davies (MRICS), Estates Portfolio Officer at Newport Norse Ltd.

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 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 Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Adopted roads built by developers are in many respects seen as donated assets. Whilst donated assets are required to be measured at fair value at recognition, infrastructure assets are measured initially at historical cost and subsequently at depreciated historical cost rather than fair value.

# Notes to the Statement of Accounts

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## **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 by:

- where there is a balance in the Revaluation Reserve the difference between the historic carrying value of the asset and its re-valued value is written off 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 difference between the historic carrying amount of the asset and its re-valued value (impaired value) is written down against the relevant service line(s) in the Comprehensive income and Expenditure Account.

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.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

<b>Asset</b>	<b>Policy</b>	<b>Life</b>
Land	No depreciation charged	
Buildings	Straight line depreciation on estimated remaining life	As advised by Valuer
Infrastructure Assets	Straight line depreciation on estimated remaining life	10 to 60 years
Vehicles & Plant	Straight line depreciation on estimated remaining life or over the term of the lease in the case of assets acquired by finance leases	5 - 7 years
Computer Equipment	Straight line depreciation on estimated remaining life	Usually 5 years

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Where 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.

No depreciation is charged in the year of acquisition or enhancement of an asset, and a full year's depreciation is charged in the year of disposal of a depreciating asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **Componentisation**

Assets purchased or re-valued during the year are reviewed to confirm whether any part of the asset will have a significantly different useful life. Where this is the case the asset will be 'componentised' and the differing parts will be depreciated over their respective useful lives.

However, property assets will only be componentised where the total asset value is £2.5m or greater. These assets are componentised into Buildings, Land, Mechanical and Electrical plant and Externals elements on revaluation.

## **Non-current Assets Held for Sale and Disposals**

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 re-valued 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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## **Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where responsibility for making available the required property, plant and equipment needed to provide services passes to the contractor. The Council is deemed to control the services provided under its PFI schemes and as ownership of the property, plant and equipment passes to the Council at the end of the contract, the Council carries the assets used under the contracts within its own balance sheet as part of property, plant and equipment.

The recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by a liability for amounts due to the scheme operator to pay for the assets. Non-current assets recognised on the balance sheet are re-valued and depreciated in the same way as property, plant and equipment directly 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 which recognises performance achieved – charged to the relevant service in the Income and Expenditure Account;
- Finance cost – an interest charge on the outstanding balance sheet liability, charged to Financing and Investment Income and Expenditure in the Income and Expenditure Account;
- Contingent rent – an amount paid in respect of the property during the contract, charged to Financing and Investment Income and Expenditure in the Income and Expenditure Account;
- Payment toward liability – used to write down the balance sheet liability towards the operator;
- Lifecycle replacement costs – recognising elements of the assets require regular replacement and therefore charged to fixed assets on the balance sheet, or revenue as appropriate.

The Council receives government grants to support its financing liabilities each year. In the early years of such contracts this income exceeds the Council's net expenditure on these schemes. The Council has agreed that it will transfer any consequential Income and Expenditure surpluses arising from its PFI arrangements, together with any additional revenue provision deemed necessary to a PFI Reserve. The reserve funds are released in the later years of the contract when payments exceed available revenue support.

## **Provisions**

Provisions are shown where a past event has placed the Council in a position where it has an obligation that is likely to lead to it incurring a cost. The precise timing and value of the cost may be unknown but can be reliably estimated.

Provisions are charged to the Comprehensive Income and Expenditure Statement to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimates are reviewed at the end of each financial year and any changes are reflected within relevant service revenue accounts. When payments related to the obligation are eventually made they are charged to the provision set up in the Balance Sheet.

## **Contingent Assets / Liabilities**

Contingent Assets and Liabilities are obligations or assets arising from past events where:

- The existence or value of the obligation is dependent on future events which are outside the control of the Council;
- It is not probable that a flow of economic benefits will be required to settle the obligation; and
- The obligation/contingent asset cannot be measured reliably.

Contingent Liabilities and Assets are not recognised in the Balance Sheet but are disclosed in Notes 43 and 44. The disclosure sets out the scale of potential costs and likelihood of these being realised.

# Notes to the Statement of Accounts

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## Reserves

The Council maintains a range of reserves, reflecting both the extent to which its assets exceed its liabilities and any restrictions (statutory or voluntary) which are placed upon the usage of these balances. The main unrestricted reserve used to hold available Council funds is the Council Fund. Expenditure to be financed from an earmarked reserve is initially shown as a cost in the Comprehensive Income and Expenditure Statement. An offsetting transfer is then recorded in the Movement in Reserves Statement to ensure that there is no impact on General Fund or Council Tax.

**Council Fund Balance:** The Council holds a Council Fund Balance to meet future funding requirements and as a hedge against any unforeseen financial losses. The adequacy of the level of this reserve is reviewed annually by the Chief Finance Officer as part of the Council's budget approval process.

## **Earmarked Reserves:**

The Council has discretion to set aside specific amounts as reserves where they wish to earmark available funds for future policy purposes; to cover contingencies or manage cash flows. These are summarised in Note 10. The most significant reserve is the Southern Distributor Road PFI which will meet future liabilities over the lifetime of the PFI scheme.

## **Unusable Reserves**

A number of reserves exist to manage the accounting for non-current assets, financial instruments and employee benefits; these do not represent usable funds for the Council, these are explained in the relevant policies and notes and are classed as Unusable Reserves, found in Note 25.

## **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax. This expenditure does form part of the Council's Capital Financing Requirement.

## **Value Added Tax (VAT)**

Income and expenditure excludes any amounts related to VAT, as all VAT collected on income is paid over to HM Revenue and Customs, and all VAT paid on expenditure is recovered from them. Income and expenditure arising from changes in legislation affecting amounts claimed are included against services unless significant in which case, they appear as Exceptional Items on the Comprehensive Income and Expenditure Statement.

## **Carbon Reduction Commitment Allowances**

The Council is required to participate in the Carbon Reduction Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowance. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

# Notes to the Statement of Accounts

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## 2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. These currently include:

- **IAS 7 Statement of Cash Flows (Disclosure Initiative)** will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 28) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.
- **IFRS 9 Financial Instruments**, which introduces extensive changes to the classification and measurement of financial assets, and a new 'expected credit loss' model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.
- **IFRS 15 Revenue from Contracts with Customers** presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- **IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses)** applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments
- **IFRS 16 Leases**, will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

None of the new or amended standards within the 2017/18 Code are expected to have a material impact on the information provided in the financial statements.

## 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There remains a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;
- Following the publication of updated guidance from CIPFA the Council has reviewed its recognition and treatment of the various types of schools and the assets they operate from. Schools governing bodies are separate entities to the Council but for the purpose of preparing Statement of Accounts they are within the group boundary and their activities must be reported.

Despite the fact they are separate bodies, in recognition of the unique nature of the relationship Councils are required to report any material expenditure, income, assets and liabilities of these schools within its primary statements. Specific consideration has to be given as to whether the assets from which these schools operate meet the necessary criteria (in terms of access to services and control) to be recognised as Council assets under IAS16.

# Notes to the Statement of Accounts

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In Newport's case it has been judged that faith schools (voluntary aided or controlled) which are not sited on Council land and over which it has no long term guarantees of availability do not meet the criteria for recognition as an asset under IAS16. This results in the exclusion of 10 schools from the Council's non-current assets.

## 4 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Finance on 21<sup>st</sup> June 2018. Events taking place after this date are not reflected in the financial statements or notes.

## 5 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contain 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
<b>Fair value measurements</b>	<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 (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. 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 senior external valuer).</p>	<p>The Council uses a selection of valuation methods to measure the fair value of its surplus assets, investment properties and financial assets and liabilities.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement particularly for the investment properties.</p>

# Notes to the Statement of Accounts

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<p><b>Pensions Liability</b></p>	<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.</p>	<p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>The actuary has advised the effects of a 0.5% increase in the following criteria:</p> <p>Discount Rate – £81.7m decrease to liability.</p> <p>Salary Increase Rate – £12.7m increase to liability.</p> <p>Pension Increase Rate - £67.9m increase to liability.</p>
<p><b>Property, Plant and Equipment</b></p>	<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. Due to the uncertainty about the actual useful life of an asset there is uncertainty of this charge if the useful life was to change.</p>	<p>If the useful life of assets is reduced, depreciation increases and the net carrying value of the assets falls.</p>
<p><b>Provisions</b></p>	<p>The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities, this is detailed further in the provisions note.</p>	<p>The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the outturn of the Council in future years, however due to the uncertain nature of these events, these are difficult to quantify.</p>
<p><b>Provisions in relation to Arrears</b></p>	<p>At 31 March 2018, the Council had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may or may not be deemed to be sufficient.</p>	<p>Improvements in collection will improve future reported outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.</p>

## 6 MATERIAL ITEMS OF INCOME AND EXPENSE

There are no items classed as exceptional items in 2017/18 (nil for 2016/17)

# Notes to the Statement of Accounts

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## 7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017/18	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
Adjustments from General Fund to arrive at CIES amounts	£'000	£'000	£'000	£'000	£'000
Children and Young People	71	2,733	24	58	2,886
Adults and Community	712	3,141	27	49	3,929
Education	5,347	812	-	1,167	7,326
Schools	5,572	6,299	447	(11)	12,307
Regen Investment + Housing	6,201	2,850	24	1,421	10,496
Streetscene and City Services	9,589	2,375	17	195	12,176
Corporate Services	2,512	3,414	2	837	6,765
Other Non Department Costs (Non Service)	1,063	(10,011)	-	(44,292)	(53,240)
<b>Net Cost of Service</b>	<b>31,067</b>	<b>11,613</b>	<b>541</b>	<b>(40,576)</b>	<b>2,645</b>
Other Income and Expenditure from Funding Analysis	(17,058)	8,559	-	27,290	18,791
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit</b>	<b>14,009</b>	<b>20,172</b>	<b>541</b>	<b>(13,286)</b>	<b>21,436</b>

2016/17	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
Adjustments from General Fund to arrive at CIES amounts	£'000	£'000	£'000	£'000	£'000
Children and Young People	(10)	1,031	7	213	1,241
Adults and Community	634	1,148	13	380	2,175
Education	5,194	311	733	(110)	6,128
Schools	9,434	2,153	-	806	12,393
Regen Investment + Housing	4,515	1,257	23	14	5,809
Streetscene and City Services	14,477	911	(7)	323	15,704
Corporate Services	1,362	1,426	21	656	3,465
Other Non Department Costs (Non Service)	(18,722)	(6,596)	-	(6,190)	(31,508)
<b>Net Cost of Service</b>	<b>16,884</b>	<b>1,641</b>	<b>790</b>	<b>(3,908)</b>	<b>15,407</b>
Other Income and Expenditure from Funding Analysis	(10,419)	9,812	-	(633)	(1,240)
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit</b>	<b>6,465</b>	<b>11,453</b>	<b>790</b>	<b>(4,541)</b>	<b>14,167</b>

## Adjustments for Capital Purposes

- 1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
  - a. Other operating expenditure – adjusts for capital disposals with a transfer of income on the disposal of assets and the amounts written off for those assets
  - b. Financing and investment income and expenditure – the statutory charges for capital financing such as Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices
  - c. 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.

## Net Changes for Pension adjustments

- 2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income
  - a. 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 cost
  - b. For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES

## Adjustments for Accumulated Absences

- 3) Adjustments for accumulated absences – this column recognises when employees render the services which increase their entitlement to future paid absences. Accumulated paid absences are those that can be carried forward for use in future periods if the current period's entitlement are not used in full, such as carry forward of unused annual leave.

## Other Differences

- 4) Other differences between the amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payables / receivable to be recognised under statute:
  - a. 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
  - b. The other differences that are recognised is any adjustment which is required to be completed to reconcile the reported outturn to Cabinet, to that which is it classified with the accounts. The adjustment of £44,292k under 'Other Non Department Costs (Non Service)' includes adjustments for Levies, Council Tax reduction scheme, interest payable and receivable, Reserve transfers, including Schools transfer to/from balances, Minimum Revenue Provision and any other income and expenditure.
  - c. The £27,290k adjustment under 'Other Income and Expenditure from Funding Analysis' will include any other adjustments, including PFI.

# Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## 8 EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

	<b>Restated</b>	
	<b>2016/17</b>	<b>2017/18</b>
	£'000	£'000
<b>Expenditure</b>		
Employee Benefits Expenses	174,807	184,924
Other Services Expenditure	200,987	210,581
Depreciation, Amortisation, Impairment	32,062	26,843
Interest Payments	23,960	22,261
Precepts and Levies	20,710	21,077
(Gain)/Loss on Disposal of assets	-	539
<b>Total Expenditure</b>	<b>452,526</b>	<b>466,225</b>
<b>Income</b>		
(Gain)/Loss on Disposal of assets	(1,153)	-
Fees, Charges and other service income	(30,667)	(31,550)
Interest and investment income	(4,029)	(2,390)
Income from Council tax and non-domestic rates	(101,075)	(108,282)
Government grants and contributions	(301,435)	(302,567)
<b>Total Income</b>	<b>(438,359)</b>	<b>(444,789)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>14,167</b>	<b>21,436</b>

The restatement in 2016/17 relates to grant expenditure of £4.7m which had been classified as 'Other service expenditure' instead of 'Employee Benefits Expenses'.

# Notes to the Statement of Accounts

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## 9 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 Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions, as being available to the Council to meet future capital and revenue expenditure.

2017/18

	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	<b>(932)</b>	-	<b>932</b>
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account</b>	<b>(11,725)</b>	-	<b>11,725</b>
Charges for depreciation and impairment of non-current assets	(23,500)	-	23,500
Revaluation losses on PPE & Assets Held for Sale	(3,342)	-	3,342
Movements in the fair value of Investment Properties	(13)	-	13
Capital grants and contributions applied	21,915	-	(21,915)
Revenue expenditure funded from capital under statute	(5,234)	-	5,234
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(1,551)	-	1,551
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>	<b>10,793</b>	-	<b>(10,793)</b>
Statutory provision for the financing of capital investment	10,168	-	(10,168)
Capital expenditure charged against the General Fund	625	-	(625)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	<b>2,024</b>	<b>2,841</b>	<b>(4,865)</b>
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	2,024	(2,024)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	4,865	(4,865)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>	<b>(1,012)</b>	-	<b>1,012</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,012)	-	1,012
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>	<b>639</b>	-	<b>(639)</b>

# Notes to the Statement of Accounts

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Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	639	-	(639)
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<b>Adjustments primarily involving the Pensions Reserve:</b>	<b>(20,172)</b>	<b>-</b>	<b>20,172</b>
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Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(34,812)	-	34,812
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Employer's pensions contributions and direct payments to pensioners payable in the year	14,640	-	(14,640)
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<b>Adjustment primarily involving the Accumulated Absences Account:</b>	<b>(541)</b>	<b>-</b>	<b>541</b>
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Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(541)	-	541
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<b>TOTAL ADJUSTMENTS</b>	<b>(19,994)</b>	<b>2,841</b>	<b>17,153</b>
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## 2016/17 Comparative figures

	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	<b>(7,024)</b>	<b>-</b>	<b>7,024</b>
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account</b>	<b>(21,858)</b>	<b>-</b>	<b>21,858</b>
Charges for depreciation and impairment of non-current assets	(28,261)	-	28,261
Revaluation losses on Property Plant and Equipment	(3,836)	-	3,836
Movements in the market value of Investment Properties	(727)	-	727
Capital grants and contributions applied	17,529	-	(17,529)
Revenue expenditure funded from capital under statute	(5,459)	-	5,459
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,104)	-	1,104
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>	<b>14,834</b>	<b>-</b>	<b>(14,834)</b>
Statutory provision for the financing of capital investment	12,937	-	(12,937)
Capital expenditure charged against the General Fund	1,897	-	(1,897)

# Notes to the Statement of Accounts

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<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	<b>5,050</b>	<b>(3,683)</b>	<b>(1,367)</b>
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,050	(5,050)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,367	(1,367)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>	<b>-2,789</b>	<b>-</b>	<b>2,789</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-2,789	-	2,789
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>	<b>643</b>	<b>-</b>	<b>(643)</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	643	-	(643)
<b>Adjustments primarily involving the Pensions Reserve:</b>	<b>(11,452)</b>	<b>-</b>	<b>11,452</b>
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(26,080)	-	26,080
Employer's pensions contributions and direct payments to pensioners payable in the year	14,628	-	(14,628)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>	<b>(792)</b>	<b>-</b>	<b>792</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(792)	-	792
<b>TOTAL ADJUSTMENTS</b>	<b>(16,364)</b>	<b>(3,683)</b>	<b>20,047</b>

# Notes to the Statement of Accounts

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Newport City Council

## 10 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund as balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2017/18.

	Movements between Reserves		Via Comprehensive I&E Account		Balance at 31-Mar-18
	Balance at 31-Mar-17	Transfers Out	Transfers In	Transfers Out	
	£'000	£'000	£'000	£'000	£'000
Council Fund	(6,500)	-	-	-	(6,500)
Balances held by schools for future use	(4,831)	-	-	974	(3,857)
Earmarked Reserves:					
<b>Risk Reserves</b>					
Insurance Reserve	(1,706)	-	-	682	(1,594)
MMI Insurance Reserve	(602)	-	-	-	(602)
Legal Claims	-	-	-	-	-
Health & Safety	(16)	-	-	-	(16)
Music Service	(167)	-	-	43	(124)
Council Tax Reduction	-	-	-	-	-
Education Achievement Service	(92)	-	-	-	(92)
Schools Redundancies	(708)	-	-	-	(708)
Friars Walk	(9,985)	-	-	2,642	(1,062)
European Funding I2A & CFW	(79)	-	-	6	(100)
Metro Bus	(9)	-	-	-	(9)
Pay Reserve	(1,418)	-	-	-	(1,418)
GEMS Redundancies	-	-	-	-	(78)
<b>Enabling Reserves</b>					
Capital Expenditure	(5,817)	-	-	80	(24)
School Works	(545)	-	-	208	(10)
School Reserve Other	(1,100)	-	-	176	-
Investment Reserve	(1,500)	-	-	534	-
Invest to Save	(11,050)	-	-	1,493	-
Super Connected Cities	(670)	-	-	128	(12)
Landfill Reserve	(345)	-	-	-	-
Christmas Lights	(15)	-	-	15	-
Usable Capital Receipts	(11,742)	-	-	4,865	(2,024)
Streetscene Manager Support	-	-	-	-	(200)
<b>Smoothing Reserves</b>					
STEP School Computers	(473)	-	-	116	-
Municipal Elections	(154)	-	-	100	-
Local Development Plan	(572)	-	-	-	(27)
Glan Usk PFI	(1,499)	-	-	-	(106)
Southern Distributor Road PFI	(44,515)	-	-	-	-
Building Control	-	-	-	-	(48)
<b>Other Reserves</b>					
Works of art	(21)	-	-	-	-

# Notes to the Statement of Accounts

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Newport City Council

Theatre & Arts Centre	(232)	-	-	-	-	(232)
Cymorth Income	(33)	-	-	-	-	(33)
Blaen-y-plant remodeling	(60)	-	-	-	-	(60)
Gypsy and Traveller Site	(7)	-	-	-	-	(7)
Homeless Prevention	(38)	-	-	-	-	(38)
Environmental Health - Improve Air Quality	(49)	-	-	-	-	(49)
Refurbishment of a Children / Older People Homes	(102)	-	-	74	(34)	(62)
Apprenticeship Scheme Reserve	(80)	-	-	36	(40)	(84)
City Economic Development Reserve	(90)	-	-	-	-	(90)
Welsh Language Standards	(240)	-	-	66	-	(174)
YS Dilapidation Costs Information Shop	(51)	-	-	10	-	(41)
Port Health	(3)	-	-	-	(5)	(8)
CRM	(21)	-	-	-	(660)	(681)
WCCIS	(54)	-	-	16	-	(38)
Events	-	-	-	-	(190)	(190)
MTFP Reserve	-	-	-	-	(2,715)	(2,715)
Development of Leisure Masterplan	-	-	-	-	(15)	(15)
Voluntary Sector Grants	-	-	-	-	(66)	(66)
Joint Committee City Deal Reserve	-	-	-	-	40	40
Bus Wifi	-	-	-	-	(35)	(35)
<b>Total</b>	<b>(107,191)</b>	<b>-</b>	<b>-</b>	<b>12,264</b>	<b>(7,981)</b>	<b>(102,908)</b>

Key Reserves to note are:

- **Invest to save reserve** - established to enable funding of specific projects which demonstrate savings to the revenue budget within pay-back period within approximately 5 years;
- **School reserves** - these are balances held by schools for their future use;
- **Capital Expenditure reserve** - established to fund specific capital schemes and risks included in the Capital Programme;
- **Insurance reserve** - to assist in the management of the Council's insurance risks. To meet excesses and costs of claims against the Council and to provide cover on self-insured risks;
- **MMI Insurance reserve** - established to assist with potential future funding requirements of MMI in line with the agreed 'Scheme of Arrangement';
- **Pay reserve** - established to fund potential pay liabilities in future years;
- **Usable capital receipts reserve** - holds proceeds from sale of property, plant and equipment, used to finance new capital expenditure;
- **Southern Distributor Road and Glan Usk PFI reserves** - smoothes out funding differences that arise between the funding available and the capital payments made to the contractor. The reserve will balance over the life of the project;
- **Friars Walk reserve** - established to assist with any potential future funding needs for the Friars Walk scheme.

# Notes to the Statement of Accounts

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Newport City Council

## 11 OTHER OPERATING EXPENDITURE

31-Mar-17		31-Mar-18
£'000		£'000
	<b>Precepts and levies:</b>	
250	Community Councils	265
6,892	South Wales Fire Authority	6,871
755	Caldicot and Wentlodge Drainage Board	755
12,355	Police and Crime Commissioner for Gwent	13,185
4	(Gains) and Losses on assets held for sale	-
(1,157)	Loss / (Profit) on the disposal of non-current assets	539
<b>19,099</b>	<b>Total</b>	<b>21,615</b>

## 12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

31-Mar-17		31-Mar-18
£'000		£'000
14,148	Interest Payable and similar charges	13,701
9,812	Pensions interest cost and expected return on pensions assets	8,560
(3,986)	Interest receivable and similar income	(1,204)
(43)	Income and expenditure in relation to investment properties and changes in their fair value	(1,197)
<b>19,931</b>	<b>Total</b>	<b>19,860</b>

## 13 TAXATION AND NON SPECIFIC GRANT INCOME

31-Mar-17		31-Mar-18
£'000		£'000
(58,269)	Council tax income	(61,789)
(42,806)	Non domestic rates	(46,493)
(166,336)	Non-ring fenced government grants	(161,757)
(15,233)	Capital grants and contributions	(19,874)
<b>(282,644)</b>	<b>Total</b>	<b>(289,913)</b>

### National Non-Domestic Rates (NNDR)

A revaluation of the rateable value for non-domestic properties took place in 2017. Based on this revaluation the total rateable value for non-domestic rates is £146,247,353 at 31 March 2018 (£157,719,588 at 31 March 2017).

For a direct comparison to the prior year value, the rateable value as at 31 March 2018 based on the valuation used for the prior year is £156,013,883. The rate poundage for occupied properties was 49.9p per £ of rateable value (48.6p in 2016/17) with empty properties being charged at 49.9p (48.6p in 2016/17).

In 2017/18 Newport received £46.5m from the Welsh NNDR pool in support of its services (£42.8m – 2016/17).

# Notes to the Statement of Accounts

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Newport City Council

## Local Taxation

### Council Tax Collection

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>INCOME</b>		
Council Taxes (net of Council Tax benefits)	(58,537)	(62,331)
Council Tax benefits	(10,672)	(10,641)
<b>Total income</b>	<b>(69,209)</b>	<b>(72,972)</b>
<b>EXPENDITURE</b>		
Precepts payable		
- Gwent Police Authority	12,355	13,186
- Community Councils	250	265
Newport Council Fund requirement	54,720	58,122
Council tax written off and provided for	269	542
<b>Total expenditure</b>	<b>67,594</b>	<b>72,115</b>
<b>Net surplus for the year</b>	<b>(1,615)</b>	<b>(857)</b>

### Council Tax Requirement

	31-Mar-17		31-Mar-18	
	Dwellings	Tax Base	Dwellings	Tax Base
<b>Total number of properties on valuation list</b>	<b>65,975</b>	<b>65,975</b>	67,144	67,144
<b>Adjusted as follows</b>				
Less exempt properties @ 100%	2,070	(2,070)	1,789	(1,789)
Less single discounts @ 25%	6,022	(6,022)	5,986	(5,986)
Less multiple discounts @ 50%	552	(552)	592	(592)
Band D conversion		(186)		(131)
Losses on collection		(1,000)		(1,026)
<b>Tax Base</b>		<b>56,145</b>		<b>57,620</b>
		£		£
Council tax requirement		67,326,058		71,572,993
Less payable to Gwent Police		(12,355,409)		(13,185,752)
Less payable to Community Councils		(250,337)		(264,843)
<b>Net requirement Newport City Council</b>		<b>54,720,312</b>		<b>58,122,398</b>
<b>Band D tax for the year</b>		<b>979</b>		<b>1,013</b>

This basic amount of £1013.32 for a band D property (£979.07 in 2016/2017) is multiplied by the proportion specified for the particular band to give the individual amount due:

Band:	A	B	C	D	E	F	G	H	I
Multiplier:	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9

# Notes to the Statement of Accounts

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Newport City Council

## 14 PROPERTY, PLANT AND EQUIPMENT

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2017</b>	<b>322,557</b>	<b>34,858</b>	<b>211,556</b>	<b>592</b>	<b>7,509</b>	<b>17,442</b>	<b>594,514</b>	<b>71,139</b>
Additions	6,026	3,152	2,835	1	-	19,820	31,834	-
Donations	3,076	-	-	-	-	-	3,076	-
Re-classifications	(35)	-	-	13	(125)	(1,603)	(1,750)	-
Revaluations	(501)	-	-	-	(649)	-	(1,150)	-
Impairments	(4,181)	(190)	(91)	(1)	-	-	(4,463)	-
Disposals	(871)	(1,417)	-	-	-	-	(2,288)	-
<b>At 31 March 2018</b>	<b>326,071</b>	<b>36,403</b>	<b>214,300</b>	<b>605</b>	<b>6,735</b>	<b>35,659</b>	<b>619,773</b>	<b>71,139</b>
<b>Accumulated Depreciation</b>								
<b>At 1 April 2017</b>	<b>(18,073)</b>	<b>(22,417)</b>	<b>(60,501)</b>	-	-	-	<b>(100,991)</b>	<b>(18,300)</b>
Depreciation Charge in Year	(11,499)	(3,464)	(6,240)	-	(7)	-	(21,210)	(1,852)
Re-classifications	37	-	-	-	2	-	39	-
Revaluation Impact	1,597	-	-	-	5	-	1,602	-
Disposals	102	1,388	-	-	-	-	1,490	-
<b>At 31 March 2018</b>	<b>(27,836)</b>	<b>(24,493)</b>	<b>(66,741)</b>	-	-	-	<b>(119,070)</b>	<b>(20,152)</b>
<b>Net Book Value</b>								
<b>At 1 April 2017</b>	<b>304,484</b>	<b>12,441</b>	<b>151,055</b>	<b>592</b>	<b>7,509</b>	<b>17,442</b>	<b>493,523</b>	<b>52,839</b>
<b>At 31 March 2018</b>	<b>298,235</b>	<b>11,910</b>	<b>147,559</b>	<b>605</b>	<b>6,735</b>	<b>35,659</b>	<b>500,703</b>	<b>50,987</b>

# Notes to the Statement of Accounts

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	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2016</b>	<b>313,724</b>	<b>33,297</b>	<b>210,546</b>	<b>573</b>	<b>6,338</b>	<b>13,077</b>	<b>577,555</b>	<b>71,139</b>
Additions	5,127	2,116	1,128	10.00	-	18,975	27,356	-
Re-classifications	13,171	-	-	9	484	(14,610)	(946)	-
Revaluations	(1,924)	-	-	-	1,335	-	(589)	-
Impairments	(7,530)	-	(118.00)	-	-	-	(7,648)	-
Disposals	(11)	(555)	-	-	(648.00)	-	(1,214)	-
<b>At 31 March 2017</b>	<b>322,557</b>	<b>34,858</b>	<b>211,556</b>	<b>592</b>	<b>7,509</b>	<b>17,442</b>	<b>594,514</b>	<b>71,139</b>
<b>Accumulated Depreciation</b>								
<b>At 1 April 2016</b>	<b>(8,902)</b>	<b>(19,238)</b>	<b>(54,286)</b>	-	-	-	<b>(82,426)</b>	<b>(16,448)</b>
Depreciation Charge in Year	(11,003)	(3,734)	(6,215)	-	(1)	-	(20,953)	(1,852)
Re-classifications	-	-	-	-	-	-	-	-
Revaluation Impact	1,832	-	-	-	1	-	1,833	-
Disposals	-	555	-	-	-	-	555	-
<b>At 31 March 2017</b>	<b>(18,073)</b>	<b>(22,417)</b>	<b>(60,501)</b>	-	-	-	<b>(100,991)</b>	<b>(18,300)</b>
<b>Net Book Value</b>								
<b>At 1 April 2016</b>	<b>304,822</b>	<b>14,059</b>	<b>156,260</b>	<b>573</b>	<b>6,338</b>	<b>13,077</b>	<b>495,129</b>	<b>54,691</b>
<b>At 31 March 2017</b>	<b>304,484</b>	<b>12,441</b>	<b>151,055</b>	<b>592</b>	<b>7,509</b>	<b>17,442</b>	<b>493,523</b>	<b>52,839</b>

The Council also has a number of schools located within the Newport area which are Voluntary Aided and Voluntary Controlled and which are not owned by the Council. Although these schools are recognised as located within the Council's boundary, they are not disclosed within the Balance Sheet as they are not Council owned assets.

# Notes to the Statement of Accounts

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Newport City Council

## Capital Commitments

The Council continued its programme of capital investment in 2017/18 to improve the infrastructure and facilities in Newport. Of this programme, the Council is contractually committed to carry out works as follows:

### Capital Commitments

	31-Mar-17	31-Mar-18
	£'000	£'000
Central Services	-	-
Cultural & Related Services	-	-
Education	2,491	4,500
Environmental Services	-	-
Highways, Roads & Transport	271	109
Housing (General Fund)	-	-
Planning & Development Services	838	103
	<b>3,600</b>	<b>4,712</b>

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is re-valued at least every five years. All valuations were carried out externally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Other Land & buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost	49,082	32,791	195,181	154	1,640	33,722	<b>312,570</b>
Valued at fair value as at:							
31 March 2018	74,793	3,318	11,036	14	4,330	-	<b>93,491</b>
31 March 2017	36,654	-	935	-	766	-	<b>38,355</b>
31 March 2016	155,363	-	-	-	-	-	<b>155,363</b>
31 March 2015	7,899	280	3,325	75	-	-	<b>11,579</b>
31 March 2014	2,280	14	3,822	362	-	-	<b>6,478</b>
<b>Total Cost or Valuation</b>	<b>326,071</b>	<b>36,403</b>	<b>214,299</b>	<b>605</b>	<b>6,736</b>	<b>33,722</b>	<b>617,836</b>

# Notes to the Statement of Accounts

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Newport City Council

## Fair Value Measurement of Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2018 are as follows:

<i>Recurring fair value measurements using:</i>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value as at 31 March 2018</b>
	£'000	£'000	£'000
Residential properties	-	735	735
Commercial units/Land	3,150	2,850	6,000
<b>Total</b>	<b>3,150</b>	<b>3,585</b>	<b>6,735</b>

Comparative figures as at 31 March 2017 were:

<i>Recurring fair value measurements using:</i>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value as at 31 March 2017</b>
	£'000	£'000	£'000
Residential properties	70	1,075	1,145
Commercial units/Land	3,300	3,064	6,364
<b>Total</b>	<b>3,370</b>	<b>4,139</b>	<b>7,509</b>

There were no transfers between any of the levels during the year.

Significant Observable Inputs – Level 2: The fair value for some of the residential properties and much of the commercial land has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local Council area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3: The remainder of the residential properties and commercial units/land located in the area are measured using the best information available and using the Valuer's experience to make assumptions on how the market would assess the value of the asset. These are therefore categorised as Level 3 in the fair value hierarchy as significant unobservable inputs are used in determining the fair value measurement.

In estimating the fair value of the Council's surplus assets, the highest and best use of these assets has been considered. This is not necessarily the existing use and assumptions have been made to arrive at this assessment of value. However, from the list of relevant assets for 2017/18, there has been no change in the valuation techniques used during the year for surplus assets.

The fair value of the Council's surplus assets portfolio is measured annually at each reporting date. All valuations are carried out by an external valuer, Newport Norse Ltd, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation experts work closely with the Council's Finance Officers.

# Notes to the Statement of Accounts

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Newport City Council

## 15 HERITAGE ASSETS

### Reconciliation of the carrying value of heritage assets held by the Council

	Museum & Library Collections £'000	Tredegar House & Park £'000	Public Art & Features £'000	Archaeology £'000	Total Heritage Assets £'000
Cost or Valuation					
<b>At 1 April 2017</b>	<b>12,914</b>	<b>1,930</b>	<b>3,057</b>	<b>103</b>	<b>18,004</b>
Revaluations	-	-	-	-	-
<b>At 31 March 2018</b>	<b>12,914</b>	<b>1,930</b>	<b>3,057</b>	<b>103</b>	<b>18,004</b>
Accumulated Depreciation					
<b>At 1 April 2017</b>	-	(27)	-	-	(27)
Depreciation charge in year	-	(9)	-	-	(9)
<b>At 31 March 2018</b>	-	(36)	-	-	(36)
Net Book Value					
<b>At 1 April 2017</b>	<b>12,914</b>	<b>1,903</b>	<b>3,057</b>	<b>103</b>	<b>17,977</b>
<b>At 31 March 2018</b>	<b>12,914</b>	<b>1,894</b>	<b>3,057</b>	<b>103</b>	<b>17,968</b>

	Museum Collection £'000	Tredegar House & Park £'000	Public Art & Features £'000	Archaeology £'000	Total Heritage Assets £'000
Cost or Valuation					
<b>At 1 April 2016</b>	<b>10,201</b>	<b>1,930</b>	<b>3,057</b>	<b>103</b>	<b>15,291</b>
Revaluations	2,713	-	-	-	2,713
<b>At 31 March 2017</b>	<b>12,914</b>	<b>1,930</b>	<b>3,057</b>	<b>103</b>	<b>18,004</b>
Accumulated Depreciation					
<b>At 1 April 2016</b>	-	(18)	-	-	(18)
Depreciation charge in year	-	(9)	-	-	(9)
<b>At 31 March 2017</b>	-	(27)	-	-	(27)
Net Book Value					
<b>At 1 April 2016</b>	<b>10,201</b>	<b>1,912</b>	<b>3,057</b>	<b>103</b>	<b>15,273</b>
<b>At 31 March 2017</b>	<b>12,914</b>	<b>1,903</b>	<b>3,057</b>	<b>103</b>	<b>17,977</b>

## Further information on the collections held

### Museum Collection

The Council has developed its collection since 1888. The collection now illustrates the changing face of the South Wales rural and industrial landscape and includes donations from the Arts Council of Wales and the Contemporary Art Society for Wales.

Elements of the collection are regularly exhibited at the museum on a rotating basis. Key elements of the collection include:

- 19th and 20th century mainly British oil paintings, watercolours, drawings and prints with particular attention directed to topographical works relating to Newport. The collection represents the work of a large number of artists including James Flewitt Mullock, David Cox, Dame Laura Knight, Stanley Spencer, William Roberts, Merlyn Evans and William Russell Flint;
- Contemporary paintings by Welsh artists or artists living in Wales. These include works by Falcon Hildred, Harry Holland, Thomas Rathmell, Evan Charlton, Felicity Charlton, Ernest Zobole and Jack Crabtree;
- Contemporary prints including work by Patrick Caulfield, Derek Boshier, John McFarlane, Chris Orr, Terry Millington, Anthony Davies and Norman Ackroyd;
- Decorative arts including Staffordshire figures, commemorative ware and studio ceramics. These include the Iris and John Fox collection, the John Wait teapot collection and works by Jane Hamlyn, Lucie Rie, Nicholas Homoky, Geoffrey Swindell and Morgan Hall.

### Library Local Studies Collection

The Local Studies Collection stored within the Central Library contains published and archival materials relating to the history, geography and literature of South East Wales. Key elements within the collection are:

- A. The Delaney Letters** – A collection of nine volumes of correspondence containing the bulk of the papers of Mary Delaney (1700-1788). Among the papers are a number by distinguished contemporaries; including three fine autograph letters signed by Mary's friend Jonathan Swift, one by her suitor John Wesley, two by the Anglo Saxon scholar Elizabeth Elstob and one by the bluestocking Elizabeth Montagu. Also present is an autograph epitaph by Horace Walpole.
- B. Papers of Sir Charles Hanbury Williams (1702 – 1759)** – These comprise some eighteen volumes of Hanbury Williams's secretarial letterbooks and original correspondence from his postings as Minister or Ambassador to Dresden Poland and Russia; plus his autograph "Journal begun at Berlin in June 1750", two volumes of autograph verse, a volume containing twelve autograph letters to him by Horace Walpole (1744-45), as well as by Lord Chesterfield, Hardwicke and others.
- C. The Haines Collection** – A collection of over 2,000 books, pamphlets and manuscripts relating to Monmouthshire, compiled by William Haines and donated to the library by Sir Garrod Thomas in 1924.
- D. The Chartist Collection** – A collection of printed books, pamphlets and manuscripts relating to the uprising of 1839. The key element of the collection is the 25 volumes of original trial depositions.

## Tredegar House & Park

Tredegar House is one of the best examples of a 17th century Charles II mansion in Britain. The contents of the property include paintings, furniture and other artefacts of the time period. From 16 March 2012 the property has been leased to the National Trust for Wales. Further information on the preservation and management of this property can be found on their website at <http://www.nationaltrust.org.uk>.

## Public Arts & Fixtures

The Council holds a large number of public art features, such as murals and statues, on public display throughout the local area.

## Archaeology

There are a number of archaeological sites within the Council area, and as a result, over the last 25 years this collection has substantially increased in size.

The archaeology collections of the Newport Museum and Art Gallery include:

- ❖ Prehistoric material from the old County of Gwent most notably the Severn Estuary;
- ❖ Roman material mostly from the Roman sites of Caerwent and Caerleon, Mill Street;
- ❖ Medieval material representing mostly castles and abbeys;
- ❖ Collections of local and non-local prehistoric flints; and
- ❖ Associated archive material.

In addition some material originating from excavations carried out on historic monuments on behalf of the Welsh Office (CADW), and excavations prior to new developments is held – most significantly, the Newport Ship timbers and associated artefacts.

The management of the collections is overseen by the Museums Officer (Collections and Premises). The Museums Officer manages a small team of professional staff which curates the collections and monitors its wellbeing. A project to establish a full computerised inventory of the collections is currently underway. The project started in 2006 and encompasses all collections cared for by the Museums & Heritage Service. Completing the documentation plan remains an important goal for the museum, but due to staffing resourcing issues the timetable for completion has slipped and it is hoped to be completed by 2017/18. This programme of work allows for improvements in storage conditions and highlights specific conservation needs of objects and collections. While the in-house focus is on preventive conservation measures which aim to stabilise an object's condition, specialist active conservation treatment is out-sourced and generally sought before objects are displayed.

The Curatorial team are also responsible for all acquisitions and disposals of collections' objects. Each potential acquisition is assessed against a number of criteria set out in the Museums Acquisitions and Disposals Policy. Most objects added to the collections are donated by individuals or organisations. Purchases are few and far between and are often carried out with grant aid from external bodies such as The Art Fund or the V&A Purchase Grant Fund. The disposal process follows ethical guidelines published by the Museums Association, an umbrella organisation for museums and museum professionals in the UK. It favours the transfer of objects to other organisations within the public domain.

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## 16 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	31-Mar-17	31-Mar-18
	£'000	£'000
Rental income from investment property	(1,097)	(1,375)
Direct operating expenses arising from investment property	327	149
<b>Net (gain) / loss</b>	<b>(770)</b>	<b>(1,226)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or undertake repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	31-Mar-17	31-Mar-18
	£'000	£'000
Balance at start of the year	10,380	10,396
Disposals	-	(3,136)
Net gains/ (losses) from fair value adjustments	(727)	(13)
Transfers:		
- to/ from Property, Plant and Equipment	713	445
- to/ from Assets Held for Sale	30	(115)
<b>Balance at end of the year</b>	<b>10,396</b>	<b>7,577</b>

### Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
	£'000	£'000	£'000
<i>Recurring fair value measurements using:</i>			
Office units	44	265	309
Commercial units	1,683	5,585	7,268
<b>Total</b>	<b>1,727</b>	<b>5,850</b>	<b>7,577</b>

Comparative figures as at 31 March 2017 were:

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<i>Recurring fair value measurements using:</i>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value as at 31 March 2017</b>
	£'000	£'000	£'000
Residential properties	19	393	412
Commercial units/Land	1,740	8,244	9,984
<b>Total</b>	<b>1,759</b>	<b>8,637</b>	<b>10,396</b>

There were no transfers between any of the levels during the year.

**Significant Observable Inputs – Level 2:** The fair value for some of the commercial units has been based on an income approach in the current market, having regard to the passing rent being adopted and utilising comparable evidence of other similar lettings in close proximity where rent reviews are due. Where appropriate, rent has been capitalised in line with what the market is currently demanding, following research into appropriate yields and multipliers relevant to local conditions. The level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

**Significant Unobservable Inputs – Level 3:** The office units and many of the commercial units in the local Council area are also based on rent information where it exists, but in the absence of comparable evidence for specific properties, having to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels and bad debt levels. These properties are therefore categorised as Level 3 in the fair value hierarchy as significant unobservable inputs are used to determine the measurements.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3:

	<b>31-Mar-18</b>	<b>Valuation technique used to measure fair value</b>	<b>Unobservable inputs and Sensitivity</b>
	<b>£'000</b>		
Office Units	265	Hardcore and Topslice	Rental growth, Collection of rent, Discount rate, Basis of occupation
Commercial Units	5,576	Term and Reversion, Hardcore and Topslice	Rental growth, Special purchaser, Discount rate

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by an external valuer, Newport Norse Ltd, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation experts work closely with the Council's finance officers.

## 17 FINANCIAL INSTRUMENTS

### **a) Financial Instruments – Classifications**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grant, do not give rise to financial instruments.

### **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year measured at amortised cost comprised:

- Long-term loans from Public Works Loan Board and commercial lenders
- Short-term loans from other local authorities
- Overdraft with Santander bank
- Finance leases detailed in Note 35
- Private Finance Initiative contracts detailed in Note 36
- Trade payables for goods and services received

### **Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year and held under the following classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- Cash in hand
- Bank current and deposit accounts with Santander bank
- Loans to companies and individuals as detailed in the note
- Transferred debt from a number of local authorities as a result of local government reorganisation
- Trade receivables for goods and services delivered

Unquoted equity investments held at cost, comprising:

- Equity investments in Newport Transport Ltd

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## b) Financial Instruments – Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long-Term		Short-Term	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
	£'000	£'000	£'000	£'000
<b>Borrowings</b>				
Financial Liabilities at amortised cost	146,138	145,489	65,548	5,346
Financial Liabilities at fair value through profit and loss	453	326	(76)	83
<b>Total included in borrowings</b>	<b>146,591</b>	<b>145,815</b>	<b>65,472</b>	<b>5,429</b>
<b>Bank Overdraft</b>	-	-	<b>2,837</b>	<b>2,377</b>
<b>Other Long Term Liabilities</b>				
Southern Distributor Road - PFI	35,324	33,660	1,620	1,664
Glan Usk Primary School - PFI	9,729	9,101	627	628
Finance Leases	87	43	-	-
House Mortgages	15	3	-	-
<b>Total Other Long-Term Liabilities</b>	<b>45,155</b>	<b>42,807</b>	<b>2,247</b>	<b>2,292</b>
<b>Creditors</b>				
Financial Liabilities at amortised cost:				
- Section 106 deposits	4,849	5,776	-	-
- Other long term creditors	7,086	6,213	-	-
Financial Liabilities carried at contract amount	-	-	32,916	40,538
<b>Total Creditors</b>	<b>11,935</b>	<b>11,989</b>	<b>32,916</b>	<b>40,538</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>203,681</b>	<b>200,611</b>	<b>103,472</b>	<b>50,636</b>

The financial asset disclosed in the Balance Sheet are analysed in the following categories:

	Long-Term		Short-Term	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
	£'000	£'000	£'000	£'000
<b>Debtors</b>				
Loans and Receivables at amortised cost:				
- Tredegar House Lease Premium	8,039	7,800	241	241
- Friars Walk Development	-	-	83,028	-
- Officers Car Loan Schemes	-	-	34	9
- Gwent Crematorium	744	531	-	-
- Finance Leases	3,154	5,825	-	-
- Other long term debtors	2,140	7,922	-	-
Financial assets carried at contract amounts	-	-	41,423	37,446
<b>Total Included in Debtors</b>	<b>14,077</b>	<b>22,078</b>	<b>124,726</b>	<b>37,696</b>
<b>Investments</b>				
Loans and Receivables at amortised cost	-	-	2,300	20,445
Unquoted equity investment at cost (Newport Transport Ltd)	251	251	-	-
<b>Total Investments</b>	<b>251</b>	<b>251</b>	<b>2,300</b>	<b>20,445</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>14,328</b>	<b>22,329</b>	<b>127,026</b>	<b>58,141</b>

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## c) Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial Liabilities		Financial Assets		
	Amortised Cost £000	Fair Value through Profit & Loss £000	Loans & Receivables £000	2017/18 Total £000	2016/17 Total £000
Interest expense	13,614	-	-	13,614	14,044
Reductions in fair value	-	76	-	76	70
Fee expense	11	-	-	11	34
<b>Interest payable and similar charges</b>	<b>13,625</b>	<b>76</b>	-	<b>13,701</b>	<b>14,148</b>
Interest and Investment Income	-	-	(1,202)	(1,202)	(3,986)
<b>Net Gain/(Loss) for the year</b>	<b>13,625</b>	<b>76</b>	<b>(1,202)</b>	<b>12,499</b>	<b>10,162</b>

## d) Financial Instruments – Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2018, 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 Council loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- 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 at 31<sup>st</sup> March.
- 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.

Fair values are shown in the table below, 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 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 creditworthiness

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	Fair Value Level	Balance Sheet 31-Mar-17 £000	Fair Value 31-Mar-17 £000	Balance Sheet 31-Mar-18 £000	Fair Value 31-Mar-18 £000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	71,138	99,035	70,488	93,637
Long-term LOBO loans	2	30,000	50,808	30,000	48,451
Other long-term loans	2	45,453	48,109	45,326	52,609
Lease payables and PFI liabilities	3	47,402	79,216	45,099	74,544
<b>Total</b>		<b>193,993</b>	<b>277,168</b>	<b>190,913</b>	<b>269,241</b>
Liabilities for which fair value is not disclosed*		113,160		57,685	
<b>Total Financial Liabilities</b>		<b>307,153</b>		<b>248,598</b>	
Recorded on balance sheet as:					
Short-term creditors		36,462		40,538	
Short-term borrowing		65,472		5,428	
Bank Overdraft		2,837		2,377	
Long-term creditors		8,389		9,342	
Long-term borrowing		146,591		145,814	
Other long-term liabilities		47,402		45,099	
<b>Total Financial Liabilities</b>		<b>307,153</b>		<b>248,598</b>	

\* The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

Fair values of the Council's financial assets is not significantly different to the amortised cost as recognised on the balance sheet. This is due to the large proportion of them relating to long term debtor loans which are now short term and are due in the next financial year.

## 18 INVENTORIES

Inventories are purchased and used by the Council at historical cost. Work in progress is included at cost. An analysis is as follows:

	31-Mar-17 £'000	31-Mar-18 £'000
<b>Stocks</b>		
Building Services	160	132
Leisure & Catering	3	2
Museum Shop	5	5
Printing/Stationery	7	7
Monwel Hankinson	9	10
	<b>184</b>	<b>156</b>

# Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## 19 SHORT TERM DEBTORS

Short term debtors are shown in the Balance Sheet net of provisions for bad and doubtful debts:

	31-Mar-17			31-Mar-18		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	105,558	(2,863)	102,695	13,757	(2,968)	10,789
Council tax payers	5,352	(3,233)	2,119	5,845	(3,446)	2,399
NHS bodies	1,369	-	1,369	1,405	-	1,405
Central government bodies*	15,806	-	15,806	21,769	-	21,769
Other local authorities	2,737	-	2,737	1,477	-	1,477
	<b>130,822</b>	<b>(6,096)</b>	<b>124,726</b>	<b>44,253</b>	<b>(6,414)</b>	<b>37,839</b>

\* Central government bodies debtors include grants issued by Welsh Assembly Government that were initially issued to other Local Authorities, who act as banking facilities, but relate to funds directly for Newport City Council.

\*\*Included within general debtors at 31 March 2017 was a loan which was due from Queensberry Ltd. The value of the loan at 31 March 2017 was £91m (£83m principal and £8.8m rolled up interest up to the 8 December 2016). Following the successful sale of Friars Walk on 9 June 2017, the scheme was sold greatly reducing the level of general debtors outstanding.

## 20 CASH AND CASH EQUIVALENTS

The cash held by the Council represents petty cash balances held by numerous establishments throughout the Council and any credit bank balances that are not included within our "pooled account" with Santander.

The bank overdraft includes un-cleared payments within the banking system. In practice, the treasury management policy of the Council is to maintain the pooled bank account balance as near to zero as possible to minimise interest charges on overdrawn balances and maximise interest earned by short-term lending of surplus funds. The actual pooled bank balance at the close of business on 31 March 2018 was £15k, (31 March 2017 – £19k overdrawn).

The balance of Cash and Cash Equivalents is made up of the following elements:

	31-Mar-17	31-Mar-18
	£'000	£'000
Short-Term Investments classified as cash equivalent	2,300	3,079
Cash held by the authority	65	72
Bank Current accounts	<u>(2,837)</u>	<u>(2,378)</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>(472)</u></b>	<b><u>773</u></b>

# Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## 21 ASSETS HELD FOR SALE

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Assets at the start of the year</b>	656	408
Assets newly classified as held for sale:		
Property, Plant and Equipment	233	115
Revaluation losses	(8)	-
Revaluation gains	4	-
Assets declassified as held for sale:		
to Property, Plant and Equipment	-	-
to Investment Properties	(30)	-
Assets sold	<u>(447)</u>	<u>(289)</u>
<b>Assets at year-end</b>	<b><u>408</u></b>	<b><u>234</u></b>

## 22 SHORT TERM CREDITORS

The following is an analysis of the short term creditors shown in the Balance Sheet:

	31-Mar-17	31-Mar-18
	£'000	£'000
General	(24,662)	(29,806)
Central government bodies	(3,091)	(2,747)
Prepayments of council tax	(1,173)	(1,124)
NHS bodies	(79)	(1,195)
Other local authorities	<u>(3,911)</u>	<u>(5,073)</u>
	<b><u>(32,916)</u></b>	<b><u>(39,945)</u></b>

# Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## 23 PROVISIONS

Provisions represent sums set aside for liabilities or losses which are likely to be incurred or certain to be incurred, but where the amount or timing of such liability is not certain. In the case of each of the provisions listed below, the amount of the liability and the timing of the resulting transfer of economic benefits are uncertain.

	31-Mar-17	Further provisions	Amounts used	Unused amounts reversed	31-Mar-18
	£'000	£'000	£'000	£'000	£'000
Current Provisions					
Accumulated absence provision	(3,475)	(541)	-	-	(4,016)
Social Care Tasks	-	(331)	-	-	(331)
Insurance / MMI Provision	(1,332)	(682)	510	-	(1,504)
Energy Provision	(200)	-	-	-	(200)
Other	(414)	-	-	-	(414)
	<b>(5,422)</b>	<b>(1,554)</b>	<b>510</b>	<b>-</b>	<b>(6,466)</b>
Long Term Provisions					
Landfill Capping	(5,803)	-	143	-	(5,660)
Other		(2,819)			(2,819)
	<b>(5,803)</b>	<b>(2,819)</b>	<b>143</b>	<b>-</b>	<b>(8,479)</b>

Accumulated Absences	Accounting provision to recognise impact of accruing leave at the end of the year. No payment is made as employees have to take leave prior to leaving the Council. This is therefore not cash backed.
Insurance	Provision for known insurance claims which currently being made against the Council for a variety of incidents. These insurance claims have been assessed as having either a 'likely' or 'reasonable' chance of payout.
Equal Pay	Provision to comply with recommended practice in respect of equal pay claims. All payments have been made and this provision will not be required going forward.
Landfill Capping	Provision to comply with recommended practice in respect of costs relating to the future capping of Landfill sites once they have been fully utilised. The estimation for the landfill provision is made up of two elements, the estimated cost of capping the site and the aftercare costs once the site has been capped. The Council has undertaken a thorough review of both of these elements during 2016/17 and the estimates have been updated as a result. The aftercare costs are now included at £3,077k and the capping element is £2,583k.
Social Care Provision	New provision for the Social Care Task provision, which is money set aside for the estimated liability for Local Authorities to settle historical liabilities stemming from the Supreme Court ruling last August on the funding of tasks performed by a registered nurse.
Energy Provision	Amount set aside for energy bills from previous years that are expected to be paid in 2018/19. Due to problems with billing with the energy supplier, the Council is unable to be certain of what service areas this will impact upon or the certainty over the value of the bills that will ultimately be paid therefore this has been set aside as a provision.
Other long term provisions	Other long-term provisions – the main amount within other long-term provisions is in relation to the income subsidy that is due for Friars Walk over the next 14 years. The amount included is based on an estimated net present value of payments. The other amount included is related to the City Deal Joint Venture.”

# Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## 24 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 10.

## 25 UNUSABLE RESERVES

	31-Mar-17	31-Mar-18
	£'000	£'000
Revaluation Reserve	(130,929)	(127,237)
Capital Adjustment Account	(115,307)	(123,468)
Financial Instruments Adjustment Account	5,724	5,085
Deferred Capital Receipt Reserve	(1,033)	(21)
Transport Company Realisation Account	(251)	(251)
Pensions Reserve	324,745	324,017
Accumulated Absence Account	3,457	3,998
	<b>86,406</b>	<b>82,123</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued 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 in the Capital Adjustment Account.

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Balance at 1 April</b>	<b>(127,512)</b>	<b>(130,929)</b>
Upward revaluation of assets	(9,741)	(4,143)
Downward revaluation of assets and impairment losses not charged to provision of services	2,311	3,606
<b>Surplus or deficit on revaluation of non-current assets not charged to provision of services</b>	<b>(7,430)</b>	<b>(537)</b>
Difference between fair value depreciation and historic cost depreciation	3,552	3,615
Accumulated gains on assets sold or scrapped	461	614
Amount written off to the Capital Adjustment Account	4,013	4,229
<b>Balance at 31 March</b>	<b>(130,929)</b>	<b>(127,237)</b>

# Notes to the Statement of Accounts

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Newport City Council

## Capital Adjustment Account

The requirement to maintain a Capital Adjustment Account commenced in April 2007 as a requirement of the 2007 SORP. The opening balance represented the closing value of the previously maintained Capital Financing Account and Fixed Asset Restatement Account. The Account represents a store of capital resources set aside to meet past capital expenditure.

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Balance at 1 April</b>	<b>(116,951)</b>	<b>(115,307)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	28,261	23,500
Revaluation losses/gains on Property, Plant and Equipment	3,832	3,343
Amortisation of intangible assets	-	-
Revenue Expenditure Funded from Capital under Statute	5,459	5,234
Amount of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	1,104	1,551
	<b>38,656</b>	<b>33,628</b>
Adjusting amounts written out of the Revaluation Reserve	(4,013)	(4,228)
Net written out amount of the cost of non-current assets consumed in the year	<b>34,643</b>	<b>29,400</b>
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(1,367)	(4,865)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(17,529)	(21,915)
Statutory provision for the financing of capital investment charged against the Council Fund balances	(12,937)	(10,168)
Capital expenditure charged against the Council Fund balance	(1,897)	(625)
	<b>(33,730)</b>	<b>(37,573)</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	727	13
Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	4	(1)
<b>Balance at 31 March</b>	<b>(115,307)</b>	<b>(123,468)</b>

# Notes to the Statement of Accounts

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Newport City Council

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance through the Movement in Reserves Statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on the Council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at the end of the year will be charged to the Council Fund over the next 40 years.

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Balance at 1 April</b>	<b>6,367</b>	<b>5,724</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(643)	(639)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(643)	(639)
<b>Balance at 31 March</b>	<b>5,724</b>	<b>5,085</b>

## Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gain recognised on the disposal of non-current assets for which a cash settlement has yet to be received. Under statutory arrangements, the Council does not treat these gains as usable for financing capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Balance at 1 April</b>	<b>(3,822)</b>	<b>(1,033)</b>
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	-	-
Transfer to Capital Receipts Reserve	2,789	1,012
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,789	1,012
<b>Balance at 31 March</b>	<b>(1,033)</b>	<b>(21)</b>

# Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## 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 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 pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in 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.

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Balance at 1 April</b>	<b>279,720</b>	<b>324,745</b>
Actuarial gains or losses on pensions assets and liabilities	33,573	(20,900)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	26,080	34,812
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,628)	(14,640)
<b>Balance at 31 March</b>	<b>324,745</b>	<b>324,017</b>

The Accumulated Absences 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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Balance at 1 April</b>	<b>2,665</b>	<b>3,457</b>
Settlement or cancellation of accrual made at the end of the preceding year	(2,665)	(3,457)
Amounts accrued at the end of the current year	3,457	3,998
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	792	541
<b>Balance at 31 March</b>	<b>3,457</b>	<b>3,998</b>

# Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

## 26 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-17	31-Mar-18
	£'000	£'000
Interest received	(418)	(9,989)
Interest paid	13,799	13,350
	<b>13,381</b>	<b>3,361</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	31-Mar-17	31-Mar-18
	£'000	£'000
Depreciation	(20,962)	(22,523)
Impairment and downward valuations	(11,132)	(4,319)
(Increase) / Decrease in creditors	(5,850)	(5,769)
Increase / (Decrease) in debtors	1,127	(77,747)
Increase / (Decrease) in stock	(23)	(28)
Pensions liability	(11,452)	(20,172)
Carrying amount of non-current assets sold	(1,104)	1,789
Other non cash adjustments	(544)	(6,490)
	<b>(49,940)</b>	<b>(135,259)</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	31-Mar-17	31-Mar-18
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,261	1,012
Any other items for which the cash effects are investing or financing cash flows	17,459	16,388
<b>Net cash flows from operating activities</b>	<b>19,720</b>	<b>17,400</b>

## 27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-17	31-Mar-18
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	23,761	32,864
Purchase of short-term and long-term investments	-	22,574
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,355)	(2,024)
Other receipts from investing activities	(18,890)	(17,018)
<b>Net cash flows from investing activities</b>	<b>(484)</b>	<b>36,396</b>

# Notes to the Statement of Accounts

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Newport City Council

## 28 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-17	31-Mar-18
	£'000	£'000
Cash receipts of short- and long-term borrowing	(141,670)	(63,217)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,249	2,292
Repayments of short- and long-term borrowing	152,894	119,708
<b>Net cash flows from financing activities</b>	<b>13,473</b>	<b>58,783</b>

## 29 MEMBERS' ALLOWANCES AND EXPENSES

All Councils are required to publish details of the amounts paid to elected members each year. Information on the amounts actually paid to each Council member is published on the Council's web site. The total allowances and expenses paid in the financial year was £917,356 (2016/17 – £897,901). All members are entitled to the same basic allowance of £13,400 per annum (2016/17 - £13,300). Also additional responsibility allowances are paid to each member holding the following positions:

	31-Mar-17	31-Mar-18
	£	£
Leader of the Council	34,700	34,700
Deputy Leader	20,200	20,200
Mayor	8,200	8,200
Deputy Mayor	2,700	2,700
Cabinet Member (x7)	15,700	15,700
Chair of Scrutiny Forum (x4)	8,700	8,700
Chair of Planning (x1)	8,700	8,700
Chair of Democratic Services (x1)	8,700	8,700
Chair of Licensing (x1)	8,700	8,700
Opposition Leader	8,700	8,700

Included in the total allowances and expenses paid in the financial year, the Authority paid five Lay (unelected) Members a total of £1,985 (2016/17: £1,869) to sit on a number of committees. This is the total for all five Members and includes both fees and expenses

# Notes to the Statement of Accounts

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Newport City Council

## 30 OFFICER REMUNERATION

The remuneration paid to the Council's senior employees was as follows:

Post Holder Information		Salary/ Payment £	Car Allowances & Mileage £	Compensation for loss of office £	Pensions contributions £	Total £
Chief Executive	2017/18	137,345	900	-	26,370	164,615
	2016/17	135,985	900	-	26,109	162,994
Strategic Director - People (Reduced hours from 30.09.16 and left the Authority 31.07.17)	2017/18	25,439	300	-	4,884	30,623
	2016/17	88,092	900	-	16,914	105,906
Strategic Director - People (Appointed 01.07.17)	2017/18	75,064	675	-	14,412	90,151
	2016/17	-	-	-	-	-
Strategic Director - Place (Appointed 18.07.16)	2017/18	102,865	900	-	19,750	123,515
	2016/17	69,792	634	-	13,400	83,826
Chief Education Officer (Until 30.06.17)	2017/18	22,731	169	-	4,364	27,264
	2016/17	90,022	675	-	17,284	107,981
Chief Education Officer (Interim Chief Education Officer 01.07.17 - 30.11.17 and permanent from 01.12.17)	2017/18	53,587	607	-	10,289	64,483
	2016/17	-	-	-	-	-
Head of Law and Regulation (Monitoring Officer)	2017/18	79,514	450	-	15,267	95,231
	2016/17	78,726	450	-	15,115	94,291
Head of Finance (Section 151 Officer)	2017/18	79,514	612	-	15,267	95,393
	2016/17	78,726	991	-	15,115	94,832
Head of People & Business Change	2017/18	77,578	675	-	14,895	93,148
	2016/17	74,618	680	-	14,327	89,625
Head of Regeneration, Investment & Housing (Appointed as Head of RIH 02.03.15 - 17.07.16)	2017/18	-	-	-	-	-
	2016/17	20,593	319	-	3,954	24,866
Interim Head of Regeneration, Investment & Housing Services (from 22.08.16 - 23.04.17 and permanent from 24.04.17)	2017/18	72,776	1,011	-	13,973	87,760
	2016/17	34,125	151	-	6,462	40,738
Head of Adult & Community Services	2017/18	75,690	675	-	14,532	90,897
	2016/17	72,832	675	-	13,984	87,491
Head of Children & Young People Services (Appointed 01.08.17)	2017/18	50,460	720	-	9,688	60,868
	2016/17	-	-	-	-	-
Head of Streetscene & City Services (Appointed 15.05.17)	2017/18	64,909	593	-	12,463	77,965
	2016/17	-	-	-	-	-
Head of Streetscene (Left the Authority 20.03.17)	2017/18	-	-	-	-	-
	2016/17	76,398	655	39,650	14,668	131,371

The Head of Children & Family Services has only been included in the above table from the 1<sup>st</sup> August 2017 as the post holder was a secondee from Barnardo's until she was made permanent as Head of Children and Young People. For information, whilst still an employee of Barnardos in 2017/18 the post holder cost £31,256 (2016/17 £89,095).

# Notes to the Statement of Accounts

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Newport City Council

## Election Returning Officer Fees

During 2017/18 the Chief Executive received £11,008.55 for his role as the Authorities Returning Officer. (In 2016/17, he received £29,142)

There were no employees whose salary, excluding pension contributions, exceeded £150,000 per annum.

The ratio between the Council's highest paid employee and the median position for 2017/18 was 1:6:7 (2016/17 was 1:6.3). The median position for the Council for 2017/18 is £20,661 (2016/17 was £21,745). These figures do not include taxable expenses and benefits in kind as this is not likely to make a material difference to the ratios.

The Council's other employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	31-Mar-17		31-Mar-18	
	Teaching	Other	Teaching	Other
£135,000 - £139,999	1	0	0	0
£105,000 - £109,999	1	0	2	1
£100,000 - £104,999	1	0	1	-
£95,000 - £99,999	1	0	1	2
£90,000 - £94,999	3	0	2	-
£85,000 - £89,999	2	1	2	-
£80,000 - £84,999	2	1	-	1
£75,000 - £79,999	2	0	4	-
£70,000 - £74,999	11	0	13	-
£65,000 - £69,999	13	0	13	-
£60,000 - £64,999	17	3	21	1
<b>Total</b>	<b>54</b>	<b>5</b>	<b>59</b>	<b>5</b>

The figures above include amounts that are paid to employees on redundancy.

The number of exit packages, with the total cost per band and the total cost of the compulsory and other redundancies are set out below:

The below table shows the cost of redundancies that took place during the 2017/18 financial year. An additional £173,644 was paid in relation to redundancies that occurred during 2016/17 but were paid in 2017/18.

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-18	31-Mar-18	31-Mar-18	31-Mar-18
£0 - £20,000	6	61	67	£ 613,431
£20,001 - £40,000	-	20	20	599,937
£40,001 - £60,000	-	12	12	587,399
£60,001 - £80,000	-	4	4	271,930
£80,001 - £100,000	-	-	-	-
<b>Total</b>	<b>6</b>	<b>97</b>	<b>103</b>	<b>2,072,697</b>

# Notes to the Statement of Accounts

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Newport City Council

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-17	31-Mar-17	31-Mar-17	31-Mar-17 £
£0 - £20,000	11	50	61	622,912
£20,001 - £40,000	2	19	21	620,754
£40,001 - £60,000	1	8	9	436,393
£60,001 - £80,000	1	4	5	346,482
£80,001 - £100,000	1	-	1	97,107
<b>Total</b>	<b>16</b>	<b>81</b>	<b>97</b>	<b>2,123,647</b>

## 31 EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and for any non-audit services provided by the Council's external auditors:

	31-Mar-17	31-Mar-18
	£'000	£'000
Fees payable with regard to external audit of accounts	192	192
Fees payable in respect of local government measure	105	105
Fees payable for the certification of grant claims and returns for the year	82	70
<b>Total</b>	<b>379</b>	<b>367</b>

# Notes to the Statement of Accounts

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Newport City Council

## 32 GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	166,336	161,757
Contribution from Non-Domestic Rate	42,806	46,493
Outcome Agreement Grant	-	0
<b>Total</b>	<b>209,142</b>	<b>208,250</b>

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Credited to Services</b>		
<b>Education Grants</b>		
Education Improvement Grant	7,065	7,052
ISB Funding - Post 16 Grant	7,741	6,797
Pupil Deprivation	4,739	4,878
Maintenance Grant	-	676
Other	1,239	707

<b>Education Contributions</b>		
Gwent Music	9	46
Other	1,620	1,922
<b>Education Donations</b>	870	761

<b>Social Services Grants</b>		
Supporting People	6,510	6,368
Substance Misuse	4,411	4,412
Preventions	365	365
Families First	1,346	1,339
Youth Offending Service	335	334
Intermediate Care Fund	1,197	980
Welsh Independent Living Grant	865	840
Regional Domestic Violence	361	353
Other	622	3,233
<b>Social Services Contributions</b>		
Section 28A funding	2,095	2,095
Other	1,055	700
<b>Social Services Donations</b>	-	1

<b>Regeneration, Investment &amp; Housing Grants</b>		
Communities First Grants	2,391	1,674
Flying Start	5,624	5,555
Families First Youth	676	688
Streets Ahead	31	29
Communities for Work	371	378
Inspire to Achieve	1,137	1,238
Adult Education	329	372
Other	476	1,023

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<b>Regeneration, Investment &amp; Housing Contributions</b>	31	7
<b>Regeneration, Investment &amp; Housing Donations</b>	1	4
<b>Streetscene Grants</b>		
Housing Benefit Subsidy	714	909
Sustainable Waste	2,755	2,610
Concessionary Fares	2,926	2,395
Sport & Leisure Management	857	753
Other	1,299	1,345
<b>Streetscene Contributions</b>	47	97
<b>Corporate Services Grants</b>		
Housing Benefit Subsidy	56,328	54,050
NNDR	318	314
Training	360	360
Other	1,429	1,219
<b>Corporate Service Contributions</b>	203	170
<b>Corporate Service Donations</b>	21	15
<b>Total</b>	<b>120,767</b>	<b>119,063</b>

Where grants, contributions and donations are given, subject to conditions being met, they are held as Capital Grants Received in Advance (Unapplied) until the conditions are met.

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## 33 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.

### Welsh Government

The Welsh Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Grants received from government departments are set out in the analysis in Note 32.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 29. During 2017/18, works and services to the value of £9.3m were commissioned from or paid to companies in which twenty members had an interest. (Restated 2016/17: £11.1m where sixteen members had an interest). This includes balances of £3.1m paid to Newport Transport Limited (2016/17: £3.4m) which is further disclosed below. This also includes balances of £3.6m and £1.9m paid to Newport Norse and Wastesavers Ltd respectively. As at 31st March 2018, the balances outstanding for related parties were debtors of £1.5m (2016/17 £1m) and creditors of £2.6m (2016/17 £2.1m).

Payments of £3.6m were paid to Newport Norse Ltd in 2017/18 (£3.3m (restated) in 2016/17). This is Newport City Council's first joint venture company. Newport Norse has invited one member of the Council on the board in their capacity as an elected member, not as a private individual. As at 31st March 2018, the balances outstanding for Newport Norse were debtors of £659k (£294k in 2016/17) and creditors of £1.3m (2016/17 £1.4m).

There were payments of £1.9m made to Waste Savers Ltd in 2017/18 (£2.2m in 2016/17 (restated)). This company is independent from the Council. As at 31st March 2018, the balances outstanding for Wastesavers were debtors of £18k (£nil in 2016/17) and creditors of £nil (2016/17 £60k). There are no members on the board of Wastesavers Ltd but there is one Member of the Council on the board of Wastesavers Charitable Ltd, the parent company of Wastesavers Ltd. The council contract with the company for waste recycling services.

Newport City Council also made payments to Newport Live amounting to £344k in 2017/18 (2016/17 £206k (restated)), this is a company that has charitable status and is independent from the Council. The company has invited two members of the Council on the board, in their capacity as elected members, not private individuals. Newport Live is contracted by the Council to run its sport and leisure services. As at 31st March 2018, the balances outstanding for Newport Live were debtors of £121k (£120k in 2016/17) and creditors of £16k (2016/17 £90k).

There were 4 declarations of interest submitted where grants have been paid to voluntary organisations. These were Newport Women's Aid for which payments totalled £207k (2016/17 £220k) and Gwent Association for Voluntary Organisation for which payments totalled £112k (2016/17 £416k).

### Officers

The Head of Children and Family Services was seconded from Barnardo's until 31 July 2017 when she became a permanent employee of the Council. The Council also makes payments to Barnardo's and in 2017/18 this amounted to £1.3m (2016/17 £1.5m (restated)). These payments relate to grants and contracts that were in existence prior to this agency appointment. The majority of these payments to Barnardo's relate to the following areas:

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- a. Family First Grant projects - £419k (2016/17 £451k)
- b. the preferred provider Family Support Team partnership arrangements - £618k (2016/17 £572k)
- c. Reflect project - £121k (2016/17 £nil)

As at 31st March 2018, the balances outstanding for Barnardos were debtors of £100k (2016/17 £26k), there were creditors of £435k (£149k in 2016/17).

There were no declared organisations in which senior officers of the Council held pecuniary interests.

There is one Senior Officer (Strategic Director of Place) who is elected to the board of Newport Norse. No other Senior Offices hold any other positions of seniority within any other Public Sector body.

## Other Public Bodies

Precepts and Levies – details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 11 to these accounts.

## **Entities Controlled or Significantly Influenced by the Council**

### **Newport Transport Ltd**

This is a company wholly owned by the Council. Newport Transport's board includes seven Council Members and one Council officer nominated by the Council. The services provided principally related to maintenance work on the Council's vehicle fleet. Details of financial transactions are detailed within the Group Accounts.

### **Newport Norse**

The Council's first joint venture company, Newport Norse, was launched on July 1<sup>st</sup> 2014. The JV company, which now oversees the Council's property maintenance, estates, facilities management and capital projects design functions, employs over 200 members of staff. Newport Norse and their subsidiary NPS Newport Limited, are Joint Venture Companies in which the Council has a 20% share and minority representation on the Board. The Council has a 50% "gain share" in the profits, which reduces the Council's service charge. The third year's trading (accounting period covering April 2017 to March 2018) delivered a profit share of £376k. The Council made payments to Newport Norse of £3.6m in 2017/18 (£3.3m in 2016/17) and received £471k in 2017/18 (£294k in 2016/17). An extract of Newport Norse's primary statements is shown in Note 45 of the accounts.

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## 34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP 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 the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>281,989</b>	<b>279,214</b>
<u>Capital investment</u>		
Property, Plant and Equipment	27,356	32,972
Heritage Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	5,459	5,234
Long Term Debtors	(1,860)	
<u>Sources of finance</u>		
Capital receipts	(1,367)	(4,867)
Government grants and other contributions	(17,529)	(21,915)
Sums set aside from revenue	(1,700)	(536)
Direct revenue contributions	(197)	(89)
Minimum Revenue Provision	(12,937)	(10,168)
<b>Closing Capital Financing Requirement</b>	<b>279,214</b>	<b>279,845</b>
Explanation of movements in year		
Increase in underlying need to borrow:		
Supported by government financial assistance	4,053	4,051
Un-supported by government financial assistance	6,109	9,124
Assets acquired under finance leases	-	-
Bullet Repayment of PFI Liability	-	-
Assets acquired under PFI contracts	-	-
Minimum Revenue Provision	(12,937)	(10,168)
<b>Increase/ (Decrease) in Capital Financing Requirement</b>	<b>(2,775)</b>	<b>3,007</b>

# Notes to the Statement of Accounts

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Newport City Council

## 35 LEASES

### Council as Lessee

#### Finance Leases

The Council has acquired a number of vehicles and equipment under finance leases. The assets acquired under these leases are included in Property Plant and Equipment in the balance sheet at the following net amounts as these are cancellable.

	31-Mar-17	31-Mar-18
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	<u>87</u>	<u>52</u>
	<b>87</b>	<b>52</b>

The Council is committed to making minimum payments under these leases, comprising settlement of the long-term liability for the interest in the property 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:

	31-Mar-17	31-Mar-18
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	35	35
- non-current	52	17
Finance costs payable in future years	<u>5</u>	<u>2</u>
Minimum lease payments	<b><u>92</u></b>	<b><u>54</u></b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
	£'000	£'000	£'000	£'000
Not later than one year	38	37	35	35
Later than one year and not later than five years	<u>54</u>	<u>17</u>	<u>52</u>	<u>17</u>
	<b>92</b>	<b>54</b>	<b>87</b>	<b>52</b>

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## Operating Leases

The Council has acquired some of its buildings and fleet by operating leases. All vehicles acquired are now within the secondary rental period of the lease agreement and therefore payments due are excluded from the table below. The minimum lease payments due on properties under non-cancellable leases in future years are:

	31-Mar-17	31-Mar-18
	£'000	£'000
Not later than one year	1,060	942
Later than one year and not later than five years	2,450	1,871
Later than five years	2,345	1,966
	<u>5,855</u>	<u>4,779</u>

## Council as Lessor

### Finance Leases

The Council has finances lease with the Kingsway Shopping Centre with a remaining term of 241 years and for Chartist Tower with remaining life of 250 years. The increase between 2016/17 and 2017/18, is due to a new lease agreement for Chartist Tower, which has meant the reclassification of the lease from an investment property to a finance lease. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31-Mar-17	31-Mar-18
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)		
- current	-	-
- non-current	3,154	5,825
Unearned finance income	61,241	124,305
Unguaranteed residual value of property	-	-
Gross Investment in the lease	<u>64,395</u>	<u>130,130</u>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
	£'000	£'000	£'000	£'000
Not later than one year	265	529	-	-
Later than one year and not later than five years	1,060	2,116	-	-
Later than five years	63,070	127,485	3,154	5,825
	<u>64,395</u>	<u>130,130</u>	<u>3,154</u>	<u>5,825</u>

# Notes to the Statement of Accounts

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## Operating Leases

The Council leases out some property under operating leases for the following purposes:

- to enable the Council to provide services for the local community; or
- to provide an income stream to help support the council tax levy.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31-Mar-17	31-Mar-18
	£'000	£'000
Not later than one year	1,278	831
Later than one year and not later than five years	6,174	1,676
Later than five years	17,559	11,571
	<u>25,011</u>	<u>14,078</u>

The Council leases out a number of farms on a life tenancy basis. These leases have been assumed to have a 99 year lease term.

## Tredegar House Lease

The Council has a lease premium with Tredegar House which relates to expenditure to the National Trust for their running of Tredegar House. The payments due to the National Trust over the life of the lease are as follows:

	31-Mar-17	31-Mar-18
	£'000	£'000
Not later than one year	-	-
Later than one year and not later than five years	2,005	2,005
Later than five years	472	472
	<u>2,477</u>	<u>2,477</u>

## 36 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Southern Distributor Road PFI Scheme

Newport City Council entered into a 40 year contract with Morgan Vinci Ltd to design, build, operate and finance the Southern Distributor Road. The contract specifies minimum standards of performance over a range of areas including reductions in journey time, reduction in the level of congestion, accident levels, improvements in road safety and road availability. The contractor took on the obligation to construct and maintain the road to an acceptable minimum standard.

The road was opened on 13th December 2004 and the agreement has a 40 year life.

#### *Property Plant and Equipment*

The assets used to provide services on the Southern Distributor Road are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

#### *Payments*

The Council makes an agreed annual payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments, remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/ performance deductions), are as follows:

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	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2018/19	729	1,664	4,521	6,914
Payable within two to five years	3,249	6,384	19,060	28,693
Payable within six to ten years	4,361	9,246	24,698	38,305
Payable within eleven to fifteen years	5,127	11,004	25,086	41,217
Payable within sixteen to twenty years	5,617	12,374	25,302	43,293
Payable within twenty one to twenty five years	5,157	10,616	19,188	34,961
<b>Total</b>	<b>24,240</b>	<b>51,288</b>	<b>117,855</b>	<b>193,383</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable. The liability outstanding is as follows:

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>38,510</b>	<b>36,944</b>
Payments during the year	(1,566)	(1,620)
<b>Balance outstanding at year-end</b>	<b>36,944</b>	<b>35,324</b>

## Glan Usk Primary School

2017/18 was the ninth year of a 25 year PFI contract for the construction and facilities management of Glan Usk Primary School.

The school operates its core areas 44 weeks per annum including a multi-use gaming area and an artificial turf pitch. The multi-use gaming area and the artificial turf pitch are also available to the community during non-school hours.

The contract operates minimum standards for the services to be provided by the contractor, with deductions from the fees payable being made if facilities are unavailable or performance is below minimum standards.

### *Property Plant and Equipment*

The assets used to provide services on the Glan Usk Primary School are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

### *Payments*

The Council makes an agreed annual payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

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	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2018/19	644	628	748	2,019
Payable within two to five years	3,002	2,374	2,947	8,323
Payable within six to ten years	4,968	2,602	3,431	11,002
Payable within eleven to fifteen years	5,080	3,013	3,654	11,748
Payable within sixteen to twenty years	1,752	1,112	1,237	4,102
<b>Total</b>	<b>15,446</b>	<b>9,729</b>	<b>12,017</b>	<b>37,194</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable. The liability outstanding is as follows:

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>10,996</b>	<b>10,356</b>
Payments during the year	(640)	(627)
<b>Balance outstanding at year-end</b>	<b>10,356</b>	<b>9,729</b>

## 37 IMPAIRMENT LOSSES

Impairment losses and impairment reversals by class of assets are disclosed within the Property, Plant and Equipment balances consolidated in Note 14. The amounts are charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure dependent on the class of impairment.

During 2017/18 the Council has recognised the following impairment losses:

	31-Mar-17	31-Mar-18
	£'000	£'000
Land & Buildings	7,530	4,181
Community Assets	-	1
Infrastructure Assets	118	91
Vehicles Plant & Equipment	-	190
Assets Under Construction	-	-
Heritage Assets	-	-
<b>Total</b>	<b>7,648</b>	<b>4,463</b>

## 38 CAPITALISATION OF BORROWING COSTS

There was no capitalisation of borrowing costs in 2016/17 or 2017/18.

## 39 TERMINATION BENEFITS

The Council completed redundancies of 102 employees in 2017/18, incurring liabilities of £2m (97 employees at £2.1m in 2016/17). See Note 30 for the number of exit packages and total cost per band. All balances were payable to Council officers, as part of the Council's general services rationalisation and efficiencies programme.

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## 40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18 the Council paid £8.5m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2016/17 were £8.4m and 16.4%. As at the 31 March 2018 contributions of £717,676 were payable (31 March 2017: £705,364).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for within Note 41 as "Unfunded Teachers' Discretionary Benefits".

## 41 DEFINED BENEFITS PENSIONS SCHEMES

### Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Torfaen County Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement (Unfunded Teachers Discretionary Benefits) – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

### Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year:

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	<b>Local Government Pension Scheme 31-Mar-17 £'000</b>	<b>Unfunded Teachers Discretionary Benefits 31-Mar-17 £'000</b>	<b>Local Government Pension Scheme 31-Mar-18 £'000</b>	<b>Unfunded Teachers Discretionary Benefits 31-Mar-18 £'000</b>
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	15,834	-	28,241	-
Past service cost (including curtailments)	447	-	138	-
Effect of settlements	-	-	(2,127)	-
Financing and Investment Income and Expenditure				
Interest income on plan assets	(13,627)	-	(11,709)	-
Interest cost on defined benefit obligation	22,984	455	20,588	(319)
<b>Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services</b>	<b>25,638</b>	<b>455</b>	<b>35,131</b>	<b>(319)</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
Changes in Demographic Assumptions	(19,645)	(963)	-	-
Return on assets excluding amounts included in net interest	(52,549)	-	(4,984)	-
Changes in financial assumptions	119,977	1,091	(15,741)	97
Other experience	(14,046)	(292)	(482)	210
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>33,737</b>	<b>(164)</b>	<b>(21,207)</b>	<b>307</b>
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services post employment benefits in accordance with the Code	25,638	455	35,131	(319)
<b>Actual amount charged against the Council Fund Balance for pensions in the year</b>				
Employer contributions	13,108	-	13,199	-
Contributions in respect of unfunded benefits	1,520	(1,040)	1,441	(973)
	<b>14,628</b>	<b>(1,040)</b>	<b>14,640</b>	<b>(973)</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2018 is a gain of £20.9m (2016/17 showed a loss of £33.6m).

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## Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	<b>Funded liabilities: Local Government Pension Scheme 31-Mar-17 £'000</b>	<b>Unfunded liabilities: Teachers Discretionary Benefits 31-Mar-17 £'000</b>	<b>Funded liabilities: Local Government Pension Scheme 31-Mar-18 £'000</b>	<b>Unfunded liabilities: Teachers Discretionary Benefits 31-Mar-18 £'000</b>
<b>Opening balance at 1 April</b>	<b>(657,293)</b>	<b>(13,513)</b>	<b>(766,282)</b>	<b>(12,763)</b>
Current service cost	(15,834)	-	(28,241)	-
Interest cost on defined benefit obligation	(22,984)	(455)	(19,950)	(319)
Plan participants contributions	(4,092)	-	(4,106)	-
Actuarial gains and losses arising on changes in financial assumptions	(119,977)	(1,091)	15,547	97
Changes in Demographics Assumptions	19,645	963	-	-
Other experience	14,046	293	62	210
Benefits paid	20,654	1,040	19,710	973
Past service cost (including curtailments)	(447)	-	(138)	-
Effect of settlements	-	-	4,814	-
<b>Closing balance at 31 March</b>	<b>(766,282)</b>	<b>(12,763)</b>	<b>(778,584)</b>	<b>(11,802)</b>

Reconciliation of fair value of the scheme assets:

<b>Local Government Pension Scheme</b>	<b>31-Mar-17 £'000</b>	<b>31-Mar-18 £'000</b>
<b>Opening balance at 1 April</b>	<b>391,099</b>	<b>454,301</b>
Interest income on plan assets	13,627	11,709
Return on assets excluding amounts included in net interest	52,549	4,984
Employer contributions	14,628	14,640
Contributions by scheme participants	4,092	4,106
Benefits paid	(21,694)	(20,683)
Settlements	-	(2,687)
<b>Closing balance at 31 March</b>	<b>454,301</b>	<b>466,370</b>

The actual return on scheme assets in the year was £16.7m (2016/17: £66.2m).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £324m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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- the deficit on the local government scheme will be made good by maintaining contributions at an appropriate rate over the remaining working life of employees, as assessed by the scheme actuary;
  - finance is only required to be raised to cover the teachers' pensions when the pensions are actually paid.
- The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £13.5m. Expected contributions to the Teachers' Pension Scheme in the year to 31 March 2019 are £8.4m.

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimated duration of benefit obligation is 18 years. Both the Teachers' Discretionary Benefits and Greater Gwent (Torfaen) Pension Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Greater Gwent (Torfaen) Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men (years)	21.5	21.5	21.5	21.5
- Women (years)	23.9	23.9	23.9	23.9
Longevity at 65 for future pensioners:				
- Men (years)	23.6	23.6	23.6	23.6
- Women (years)	26.1	26.1	26.1	26.1
Other Assumptions:				
Rate of CPI Inflation	2.4%	0.0%	2.4%	0.0%
Rate of increase in salaries	2.8%	2.8%	N/A	N/A
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.7%	2.6%	2.7%
Take-up of option to convert annual pension	50.0%	50.0%	N/A	N/A

The Teachers' Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme assets consist of the following categories:

	31-Mar-17	31-Mar-18
	£'000	£'000
Equities	85,806	87,252
Investment Funds	342,656	344,413
Property	11,542	11,261
Alternatives	12,046	19,636
Cash	2,251	3,808
	<b>454,301</b>	<b>466,370</b>

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## 42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a number of financial risks:

- Credit risk - failure to receive amounts due to the Council;
- Liquidity risk - insufficient funds to meet its commitments;
- Market risk - financial instability arising from changes in interest rates and stock markets.

The Council's overall risk management programme focuses on unpredictability of financial markets and minimises any adverse effects on the resources available to fund services. Risk management is undertaken by the central treasury team, under policies approved by the Council in its treasury management and investment strategy. Specifically it manages the risks listed as follows:

### Credit Risk

Arising from deposits with banks and financial institutions, as well as credit exposure to the Council's customers, this risk is minimised by only making deposits with financial institutions once they meet minimum credit criteria. Details are included in the annual investment strategy. The strategy requires the Council to invest its funds prudently and to have regard to security and liquidity of its investments before seeking the highest rate of return or yield. The Council's objective when investing funds is to strike an appropriate balance between risk and return minimising the risk of incurring losses from default and the risk of receiving unsuitably low investment income. This Council has no recent experience of non-payment of its investments and therefore assesses its credit risk in this area as negligible.

The Council formally reviews its approved counterparties which are formalised in its treasury management strategy. In addition the approved counterparties credit ratings are regularly reviewed in conjunction with the treasury management advisors, Arlingclose Ltd.

Arlingclose provides the Council with credit services which use sophisticated modelling approaches with credit ratings from the major credit rating agencies. These counterparty listings are based on credit ratings and by counterparty type (Secured and Unsecured banks, Government, Corporate and Registered Providers).

The Annual Investment Strategy documents the maximum amounts and time limits in respect of each financial institution. The credit limits were not exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not currently apply credit ratings to its council tax and trade debtors although this is always under review. Its exposure to non-payment of these debts is summarised as:

	Amount at 31 Mar 2018	Historic experience of default	Estimated Exposure to non- repayment Mar 2018	Estimated Exposure at 31 Mar 2017
	£'000	%	£'000	£'000
Council tax debts	5,845	1.10	64	59
Trade debtors		1.52	-	82
			<b>64</b>	<b>141</b>

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The Council expects repayment of its general debt within 30 days. However, £2.3m of the £5.4m is past this due date. The general debt is analysed as:

	31-Mar-17	31-Mar-18
	£'000	£'000
Less than thirty days	3,147	5,410
Less than three months	675	24
Three months to one year	709	126
More than one year	878	547
	<u>5,409</u>	<u>6,107</u>

The Council has also provided loan agreements to third party organisations who are undertaking city regeneration. The majority of these loans relate to Friars Walk retail development. The loans are subject to the usual commercial warranties to ensure security of assets. The Council are not aware of any historical default issues. These loans are expected to be paid back in full on the agreed dates. Please see financial instrument Note 17 and Contingent Asset Disclosure note 44 for additional disclosures.

## Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has ready borrowing access to the money market and the Public Works Loans Board to cover short term unforeseeable events. However, there is a risk that the Council may need to replenish significant borrowings at a time that interest rates are not favourable. Consequently, under its Treasury Management Strategy it sets limits on the proportion of variable rate borrowings in accordance with CIPFA's Treasury Management recommended practice, currently all of the borrowing is on fixed rate.

	31-Mar-17	31-Mar-18
	£'000	£'000
<b>Loan maturity</b>		
Less than one year	65,472	5,428
Between one and two years	-	40,972
Between two and five years	44,407	7,480
More than five years	102,184	97,363
	<u>212,063</u>	<u>151,243</u>

All trade and other payables are repayable in less than one year.

## Market Risk

### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to changes in interest rates on its borrowings and investments. These are very complex to the extent that an increase in interest rates would have the following effects:

- Borrowing at variable rates will see an increase in the expenses interest charged to the Income and Expenditure account;
- Investments at variable rates will see an increase in the income interest shown on the Income and Expenditure account.

The impact of interest rate changes in borrowing and investment held at variable interest rates will impact on the Council's Income and Expenditure account and therefore it's Council Fund Balances.

The Council has a number of strategies to manage the interest rate risk, as contained within its treasury management and investment strategy. Where it is economically sound to do so the Council will, during falling interest rates, repay early high cost fixed rate loans to limit loss exposure.

# Notes to the Statement of Accounts

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The treasury management team actively assesses the Council's interest rate exposure and feeds this into its medium term financial planning process. This minimises any adverse effects. The Council does not currently have any borrowing at variable interest rates.

## Price Risk

The Council does not generally invest in equity shares and therefore has no exposure to movement in share price.

## Foreign Exchange Risk

The Council has a small Euro bank account of approximately €2,000. The exposure to losses arising from movement in exchange rates is therefore negligible.

## 43 CONTINGENT LIABILITIES

There are a number of contingent liabilities identified as at 31 March 2018:

- **MMI Insurances** - The Council manages the residual insurance fund of the former Gwent County Council. Municipal Mutual Insurance Limited (MMI) covers some of the claims of both ex- authorities (Gwent CC and Newport Borough Council). Following a High Court case in March 2012, MMI has now confirmed that they will be unable to settle the remaining claims in total, and the Council is now required to meet a balance of the remaining claims.

In April 2013, Ernst & Young, the Scheme Administrators advised that the levy to be paid by Members had been set at the mid-point (15%) of the potential ranges of between 9.5 % and 28%. The 15% levy at £463k (based on the Council's current claims value of £3.1m) was paid during the financial year. In March 2016, the Scheme Administrators then recommended that the levy should be increased to 25%, meaning that Newport City Council had an additional levy of 10% requested. This equated to £347k, and this was paid in 2016/17. A reserve was established in 2013/14 which now totals £602k to manage the risk of the levy ultimately being set at 35%.

- **Insurance Claims** - The Council manages current insurance claims made against it on an on-going basis. As at 31 March 2018 the total claims outstanding were £3m. Claims totalling £1.5m have been included as a provision in Note 23. There are a number of claims against the Council that are not included within the insurance cover. These relate to discrimination, employment tribunals, copyright claims and civil litigation, it is difficult to quantify the amount of these claims and the likelihood of the liability, and the Council is disputing all of the claims.
- **Newport City Homes** - As part of the legal agreements associated with the transfer of the housing stock in 2008, the Council provided a number of property-related, employment, planning, environmental and other warranties to Newport City Homes and its funders which are for a period of 35 years from the date of transfer. The property-related warranties are limited to £9,000 per property (as at 2008 index linked to RPI), and cover 9,144 separate properties. Other warranties and indemnities would only apply after Newport City Homes has committed pre-determined levels of expenditure within its Business Plan. To date there has been no call on these warranties.
- **Financial Guarantees** – The Council has entered into a number of agreements to act as guarantor in particular regarding the safeguarding of former employees' pension rights when their employment was transferred to third party organisations. There is no quantifiable liability to the Council; however there remains a potential liability in future years.

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## 44 CONTINGENT ASSETS

No contingent assets were identified at 31 March 2018.

## 45 LIMITED COMPANIES

### The South East Wales Education Achievement Service Ltd

This is a company limited by guarantee, with the five Local Authorities in the Gwent area each being a member of the company.

The objects of the company are to provide services to the participating authorities in relation to their functions in the field of education and, subject to the participating authorities' unanimous prior approval, to other local authorities and other persons exercising functions in the field of education.

An extract of the key figures from the draft unaudited accounts of the company for the year-ending 31 March 2018 is reproduced below.

<b>EAS</b>	<b>31-Mar-17</b>	<b>31-Mar-18</b>
	£'000	£'000
<b>Profit and Loss Account</b>		
Turnover	(8,102)	(7,559)
Cost of sales	7,997	7,557
<b>Gross profit</b>	<b>(105)</b>	<b>(2)</b>
Expenses, interest and taxation	-	-
<b>Retained (profit) / loss for the year</b>	<b>(105)</b>	<b>(2)</b>
<b>Balance Sheet</b>		
Long term assets	8,307	8,295
Current assets	1,925	1,667
Creditors: due within 1 year	(1,621)	(1,467)
Creditors: due after 1 year	-	-
Deferred Revenue	(5)	-
Provisions for liabilities/charges	(8,302)	(8,285)
<b>Net Assets</b>	<b>304</b>	<b>210</b>
Share capital	-	-
Profit & loss account	304	210
<b>Shareholders' Funds</b>	<b>304</b>	<b>210</b>

Payments of £1m were made to the South East Wales Education Achievement Service Ltd by the Council in 2017/18.

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## Newport Transport Ltd

This is a wholly owned “arms-length” company of the Council set up under the Transport Act 1985 to run a passenger bus service. The accounts for Newport Transport are consolidated into the Group Accounts starting on page 138.

Copies of the company's financial statements can be obtained from Newport Transport Ltd, 160 Corporation Road, Newport, South Wales, NP20 0WF.

## Newport Norse

The Council's first joint venture company, Newport Norse, was launched on July 1<sup>st</sup> 2014. The new JV company, which now oversees the Council's property maintenance, estates, facilities management and capital projects design functions. Newport Norse and their subsidiary NPS Newport Limited, are Joint Venture Companies in which the Council has a 20% share and minority representation on the Board. The Council has a 50% “gain share” in the profits, which reduces the Council's service charge. Third year's trading (accounting period covering April 2017 to March 2018) delivered a profit share of £376k to the Council. The draft set of accounts are detailed below:

	Restated 31-Mar-17 £'000	Draft 31-Mar-18 £'000
<b>Profit and Loss Account</b>		
Turnover	(10,622)	(10,282)
Cost of sales	<u>8,975</u>	<u>8,398</u>
<b>Gross profit</b>	<b>(1,647)</b>	<b>(1,884)</b>
Administrative expenses	<u>1,425</u>	<u>1,466</u>
<b>Operating profit</b>	<b>(222)</b>	<b>(418)</b>
<b>Profit on Ordinary Activities before taxation</b>	<b>(222)</b>	<b>(418)</b>
Tax on profit on ordinary activities	<b>59</b>	<b>77</b>
Profit for the Financial period	<b>(163)</b>	<b>(341)</b>
<b>Balance Sheet</b>		
Tangible Fixed Assets	76	57
<b>Current Assets</b>		
Stock	198	43
Debtors	1,471	2,709
Cash at Bank	5	7
Creditors: due within 1 year	<u>(1,135)</u>	<u>(1,860)</u>
<b>Net Current (Liabilities) / Assets</b>	<b>615</b>	<b>956</b>
<b>Long Term Liabilities</b>		
Deferred Tax	-	-
<b>Net Assets</b>	<b>615</b>	<b>956</b>
Share Capital (£10)	-	-
Profit & Loss account	<u>(615)</u>	<u>(956)</u>
<b>Shareholders' Funds</b>	<b>(615)</b>	<b>(956)</b>

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## 46 POOLED BUDGETS

The Council has entered into two pooled budget arrangements:

The Gwent Wide Integrated Community Equipment Service (GWICES) is a Section 33 Partnership Agreement between the five Local Authorities in the Gwent area and the Aneurin Bevan Local Health Board for the provision of an efficient and effective integrated community equipment service to users who are resident in the partner localities. This agreement came into effect on 1 October 2008.

The Income & Expenditure Account and Balance Sheet of this arrangement is:

	<b>31-Mar-17</b>	<b>31-Mar-18</b>
	<b>Total</b>	<b>Total</b>
	£'000	£'000
<b>Expenditure</b>		
Staff	138	150
Non-Staff	3,078	3,145
<b>Total Expenditure</b>	<b>3,216</b>	<b>3,295</b>
<b>Funding</b>		
Blaenau Gwent County Borough Council	(246)	(272)
Caerphilly County Borough Council	(455)	(474)
Monmouthshire County Borough Council	(286)	(307)
Newport City Council	(324)	(348)
Torfaen County Borough Council	(813)	(754)
Aneurin Bevan Health Board	(702)	(759)
Contribution to Lead Commissioner - LAs	(116)	(126)
Contribution to Lead Commissioner - LHBs	(23)	(25)
Community Resource Team (Frailty Project)	(252)	(230)
<b>Total</b>	<b>(3,217)</b>	<b>(3,295)</b>

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The Gwent Frailty Programme is a Section 33 Partnership Agreement between the five Local Authorities in the Gwent area and the Aneurin Bevan Local Health Board for the delivery of a range of services to avoid hospital admissions, facilitate early discharge and help individuals remain “happily independent”. The Community Resource Teams (CRTs) provide integrated Urgent Response, Re-enablement and Falls services within each locality in line with agreed Locality Annual Commissioning Plans (LCPs). This agreement came into effect on 4 April 2011, although some expenditure was incurred to establish the scheme during the previous year.

	31-Mar-17	31-Mar-18
	Total	Total
	£'000	£'000
<b>Expenditure</b>		
Baseline Declarations	-	-
Reimbursements	13,695	14,245
Invest to Save	830	830
Central Costs	456	409
<b>Total Costs</b>	<b>14,981</b>	<b>15,484</b>
<b>Funding</b>		
Blaenau Gwent County Borough Council	(553)	(559)
Caerphilly County Borough Council	(2,212)	(2,168)
Monmouthshire County Borough Council	(1,291)	(1,286)
Newport City Council	(1,639)	(1,637)
Torfaen County Borough Council	(780)	(784)
Aneurin Bevan Health Board	(8,964)	(9,034)
Welsh Government Invest to Save	-	-
<b>Total Funding</b>	<b>(15,439)</b>	<b>(15,468)</b>
<b>Net in year (under) / over spend</b>	<b>(458)</b>	<b>16</b>

## 47 JOINT VENTURES

The Code defines a joint arrangement as “a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity”.

The Code indicates that where such joint arrangements exist each participant should account directly for its share of the assets, liabilities, income, expenditure and cash flows held within or arising from the arrangement.

The Council has six such joint arrangements:

- Gwent Joint Records Committee
- Greater Gwent Cremation Committee
- Project Gwyrdd
- Welsh Purchasing Consortium
- Coroners Joint Committee
- Cardiff Capital Region City Deal (from 2017/18)

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Gwent Joint Records Committee	31-Mar-17		31-Mar-18	
	Total	NCC share	Total	NCC share
	£'000	£'000	£'000	£'000
<b>Income &amp; Expenditure Account</b>				
Expenditure	943	292	957	297
Income	(992)	(308)	(952)	(295)
<b>Net Cost of Service</b>	<b>(49)</b>	<b>(15)</b>	<b>5</b>	<b>2</b>
Pension interest cost / expected return on assets	-	-	-	-
<b>Net Operating Cost</b>	<b>(49)</b>	<b>(15)</b>	<b>5</b>	<b>2</b>
Actuarial Gains	-	-	-	-
<b>(Surplus) / Deficit for the Year</b>	<b>(49)</b>	<b>(15)</b>	<b>5</b>	<b>2</b>
<b>Balance Sheet</b>				
Current Assets	468	145	343	106
Current Liabilities	(175)	(54)	(56)	(17)
Pension Liability	-	-	-	-
<b>Total Assets less Liabilities</b>	<b>293</b>	<b>91</b>	<b>287</b>	<b>89</b>
Pension Reserve	-	-	-	-
General Reserve	(293)	(91)	(287)	(89)
<b>Total</b>	<b>(293)</b>	<b>(91)</b>	<b>(287)</b>	<b>(89)</b>

Payments of £298k were made to Gwent Joint Records Committee by the Council in 2017/18.

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Greater Gwent Cremation Committee	31-Mar-17		31-Mar-18	
	Total	NCC share	Total	NCC share
	£'000	£'000	£'000	£'000
<b>Income &amp; Expenditure Account</b>				
Expenditure	886	243	782	215
Income	(2,126)	(584)	(2,135)	(587)
<b>Net Cost of Service</b>	<b>(1,240)</b>	<b>(341)</b>	<b>(1,353)</b>	<b>(372)</b>
Pension interest cost / expected return on assets	753	207	755	207
<b>Net Operating Cost</b>	<b>(487)</b>	<b>(134)</b>	<b>(598)</b>	<b>(165)</b>
Actuarial gains	(145)	(40)	-	-
<b>Total Comprehensive I&amp;E</b>	<b>(632)</b>	<b>(174)</b>	<b>(598)</b>	<b>(165)</b>
<b>Balance Sheet</b>				
Fixed Assets	2,171	597	1,298	357
Current Assets	1,945	534	2,500	687
Current Liabilities	(14)	(4)	(26)	(7)
Long Term Creditors	(744)	(204)	(531)	(146)
Pension Liability	(153)	(42)	-	-
<b>Total Assets less Liabilities</b>	<b>3,205</b>	<b>881</b>	<b>3,241</b>	<b>891</b>
Pension Reserve	153	42	-	-
Capital Adjustment Account	(228)	(63)	-	-
Revaluation Reserve	(683)	(188)	-	-
General Reserve	(2,447)	(672)	(3,241)	(891)
<b>Total</b>	<b>(3,205)</b>	<b>(881)</b>	<b>(3,241)</b>	<b>(891)</b>

Payments of £206k were made by Greater Gwent Cremation Committee to the Council in 2017/18.

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Project Gwyrdd	31-Mar-17		31-Mar-18	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
<b>Income &amp; Expenditure Account</b>				
Expenditure	169	34	172	34
Income	(32)	-	(27)	(5)
<b>Net Cost of Service</b>	<b>137</b>	<b>34</b>	<b>145</b>	<b>29</b>
Pension interest cost / expected return on assets	-	-	-	-
<b>Net Operating Cost</b>	<b>137</b>	<b>34</b>	<b>145</b>	<b>29</b>
Contributions	(160)	(32)	(160)	(32)
<b>(Surplus) / Deficit for the Year</b>	<b>(23)</b>	<b>2</b>	<b>(15)</b>	<b>(3)</b>
<b>Balance Sheet</b>				
Current Assets	334	67	343	69
Current Liabilities	(6)	(1)	(3)	(1)
Pension Liability	-	-	-	-
<b>Total Assets less Liabilities</b>	<b>328</b>	<b>66</b>	<b>340</b>	<b>68</b>
General Reserve	(328)	(66)	(343)	(69)
<b>Total</b>	<b>(328)</b>	<b>(66)</b>	<b>(343)</b>	<b>(69)</b>

Payments of £32k were made to Project Gwyrdd by the Council in 2017/18.

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	31-Mar-17	31-Mar-18
<b>Coroners Joint Committee</b>	<b>Total</b>	<b>Total</b>
	£'000	£'000
<b>Expenditure</b>		
Employee costs	156	192
Premises	13	13
Supplies and Services	480	470
<b>Total Costs</b>	<b>649</b>	<b>675</b>
<b>Funding</b>		
Blaenau Gwent County Borough Council	(77)	(81)
Caerphilly County Borough Council	(201)	(209)
Monmouthshire County Borough Council	(102)	(107)
Newport City Council	(167)	(172)
Torfaen County Borough Council	(102)	(106)
<b>Total Contribution</b>	<b>(649)</b>	<b>(675)</b>
<b>Net in year (under) / over spend</b>	<b>-</b>	<b>-</b>

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	Total 31-Mar-17	NCC share 31-Mar-17	Total 31-Mar-18	NCC share 31-Mar-18
	£'000	£'000	£'000	£'000
<b>Cardiff Capital Region City Deal</b>				
<b>Income &amp; Expenditure Account</b>				
Expenditure	-	-	1,584	132
Income	-	-	(929)	(91)
<b>Net Cost of Service</b>	-	-	<b>655</b>	<b>41</b>
Financing and investment income and expenditure	-	-	(17)	(2)
Taxation and non-specific grant income	-	-	(24,207)	(2,376)
<b>(Surplus) / Deficit on Provision of services</b>	-	-	<b>(23,569)</b>	<b>(2,337)</b>
<b>Balance Sheet</b>				
Long Term Assets	-	-	20,183	1,937
Current Assets	-	-	26,772	2,628
Current Liabilities	-	-	(2,955)	(290)
Long Term Liabilities	-	-	(20,204)	(1,939)
<b>Net Assets</b>	-	-	<b>23,796</b>	<b>2,336</b>
Usable Reserves	-	-	411	40
Unusable Reserves	-	-	(24,207)	(2,376)
<b>Total Reserves</b>	-	-	<b>(23,796)</b>	<b>(2,336)</b>

This is the first year of consolidation with Cardiff Capital Region City Deal. Payments of £2.376m were paid to CCRCD in 2017/18. The CCRCD accounts included above are draft.

## 48 TRUST FUNDS AND THIRD PARTY ASSETS

Details of trusts are as follows:

	31-Mar-17	31-Mar-18
	£	£
Miscellaneous Education Funds	33,241	33,234

The Council passed a number of its trust fund holdings to the Community Foundation in Wales and with the agreement of the Charities Commission, passed the management of a number of other dormant funds to schools in 2008/09. The Council acts as sole trustee for the remaining Education trust funds.

The Council operates 161 (2016/17: 147) appointee bank accounts holding £1,216,947 (2016/17: £1,055,260). These relate to third party monies held by the Council on behalf of its Social Service clients. These figures have been excluded from cash and cash equivalent figures reported in the accounts.

## INTRODUCTION

The group accounts that follow comply with the requirement of the 2017/18 Code that a Local Council with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of Newport City Council and its subsidiary Newport Transport Limited. At the point of consolidation, the draft accounts were available and are what are included within the Group Accounts.

Where a note is identical to Newport City Councils individual accounts, no further disclosure has been made.

## ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

### Basis of Consolidation

The group accounts have been prepared on the basis of full consolidation of the financial transactions and balances of Newport City Council and Newport Transport Ltd. Inter-group transactions and balances between the Council and its subsidiary have been eliminated in full.

### Accounting policies

The accounting policies for both Newport City Council and Newport Transport are materially aligned.

### Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Group Statement of Accounts and associated notes have been prepared using unaudited draft accounts provided by Newport Transport. A degree of estimation and assumption was required to complete these Group accounts within the required timescales. The final version of this document will be updated for the final published accounts.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Gross Expenditure	2016/17			2017/18		
	Gross Income	Net Expenditure		Gross Expenditure	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	
25,293	(2,838)	22,455	Children's and Young People Services	29,156	(3,211)	25,945
68,744	(26,303)	42,441	Adults and Community Services	72,698	(28,959)	43,739
25,549	(5,121)	20,428	Education	27,711	(4,593)	23,118
124,936	(22,542)	102,394	Schools	125,386	(21,808)	103,578
32,942	(17,167)	15,775	Regeneration, Investment and Housing	38,018	(18,263)	19,755
54,979	(21,674)	33,305	Streetscene and City Services	52,339	(23,159)	29,180
23,760	(4,685)	19,075	Corporate Services	27,753	(5,035)	22,718
58,116	(57,536)	580	Other Non Department Costs	56,286	(55,395)	891
<b>414,319</b>	<b>(157,866)</b>	<b>256,453</b>	<b>Cost of services</b>	<b>429,347</b>	<b>(160,423)</b>	<b>268,924</b>
21,816	(1,157)	20,659	Other operating expenditure	22,998	-	22,998
24,313	(4,029)	20,284	Financing and investment income and expenditure	22,482	(2,401)	20,081
-	-	-	(Surplus) / deficit on discontinued operations	-	-	-
14	(282,644)	(282,630)	Taxation and non-specific grant income	(94)	(289,913)	(290,007)
<b>460,462</b>	<b>(445,696)</b>	<b>14,766</b>	<b>(Surplus) / Deficit on Provision of services</b>	<b>474,733</b>	<b>(452,737)</b>	<b>21,996</b>
		(7,430)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets			(537)
		32,256	Actuarial (gains) / losses on pensions assets / liabilities			(21,225)
		-	Other gains / losses required to be included in the Comprehensive Income and Expenditure Statement			-
		-	Share of other comprehensive income and Expenditure of Subsidiaries			-
		<b>24,826</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(21,762)</b>
		<b>39,592</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>234</b>

## GROUP BALANCE SHEET AS AT 31 MARCH 2018

<b>Total</b>			<b>Total</b>
<b>31/03/2017</b>		<b>Notes</b>	<b>31/03/2018</b>
£'000			£'000
499,080	Property, Plant and Equipment	6	505,654
17,977	Heritage Assets		17,968
10,396	Investment Property		7,577
-	Long Term Investments		-
14,077	Long Term Debtors		22,078
<b>541,530</b>	<b>Long Term Assets</b>		<b>553,277</b>
-	Short Term Investments		20,445
408	Assets Held for Sale		234
386	Inventories		370
124,969	Short Term Debtors	9	38,753
2,886	Cash and Cash Equivalents	11	3,322
<b>128,649</b>	<b>Current Assets</b>		<b>63,124</b>
(2,837)	Bank Overdrafts	11	(2,378)
(65,472)	Short Term Borrowing		(5,429)
(35,218)	Short Term Creditors	10	(43,288)
(5,422)	Provisions		(6,465)
(2,247)	Other Short Term Liabilities		(2,292)
<b>(111,196)</b>	<b>Current Liabilities</b>		<b>(59,852)</b>
(12,600)	Long Term Creditors	8	(11,989)
(5,803)	Long Term Provisions		(8,479)
(146,591)	Long Term Borrowing		(145,815)
(329,680)	Pension Liability	5	(328,632)
(45,154)	Other Long Term Liabilities		(42,807)
(94)	Deferred tax liability		-
<b>(539,922)</b>	<b>Long Term Liabilities</b>		<b>(537,722)</b>
<b>19,061</b>	<b>Net Assets</b>		<b>18,827</b>
(107,191)	Usable Reserves		(102,909)
88,130	Unusable Reserves		84,082
<b>(19,061)</b>	<b>Total Reserves</b>		<b>(18,827)</b>

## GROUP MOVEMENTS IN RESERVE STATEMENT FOR YEAR ENDING 31 MARCH 2018

	Council Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at the 31 Mar 2016 carried forward</b>	<b>(6,500)</b>	<b>(86,752)</b>	<b>(8,059)</b>	<b>(101,311)</b>	<b>42,658</b>	<b>(58,653)</b>
<b>Movement in reserves during 2016/17</b>						
(Surplus) / deficit on the provision of services	14,167	-	-	14,167	599	14,766
Other comprehensive Income and Expenditure	-	-	-	-	24,826	24,826
<b>Total Comprehensive Income and Expenditure</b>	<b>14,167</b>	<b>-</b>	<b>-</b>	<b>14,167</b>	<b>25,425</b>	<b>39,592</b>
Adjustments between accounting basis and funding basis under regulations	(16,364)	-	(3,683)	(20,047)	20,047	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(2,197)</b>	<b>-</b>	<b>(3,683)</b>	<b>(5,880)</b>	<b>45,472</b>	<b>39,592</b>
Transfer to/ from Earmarked Reserves	2,197	(2,197)	-	-	-	-
<b>Increase/ Decrease in 2016/17</b>	<b>-</b>	<b>(2,197)</b>	<b>(3,683)</b>	<b>(5,880)</b>	<b>45,472</b>	<b>39,592</b>
<b>Balance at the 31 Mar 2017 carried forward</b>	<b>(6,500)</b>	<b>(88,949)</b>	<b>(11,742)</b>	<b>(107,191)</b>	<b>88,130</b>	<b>(19,061)</b>
<b>Balance at the 31 Mar 2017 carried forward</b>	<b>(6,500)</b>	<b>(88,949)</b>	<b>(11,742)</b>	<b>(107,191)</b>	<b>88,130</b>	<b>(19,061)</b>
<b>Movement in reserves during 2017/18</b>						
(Surplus) / deficit on the provision of services	21,436	-	-	21,436	561	21,997
Other comprehensive Income and Expenditure	-	-	-	-	(21,762)	(21,762)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,436</b>	<b>-</b>	<b>-</b>	<b>21,436</b>	<b>(24,277)</b>	<b>(2,841)</b>
Adjustments between accounting basis and funding basis under regulations	(19,994)	-	2,841	(21,351)	17,153	(4,198)
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>1,442</b>	<b>-</b>	<b>2,841</b>	<b>4,283</b>	<b>(2,926)</b>	<b>1,357</b>
Transfer to/ from Earmarked Reserves	(1,442)	1,442	-	-	-	-
<b>(Increase) / Decrease in 2017/18</b>	<b>0</b>	<b>1,442</b>	<b>2,841</b>	<b>4,283</b>	<b>(4,048)</b>	<b>235</b>
<b>Balance at the 31 Mar 2018 carried forward</b>	<b>(6,500)</b>	<b>(87,507)</b>	<b>(8,901)</b>	<b>(102,908)</b>	<b>84,082</b>	<b>(18,826)</b>

## GROUP CASH FLOW STATEMENT FOR YEAR ENDING 31 MARCH 2018

<b>Total</b>			<b>Total</b>
<b>2016/17</b>			<b>2017/18</b>
£'000		Note	£'000
Restated			
14,766	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		21,997
(51,589)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	13	(136,089)
19,602	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13	17,421
<u>(17,221)</u>	<b>Net cash flows from Operating Activities</b>		<u>(96,671)</u>
(362)	Investing Activities	14	36,793
14,378	Financing Activities	15	58,984
<u>(3,205)</u>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<u>(894)</u>
(3,156)	Cash and cash equivalents at the beginning of the reporting period	11	49
<u>49</u>	<b>Cash and cash equivalents at the end of the reporting period</b>	11	<u>944</u>

# Group Accounts

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The notes to the Council's Core Financial statements apply also to the Group Accounts with the following additions and exceptions.

## 1 REMUNERATION

The number of employees of the Council and its subsidiary who remuneration is over £60,000 per annum is shown below.

	31-Mar-17	31-Mar-18
£135,000 - £139,999	1	0
£120,000 - £124,999	1	0
£115,000 - £119,999	0	0
£105,000 - £114,999	1	3
£100,000 - £104,999	1	2
£95,000 - £99,999	1	2
£90,000 - £94,999	3	3
£85,000 - £89,999	4	3
£80,000 - £84,999	3	1
£75,000 - £79,999	2	4
£70,000 - £74,999	11	13
£65,000 - £69,999	13	13
£60,000 - £64,999	20	22
<b>Total</b>	<b>61</b>	<b>66</b>

Further information regarding the remuneration of the employees of Newport Bus is contained within the company's 2017/18 Financial Statements.

The disclosure for Members allowances is the same as for the single entity accounts.

## 2 RELATED PARTY DISCLOSURE

Related party transactions and balances of the group are as contained in note 33 to the single entity financial statements.

## 3 EXTERNAL AUDIT COSTS

In 2017/18 the following fees were paid by the council and its subsidiary in respect of audit and inspection.

	31-Mar-17 £'000	31-Mar-18 £'000
Fees payable with regard to external audit of accounts	206	217
Fees payable in respect of local government measure	105	105
Fees payable for the certification of grant claims and returns for the year	85	70
<b>Total</b>	<b>396</b>	<b>392</b>

## 4 LEASES

### Operating leases

The Group has acquired some of its buildings and fleet by operating leases. Newport Transport also has commitments under non-cancellable operating leases. The minimum lease payments due under non-cancellable leases in future years for the Group are:

	31-Mar-17	31-Mar-18
	£'000	£'000
Not later than one year	1,079	942
Later than one year and not later than five years	2,450	1,871
Later than five years	2,345	1,966
	<u>5,874</u>	<u>4,779</u>

### Finance Leases

Both the Council and Newport Transport have acquired a number of vehicles and equipment under finance leases. The assets acquired under these leases are included in Property Plant and Equipment in the balance sheet at the following net amounts as these are cancellable:

	31-Mar-17	31-Mar-18
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	1,557	1,322
	<u>1,557</u>	<u>1,322</u>

Both the Council and Newport Transport are committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property 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:

	31-Mar-17	31-Mar-18
	£'000	£'000
Finance lease liabilities		
(net present value of minimum lease payments)		
- current	840	1,305
- non-current	717	17
Finance costs payable in future years	5	2
<b>Minimum lease payments</b>	<u>1,562</u>	<u>1,324</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
	£'000	£'000	£'000	£'000
Not later than one year	843	1,307	840	1,305
Later than one year and not later than five years	719	17	717	17
	<u>1,562</u>	<u>1,324</u>	<u>1,557</u>	<u>1,322</u>

# Group Accounts

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## 5 PENSIONS

The following sums were charged to the Group Comprehensive Income and Expenditure Statement in the year in respect of Pensions:

	Local Government Pension Scheme Newport Council 31-Mar-17 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-17 £'000	Newport Transport 31-Mar-17 £'000	Local Government Pension Scheme Newport Council 31-Mar-18 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-18 £'000	Newport Transport 31-Mar-18 £'000
<b>Comprehensive Income and Expenditure Statement</b>						
Cost of Services:						
Current service cost	15,834	-	55	28,241	-	75
Past service cost (including curtailments)	447	-	-	138	-	-
Effect of settlements	-	-	-	(2,127)	-	-
	-	-	-	-	-	-
<b>Finance and Investment Income and Expenditure:</b>	-	-	-	-	-	-
Interest income on plan assets	(13,627)	-	(396)	(11,709)	-	(351)
Interest cost on defined benefit obligation	22,984	455	646	20,588	(319)	498
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>25,638</b>	<b>455</b>	<b>305</b>	<b>35,131</b>	<b>(319)</b>	<b>222</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</b>						
Remeasurement of the net defined benefit liability comprising:						
Changes in Demographic Assumptions	(19,645)	(963)	-	-	-	-
Return on assets excluding amounts included in net interest	(52,549)	-	(2,857)	(4,984)	-	169
Changes in financial assumptions	119,977	1,091	1,270	(15,741)	97	(222)
Other experience	(14,046)	(292)	-	(482)	210	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>33,737</b>	<b>(164)</b>	<b>(1,587)</b>	<b>(21,207)</b>	<b>307</b>	<b>(53)</b>

# Group Accounts

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Funded liabilities: Local Government Pension Scheme - Newport Council 31-Mar-17 £'000	Unfunded liabilities: Teachers Discretionary Benefits Newport CC 31-Mar-17 £'000	Funded liabilities: Local Government Pension Scheme - Newport Transport 31-Mar-17 £'000	Funded liabilities: Local Government Pension Scheme - Newport Council 31-Mar-18 £'000	Unfunded liabilities: Teachers Discretionary Benefits Newport CC 31-Mar-18 £'000	Funded liabilities: Local Government Pension Scheme - Newport Transport 31-Mar-18 £'000
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## Movement in Reserves

### Statement

Reversal of net charges made to the Surplus or

Deficit on the Provision of Services post employment benefits in accordance with the Code

25,638	455	305	35,131	(319)	222
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## Actual amount charged

### against the Council

### Fund Balance for pensions in the year

Employers' contributions payable to scheme  
Contributions in respect of unfunded benefits

13,108	-	217	13,199	-	217
1,520	(1,040)	-	1,441	(973)	-
<b>14,628</b>	<b>(1,040)</b>	<b>217</b>	<b>14,640</b>	<b>(973)</b>	<b>217</b>

## Assets and Liabilities in Relation to Retirement

### Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme Newport Council 31-Mar-17 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-17 £'000	Newport Transport 31-Mar-17 £'000	Local Government Pension Scheme Newport Council 31-Mar-18 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-18 £'000	Newport Transport 31-Mar-18 £'000
<b>Opening balance at 1 April</b>	<b>(657,293)</b>	<b>(13,513)</b>	<b>(19,521)</b>	<b>(766,282)</b>	<b>(12,763)</b>	<b>(20,401)</b>
Current service cost	(15,834)	-	(55)	(28,241)	-	(75)
Interest cost on defined benefit obligation	(22,984)	(455)	(646)	(19,950)	(319)	(498)
Plan participants contributions	(4,092)	-	(11)	(4,106)	-	(11)
Actuarial gains and losses arising on changes in financial assumptions	(119,977)	(1,091)	(1,270)	15,547	97	222
Changes in Demographic Assumptions	19,645	963	-	-	-	-
Other experience	14,046	293	-	62	210	-
Benefits paid	20,654	1,040	1,102	19,710	973	1,026
Past service cost (including curtailments)	(447)	-	-	(138)	-	-
Effect of settlements	-	-	-	4,814	-	-
<b>Closing balance at 31 March</b>	<b>(766,282)</b>	<b>(12,763)</b>	<b>(20,401)</b>	<b>(778,584)</b>	<b>(11,802)</b>	<b>(19,737)</b>

## Reconciliation of Scheme Assets

	Newport CC 31-Mar-17	Newport Transport 31-Mar-17 (Restated)	Newport CC 31-Mar-18	Newport Transport 31-Mar-18
<b>Local Government Pension Scheme</b>				
	£'000	£'000	£'000	£'000
<b>Opening balance at 1 April</b>	<b>391,099</b>	<b>12,076</b>	<b>454,301</b>	<b>15,465</b>
Interest income on plan assets	13,627	396	11,709	351
Return on assets excluding amounts included in net interest	52,549	3,867	4,984	103
Employer contributions	14,628	217	14,640	217
Contributions by scheme participants	4,092	11	4,106	11
Benefits paid	(21,694)	(1,102)	(20,683)	(1,026)
Settlements	-	-	(2,687)	-
<b>Closing balance at 31 March</b>	<b>454,301</b>	<b>15,465</b>	<b>466,370</b>	<b>15,121</b>
	31-Mar-17	31-Mar-17	31-Mar-18	31-Mar-18
	£'000	£'000	£'000	£'000
Equities	85,806	-	87,252	-
Investment Funds	342,656	-	344,413	-
Property	11,542	-	11,261	-
Alternatives	12,046	-	19,636	-
Cash	2,251	-	3,808	-
	<b>454,301</b>	<b>-</b>	<b>466,370</b>	<b>-</b>

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimated duration of benefit obligation is 18 years. The Teacher's Discretionary Benefits and Great Gwent (Torfaen) Pension Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Greater Gwent (Torfaen) Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits Pension Scheme		Newport City Transport Pension Scheme	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
Mortality assumptions:						
Longevity at 65 for current pensioners:						
- Men (years)	21.5	21.5	21.5	21.5	21.5	21.5
- Women (years)	23.9	23.9	23.9	23.9	23.9	23.9
Longevity at 65 for future pensioners:						
- Men (years)	23.6	23.6	23.6	23.6	23.6	23.6
- Women (years)	26.1	26.1	26.1	26.1	26.1	26.1
Other Assumptions:						
Rate of CPI Inflation	2.4%	0.0%	2.4%	0.0%	2.4%	2.4%
Rate of increase in salaries	2.8%	2.8%	N/A	N/A	2.8%	2.8%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%	-	2.4%
Rate for discounting scheme liabilities	2.6%	2.7%	2.6%	2.7%	2.5%	2.5%
Take-up of option to convert annual pension	50.0%	50.0%	N/A	N/A	-	50.0%

# Group Accounts

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## 6 PROPERTY, PLANT & EQUIPMENT

2017/18	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets within PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2017	323,946	47,121	211,556	592	7,509	17,607	<b>608,331</b>	71,139
Additions	6,051	3,442	2,835	1	-	19,829	<b>32,158</b>	-
Donations	3,076	-	-	-	-	-	<b>3,076</b>	-
Re-classification	(35)	-	-	13	(125)	(1,603)	<b>(1,750)</b>	-
Revaluations	(501)	-	-	-	(649)	-	<b>(1,150)</b>	-
Impairments	(4,181)	(190)	(91)	(1)	-	-	<b>(4,463)</b>	-
Disposals	(871)	(1,417)	-	-	-	-	<b>(2,288)</b>	-
<b>At 31 March 2018</b>	<b>327,485</b>	<b>48,956</b>	<b>214,300</b>	<b>605</b>	<b>6,735</b>	<b>35,833</b>	<b>633,914</b>	<b>71,139</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	(18,677)	(30,073)	(60,501)	-	-	-	<b>(109,251)</b>	(18,300)
Depreciation Charge in Year	(11,581)	(4,312)	(6,240)	-	(7)	-	<b>(22,140)</b>	(1,852)
Re-classification	37	-	-	-	2	-	<b>39</b>	-
Revaluation Impact	1,597	-	-	-	5	-	<b>1,602</b>	-
Disposals	102	1,388	-	-	-	-	<b>1,490</b>	-
<b>At 31 March 2018</b>	<b>(28,522)</b>	<b>(32,997)</b>	<b>(66,741)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(128,260)</b>	<b>(20,152)</b>
<b>Net Book Value</b>								
At 1 April 2017	305,269	17,048	151,055	592	7,509	17,607	<b>499,080</b>	52,839
<b>At 31 March 2018</b>	<b>298,963</b>	<b>15,959</b>	<b>147,559</b>	<b>605</b>	<b>6,735</b>	<b>35,833</b>	<b>505,654</b>	<b>50,987</b>

# Group Accounts

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2016/17	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000	PFI Assets within PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2016	315,111	46,423	210,546	573	6,338	13,211	<b>592,202</b>	71,139
Additions	5,129	2,121	1,128	10	-	19,006	<b>27,394</b>	-
Re-classification	13,171	-	-	9	484	(14,610)	<b>(946)</b>	-
Revaluations	(1,924)	-	-	-	1,335	-	<b>(589)</b>	-
Impairments	(7,530)	-	(118)	-	-	-	<b>(7,648)</b>	-
Disposals	(11)	(1,423)	-	-	(648)	-	<b>(2,082)</b>	-
<b>At 31 March 2017</b>	<b>323,946</b>	<b>47,121</b>	<b>211,556</b>	<b>592</b>	<b>7,509</b>	<b>17,607</b>	<b>608,331</b>	<b>71,139</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2016	(9,425)	(26,826)	(54,286)	-	-	-	<b>(90,537)</b>	(16,448)
Depreciation Charge in Year	(11,084)	(4,670)	(6,215)	-	(1)	-	<b>(21,970)</b>	(1,852)
Re-classification	-	-	-	-	-	-	-	-
Revaluation Impact	1,832	-	-	-	1	-	<b>1,833</b>	-
Disposals	-	1,423	-	-	-	-	<b>1,423</b>	-
<b>At 31 March 2017</b>	<b>(18,677)</b>	<b>(30,073)</b>	<b>(60,501)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(109,251)</b>	<b>(18,300)</b>
<b>Net Book Value</b>								
<b>At 1 April 2016</b>	<b>305,686</b>	<b>19,597</b>	<b>156,260</b>	<b>573</b>	<b>6,338</b>	<b>13,211</b>	<b>501,665</b>	<b>54,691</b>
<b>At 31 March 2017</b>	<b>305,269</b>	<b>17,048</b>	<b>151,055</b>	<b>592</b>	<b>7,509</b>	<b>17,607</b>	<b>499,080</b>	<b>52,839</b>

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## 7 FINANCIAL INSTRUMENTS

Newport Transport only enters in basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payables, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

## 8 LONG TERM CREDITORS

	31-Mar-17	31-Mar-18
	£'000	£'000
Section 106 deposits	4,849	5,776
Other long term creditors	7,751	6,213
	<u>12,600</u>	<u>11,989</u>

In addition to the financial instruments disclosures in the single entity accounts it should be noted, on consolidation, the Council's shareholding in Newport Transport ceases to be a financial instrument, as the consolidation balance sheet includes the net assets of the subsidiary and their corresponding net worth. The increase the fair value is eliminated in the consolidation process.

## 9 DEBTORS

	31-Mar-17			31-Mar-18		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	105,800	(2,863)	102,937	14,672	(2,968)	11,704
Council tax payers	5,352	(3,233)	2,119	5,845	(3,446)	2,399
NHS bodies	1,369	-	1,369	1,405	-	1,405
Central government bodies	15,806	-	15,806	21,769	-	21,769
Other local authorities	2,737	-	2,737	1,477	-	1,477
	<u>131,064</u>	<u>(6,096)</u>	<u>124,968</u>	<u>45,168</u>	<u>(6,414)</u>	<u>38,754</u>

## 10 CREDITORS

	31-Mar-17	31-Mar-18
	£'000	£'000
General	(26,963)	(33,149)
Central government bodies	(3,091)	(2,747)
Prepayments of council tax	(1,173)	(1,124)
NHS bodies	(79)	(1,195)
Other local authorities	<u>(3,911)</u>	<u>(5,073)</u>
	<u>(35,217)</u>	<u>(43,288)</u>

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## 11 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash equivalents is made up of the following elements;

	31-Mar-17	31-Mar-18
	£'000	£'000
Short-Term Investments classified as cash equivalent	2,300	3,080
Cash held by the authority	586	242
	<u>2,886</u>	<u>3,322</u>
Bank Current accounts	<u>(2,837)</u>	<u>(2,378)</u>
<b>Total Cash and Cash Equivalents</b>	<u>49</u>	<u>944</u>

## 12 PROVISIONS

There are no provisions to include, other than those detailed in the Single Entity accounts.

## 13 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-17	31-Mar-18
	£'000	£'000
Interest received	(418)	(9,989)
Interest paid	13,696	13,276
Loss on disposal of tangible assets	19	-
Taxation	(15)	95
	<u>13,282</u>	<u>3,382</u>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	31-Mar-17	31-Mar-18
	£'000	£'000
Depreciation	(21,959)	(23,454)
Impairment and downward valuations	(11,132)	(4,319)
(Increase) / Decrease in creditors	(6,696)	(5,842)
Increase / (Decrease) in debtors	1,384	(77,578)
Increase / (Decrease) in stock	2	(16)
Pensions liability	(11,540)	(20,177)
Carrying amount of non-current assets sold	(1,104)	1,789
Other non cash adjustments	(544)	(6,490)
	<u>(51,589)</u>	<u>(136,087)</u>

# Group Accounts

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The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	31-Mar-17	31-Mar-18
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,261	1,012
Any other items for which the cash effects are investing or financing cash flows	17,341	16,409
<b>Net cash flows from Operating activities</b>	<b>19,602</b>	<b>17,421</b>

## 14 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-17	31-Mar-18
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	23,800	33,187
Purchase of short-term and long-term investments	-	22,574
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,375)	(2,024)
Other receipts from investing activities	(18,787)	(16,944)
<b>Net cash flows from investing activities</b>	<b>(362)</b>	<b>36,793</b>

## 15 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-17	31-Mar-18
	£'000	£'000
Cash receipts of short- and long-term borrowing	(141,670)	(63,217)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,249	2,292
Repayments of short- and long-term borrowing	153,799	119,909
<b>Net cash flows from financing activities</b>	<b>14,378</b>	<b>58,984</b>

## 16 TAXATION

Newport Transport Tax Liability is as follows:

	31-Mar-17	31-Mar-18
	£'000	£'000
Corporation tax		
Current tax on profits for the year	-	-
<b>Total Current Tax</b>	<b>-</b>	<b>-</b>
Deferred Tax		
Origination and reversal of timing differences	15	(95)
<b>Total deferred tax</b>	<b>15</b>	<b>(95)</b>
<b>Taxation on profit on ordinary activities</b>	<b>15</b>	<b>(95)</b>

# Group Accounts

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## Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 – higher than) the standard rate of corporation tax in the UK of 20% (2017 - 20%). The differences are below:

	31-Mar- 17	31-Mar-18
	£'000	£'000
Profit on Ordinary shares	<u>(585)</u>	<u>(654)</u>
Profit on ordinary shares multiplied by standard rate of corporation tax in the UK of 21% (2016 - 21%)	(117)	(131)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1	-
Non-qualifying depreciation	15	-
Changes in deferred tax rate	-	-
Adjustments to tax charge in respect of previous periods	(38)	-
Adjustments to deferred tax charge in respect of previous period	67	-
Rate difference regarding other comprehensive income	48	-
Deferred tax not recognised	39	-
Other	-	36
<b>Total tax charge for the year</b>	<u>15</u>	<u>(95)</u>

## GLOSSARY OF TERMS

- **Accruals Basis**  
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.
- **Actuarial Gains and Losses Re-measurement of Net Defined Benefit Liability**  
Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because events have not coincided with the actuarial assumptions made for the last valuation and the actuarial assumptions have changed.
- **Agency Services**  
These are services that are performed by or for another Council or public body, where the principal (the Council responsible for the service) reimburses the agent (the Council carrying out the work) for the costs of the work.
- **Appointed Auditors**  
The Audit Commission appoints external auditors to every Local Council, from one of the major providers of registered auditors. The Welsh Audit Office is the Council's appointed Auditor.
- **Authorised Limit**  
This represents the legislative limit on the Council's external debt under the Local Government Act 2003.
- **Balances**  
The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.
- **Capital Adjustment Account**  
The Account accumulates (on the debit side) the write-down of the historical cost of Property, Plant and Equipment as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.
- **Capital Expenditure**  
This is expenditure on the acquisition of property, plant and equipment, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.
- **Capital Financing Charges**  
This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.
- **Capital Receipts**  
Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

# Glossary of Accounting Related Terminology

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Newport City Council

- **Carrying Amount**  
The Balance Sheet value recorded of either an asset or a liability.
- **Chartered Institute of Public Finance and Accountancy (CIPFA)**  
CIPFA is the leading professional accountancy body for public services.
- **Community Assets**  
This is a category of Property, Plant and Equipment that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.
- **Contingency**  
This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.
- **Contingent Liabilities or Assets**  
These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's Statement of Accounts.
- **Council Tax Requirement**  
This is the estimated revenue expenditure on General Fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.
- **Creditors**  
Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.
- **Current Service Cost**  
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.
- **Debtors**  
These are sums of money due to the Council that have not been received at the date of the Balance Sheet.
- **Deferred Capital Receipts**  
These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.
- **Depreciation**  
This is the measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.
- **Derecognition**  
Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

# Glossary of Accounting Related Terminology

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Newport City Council

- **Discounts**  
Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.
- **Earmarked Reserves**  
The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.
- **External Audit**  
The independent examination of the activities and accounts of Local Authorities to ensure the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.
- **Fair Value**  
Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.
- **Financial Regulations**  
These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.
- **Housing Benefit**  
This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.
- **Impairment**  
A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.
- **Infrastructure Assets**  
A category of Property, Plant and Equipment which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.
- **International Financial Reporting Standard (IFRS)**  
These are the defined Accounting Standards that must be applied by all reporting entities to all Statement of Accounts in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Statement of Accounts of the other entities.
- **Joint Venture**  
A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

# Glossary of Accounting Related Terminology

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Newport City Council

- **Lender Option Borrower Option (LOBO)**

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

- **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

- **Materiality**

An item would be considered material to the Statement of Accounts if, through its omission or non-disclosure, the Statement of Accounts would no longer show a true and fair view.

- **Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to an Council's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government and Housing Act 1989. Net debt is the Council's borrowings less cash and liquid resources.

- **Precept**

The amount levied by various Authorities that is collected by the Council on their behalf.

- **Premiums**

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

- **Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

- **Private Finance Initiative (PFI)**

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

- **Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

- **Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

- **Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Council. It is based on International Financial Reporting Standards (IFRS), International Accounting

# Glossary of Accounting Related Terminology

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Newport City Council

Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

- **Revaluation Reserve**

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

- **Service Reporting Code of Practice (SERCOP)**

Prepared and published by CIPFA, the Service Reporting Code of Practice (SERCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SERCOP establishes proper practices with regard to consistent financial reporting for services in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

- **Treasury Management**

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

- **Trust Funds**

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

- **Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

# Glossary of Acronyms

Statement of Accounts 2017/18

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SERCOP	Service Reporting Code of Practice
CAA	Capital Adjustment Account
CERA	Capital Expenditure charged to Revenue Account
CFA	Capital Financing Account
CIPFA	Chartered Institute of Public Finance & Accountancy
Code	CIPFA Code of Recommended Accounting Practice
EIB	European Investment Bank
ERDF	European Regional Development Fund
GAAP	Generally Accepted Accounting Practice
GAVO	Gwent Association of Voluntary Organisations
GCC	Gwent County Council
GEST	Grants for Education Support & Training
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LMS	Local Management of Schools
MRP	Minimum Revenue Provision
NCA	Notional Credit Approval
NNDR	National Non-Domestic Rates
NPV	Net Present Value
NRV	Net Realisable Value
PFI	Private Finance Initiative
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RSG	Revenue Support Grant
SEWREC	South East Wales Racial Equality Council
TTF	Treasury Task Force
WIP	Work in Progress

# ***Further Information***

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Newport City Council

Further information about the Statement of Accounts is available from:

Head of Finance  
Civic Centre  
Newport  
South Wales  
NP20 4UR

This is part of the Council's policy of providing full information about the Council's affairs. In addition, interested members of the public have a statutory right to inspect the Statement of Accounts before the audit is completed. The availability of the Statement of Accounts for inspection is advertised in the local press, as is the notice of completion of the audit.