

Statement of Accounts

2021/22



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Statement of Accounts 2021/22

Newport City Council

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Introduction

In similar fashion to the previous year, the 2021/22 financial year has been an unconventional one for Newport City Council, as it has been for all other Welsh councils. The COVID-19 pandemic has had a continued impact upon the level, and nature, of expenditure incurred, as well as continuing to affect the level of income generated. Whilst there was a steady recovery from the effects of the pandemic, there were still large parts of the year where services were not able to operate in the traditional manner. A significant reliance upon financial support via the Welsh Government's Hardship Fund, to cover the additional costs incurred and income lost due to Covid 19, continued to be a prominent feature throughout the year. In addition, a range of specific Welsh Government grants were issued during the year, especially in the last quarter, having a significant impact upon the Council's in-year financial position.

In addition to the financial impacts of the pandemic, the Council has seen considerable change in terms of its senior management composition. A management restructure was agreed and implemented, resulting in an overall increase in senior capacity, including a specific emphasis upon transformation of the organisation. As well as this, the Council continues to plan its new way of working, with a hybrid model of operation agreed by Cabinet and due for implementation over the coming 12 months. Furthermore, the final quarter of the year, in particular, has seen the completion of major regeneration schemes, including the refurbished indoor market, which opened in March 2022. Heading into 2022/23, the local elections in May 2022, and the election of a new administration, will result in a new Corporate Plan and strategic priorities for the Council for the next five years. The financial outlook remains uncertain, particularly in light of the current cost of living crisis impacting all services across the authority, meaning the medium-term financial planning process will continue to present a challenge.

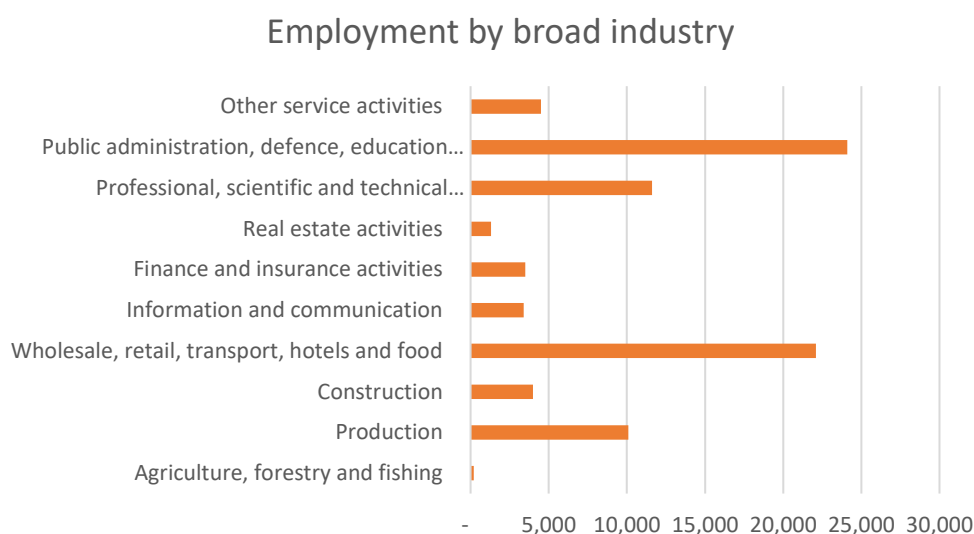
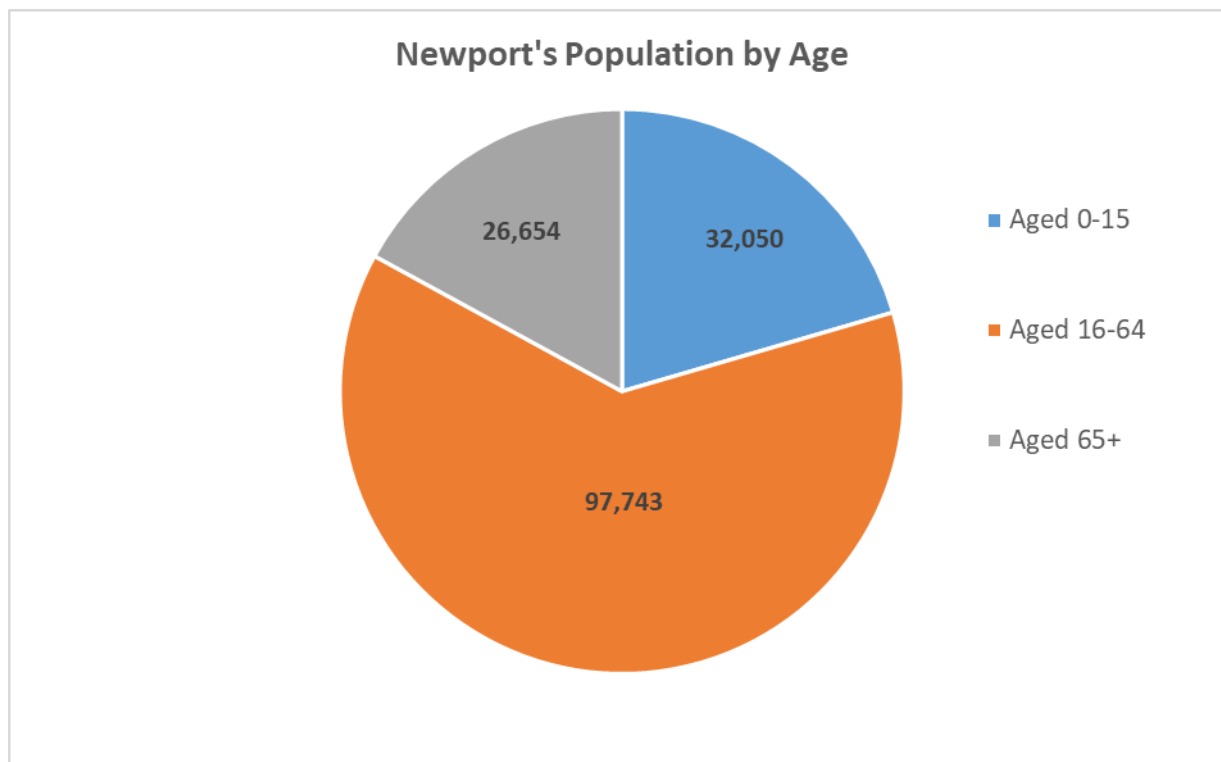
1. About Newport and the Council

Newport is a coastal city, covering a geographical area of just over 84 square miles. It has an urban hub with a rural hinterland and is home to one of Wales' most diverse and multi-cultural populations. The city has a population of over 155,000 and has employment in the city of 84,800 across a broad range of industries.

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The Council's current Corporate Plan for 2017–2022 – “Building on Success: Building a Better Newport” sets out the key priorities of the Council. The Council has a clear mission statement – “Improving People’s Lives”, which is aligned to the aspirations set out in the Well Being of Future Generations Act. The plan outlines how we will put this mission into practise, through the well-being objectives, which have been adopted:

- Improve skills, educational outcomes and employment opportunities
- Promote economic growth and regeneration whilst protecting the environment
- Enable people to be healthy, independent and resilient
- Build cohesive and sustainable communities

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The Council employs approximately 6,000 members of staff (including teachers and other school-based staff) and every day the mission is executed through the delivery of around 800 discrete activities in various service delivery methods, ranging from services the Council delivers to services delivered in partnerships with a number of other organisations.

2. The Council's Performance and Achievements in 2021/22

Throughout the majority of 2021/22, Newport Council has been responding to the COVID-19 pandemic as services have had to manage increased demand on key frontline services such as Adult and Children services, and preventative services. In addition to this, the cost of living crisis has also emerged, resulting in many households and businesses struggling to meet everyday costs such as energy, fuel and food. Despite these challenges and issues, the Council has continued to respond and support Newport's communities during this period. Towards the end of the financial year, the Ukraine crisis saw the Council's services supporting refugees to safely settle in the city with their sponsors.

Newport City Council launched its Climate Change Plan 2022-27 which sets out the Council's ambition of achieving net zero carbon by 2030. This plan will see an organisation-wide approach to achieving this target. Once again, the Council's waste recycling performance has continued to be above the Welsh Government target and we are continuing to see the purchase of more electric fleet vehicles to support the Council's Climate Change Plan.

The Council's office-based staff continued to work from home throughout 2021/22 in line with the Welsh Government's COVID-19 guidance. Moving forward, the Council's New Normal Project will introduce hybrid / flexible working for the Council's staff. The Council's democratic process has continued to operate virtually enabling the continuation of decision making for the Council and has now moved to a hybrid approach in 2022/23.

The economy and economic resilience of Newport has continued to be a strategic focus for the Council, enabling long term employment opportunities for residents and prosperity for the city and region. In the last year, the opening of Newport Indoor Market, restoration of Market Arcade and opening of a new city centre hotel have contributed towards regeneration of the city centre. In collaboration with Coleg Gwent and Newport Live, the Council approved the development of the Knowledge Quarter in the city centre. This will see the development of a new leisure centre for the city as well as the relocation of Coleg Gwent in the area. The city has also seen significant inward investment from organisations such as Microsoft and ICE, contributing towards Newport becoming a major hub for tech industries.

Throughout the year, the Council and Registered Social Landlords have continued to see increase demand for housing support and assistance. The Council successfully delivered over 55 new affordable homes in collaboration with Registered Social Landlords as part of the £12m Social Housing Grant Programme. The Council, alongside its partners in the city, have continued to support homeless and vulnerable people, enabling them to find long term support and accommodation.

In 2021/22, the Council continued to support households and businesses towards the increasing cost of living. The Council's Revenues (Council Tax, and Non-Domestic Rates) and Housing Benefit teams continued to provide financial support towards Council Tax bills as well as providing additional benefit support. The Council's regeneration team also offered business support towards new and existing businesses throughout the city. The Council has also supported community groups through the Participatory Budget programme offering grants to enable organisations and groups to support their local communities.

The Council's Education services and schools supported children and young people to successfully deliver strong GCSE and A Level results, despite the challenges they faced over the last two years. The Council launched the

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Welsh in Education Strategic Plan and has continued the development of new and existing schools throughout the city. The Council's Additional Learning Needs and Special Education Needs team received additional funding and resource to support schools and vulnerable learners in the city.

Further detail and information on the Council's performance will be reported as part of the Council's end of year review of service area performance and as part of its annual Well-being and Self-Assessment report. Looking forward, the Council will be developing a new Corporate Plan that will support the Labour administration to achieve their manifesto aims, the Council's Well-being Objectives and to support ongoing development of regional and national partnership working.

3. Explanation of Accounting Statements

These Statement of Accounts and notes sets out the Council's income and expenditure for the year, and its financial position as at 31 March 2022. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which in turn is underpinned by International Financial Reporting Standards.

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

- The **Comprehensive Income and Expenditure Statement (CIES)** - this reflects the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement is concerned with corporate transactions and funding.
- 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.
- **The Balance Sheet** - is a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- **The Cash Flow Statement** - shows the movements in the cash and cash equivalents of the Council during the reporting period.

The Statement of Accounts also includes consolidated group accounts:

- **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.

The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions.

A **Glossary** of key terms can be found at the end of this publication.

The narrative that follows this now provides some informal commentary on the Council's financial performance, the balance sheet and future financial outlook.

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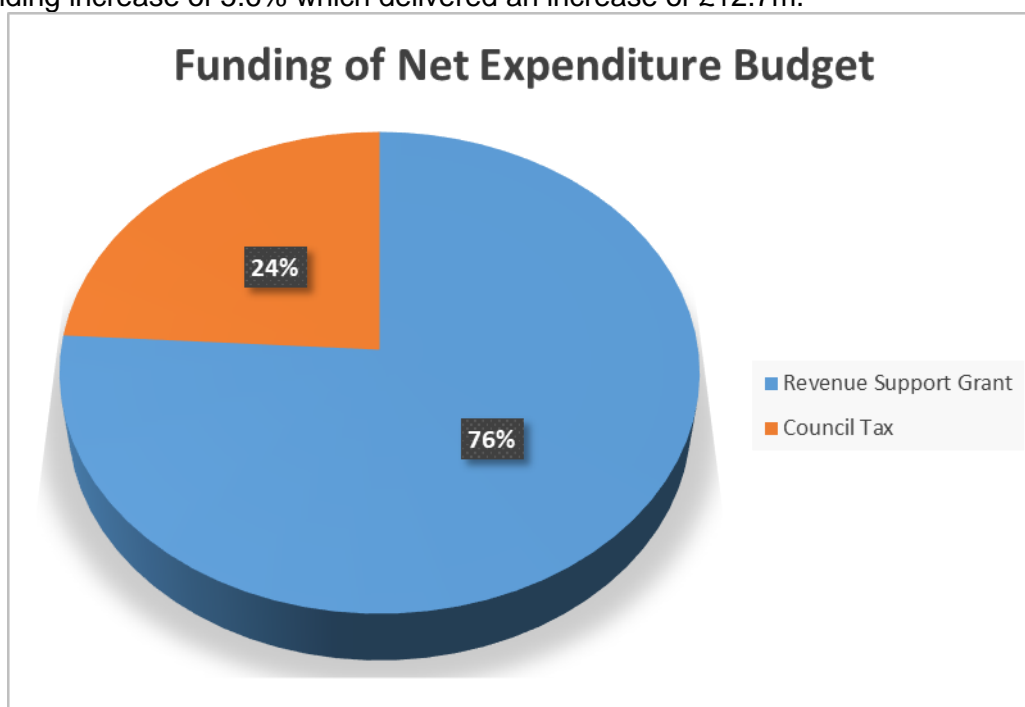
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4. Financial Performance 2021/22

The 2021/22 budget and funding

The 2021/22 budget setting process was set against the backdrop of a positive funding settlement from Welsh Government, with a final increase of £12.719m (equating to 5.6%) being received. This final settlement was better than anticipated and allowed the Council, having already funded the identified inflation and demand pressures, to respond to the public consultation by reviewing the savings proposals and investing in some priority policy areas such as economic regeneration, green infrastructure and carbon reduction.

The final approved net budget for 2021/22 was £315.9m, of which 76% was funded via WG Revenue Support Grant and redistributed non-domestic rates. The 24% balance was funded via Council Tax, set locally, as set out in the graphic that follows. It should be noted that, as Council Tax is the only element directly under the Council's control, an overall 1% increase in funding requirement equates to a roughly a 4% increase in Council Tax. To exemplify this, the agreed 3.7% increase in Council Tax only contributed to a £2.9m increase in funding, compared with the WG funding increase of 5.6% which delivered an increase of £12.7m.



The net budget of £315.9m represented an overall increase of £15.6m on the net budget from 2020/21. Financial pressures in relation to inflation and pay totalled £7.7m, and budget investments amounted to £11.8m, resulting in a funding gap of £3.9m. This gap was bridged via a specific grant of £0.5m and savings totalling £3.4m. The aforementioned 3.7% Council Tax increase was broadly in line with the level assumed within the medium-term financial plan, although this meant that the specific Newport Council Tax rate, at £1,242 per Band D property, remained one of the lowest within Wales. This low ranking, coupled with the proportion of properties in the lower bandings, continues to present challenges to the authority, in terms of its funding generating ability when compared with councils across the UK, restricting the level of investment that can be made within services.

Despite the more positive settlement received, the medium-term outlook, at the point of setting the budget, remained a challenge, with a net budget gap provisionally identified for the years 2022/23 to 2024/25. The absence of multi-year funding settlements from Welsh Government made it difficult to forecast with certainty the

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level of funding that could be expected in those years, however, even with reasonable funding increases assumed, the predicted inflationary and demand pressures exceeded modelled funding levels.

Financial Performance – “how did we do?” – 2021/22

Revenue budget

The 2021/22 revenue outturn produced a net underspend, after core budget contributions to/from reserves and provisions, of £18.4m against the £315.9m budget (6% variance). This variance has arisen for several reasons and individual service analysis of key variances is shown later in this report.

At a high level, the following explains the position:

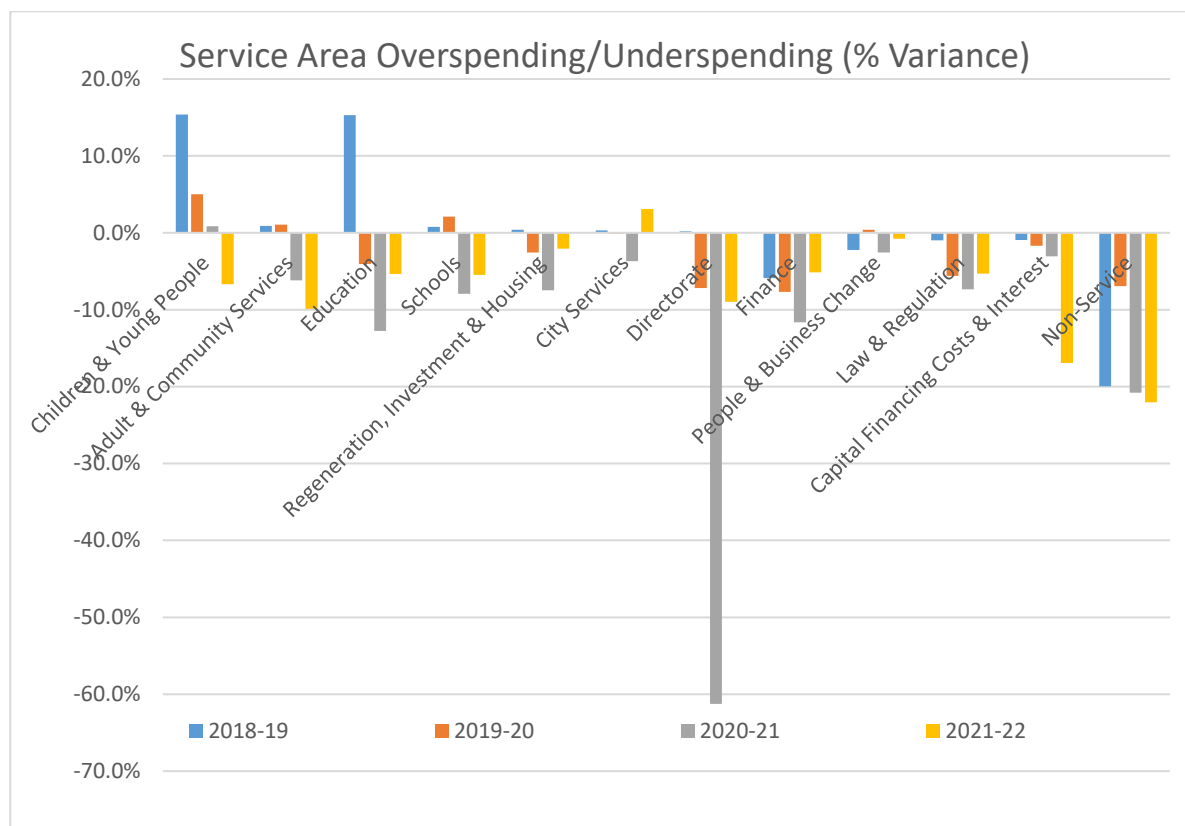
- Receipt of one-off Welsh Government grant funding, a large proportion of which was received in the final quarter of the financial year, to assist the Council in its response to the COVID-19 pandemic or deliver WG policy priorities.
- Underspends across all services in relation to (i) costs of general administration and service provision due to changes in working practices and (ii) staffing savings due to challenges associated with recruitment and (iii) not undertaking planned/normal services as they were either not required or unable to be carried out as the pandemic response work was prioritised.
- Resulting directly and indirectly from the above, the general revenue contingency budget was not required, there was an underspend against the Council Tax Reduction Scheme and an overachievement against budgeted Council Tax income. Furthermore, there was a significant underspend against the Capital Financing budget, mainly due to the receipt of late capital grants from WG and general slippage against the Capital Programme, deferring the need to borrow for capital schemes.

As in 2020/21, the COVID-19 situation, as well as contributing towards a material underspend, has had a significant impact upon the movements on earmarked reserve balances, including those relating to schools, compared with movements that might be anticipated in a normal year. This is partly the product of unusual spending patterns across services, when compared with the picture pre-pandemic. The graph below demonstrates this by displaying the budget variances for each service across the past four years. The general pattern that can be observed is one of overspending moving towards significant underspending from 2018/19 to 2021/22.

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In terms of schools, specifically, a similar trend to that experienced by the rest of the Council was reported. In summary, school balances increased from £9.6m to £15.7m, reflecting late grant awards totalling £4.8m, coupled with general underspending against the budgets agreed for the financial year. This increase in balances is likely to be a temporary one, with the majority of grants anticipated to be used during the 2022/23 financial year.

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Capital programme

The Council has an ambitious capital programme which started in 2018/19 and was initially intended to run through to 2022/23, although two years have been added to the programme to reflect projects spanning the life of the original programme. The total programme amounts to £298m.

	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total 7-year programme
	£m	£m	£m	£m	£m	£m	£m	£m
TOTAL EXPENDITURE	29.5	31.4	26.2	52.7	117.5	34.7	5.6	297.6

The agreed programme for 2021/22 included:

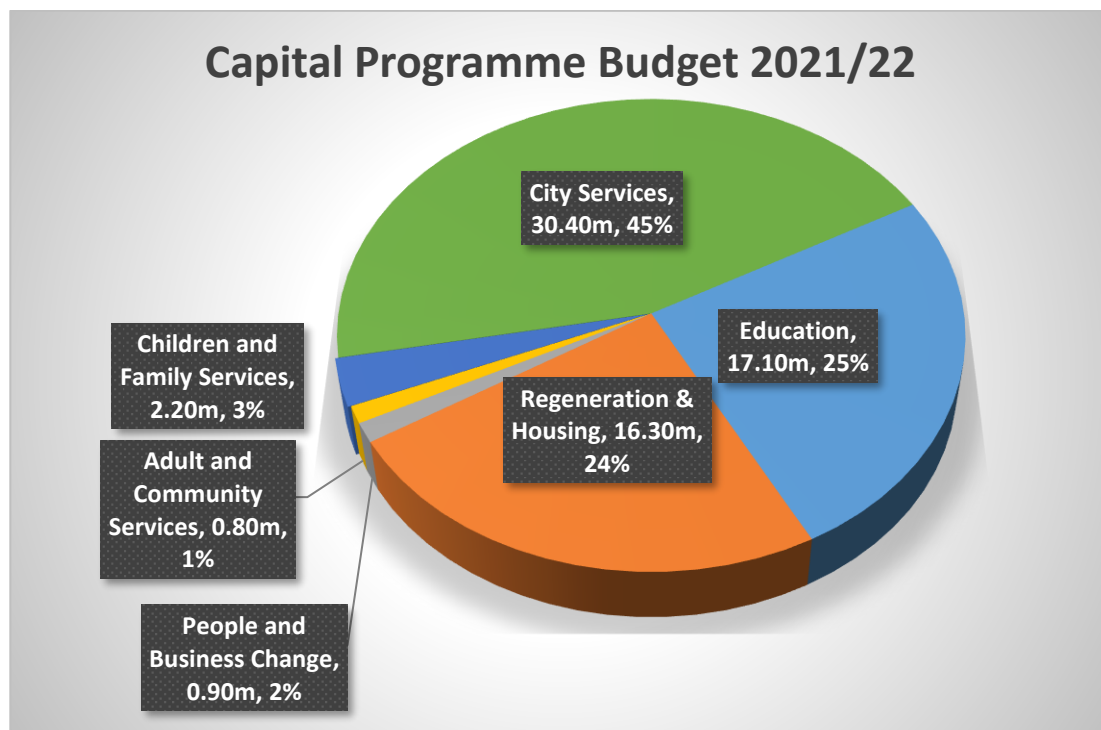
- £17m investment in schools.
- £30m road, transport and infrastructure works.
- £3m for social care projects.
- £16m investment in regeneration and housing (with £5m facilitating developer loans for city centre buildings).
- A range of energy efficiency schemes including schemes aimed at lowering vehicle emissions
- Commitment to invest in the Transporter Bridge
- Delivery of active travel schemes, including Devon Place footbridge
- Investment into a range of regeneration projects within Newport city centre

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Pictorially this was evidenced as follows,

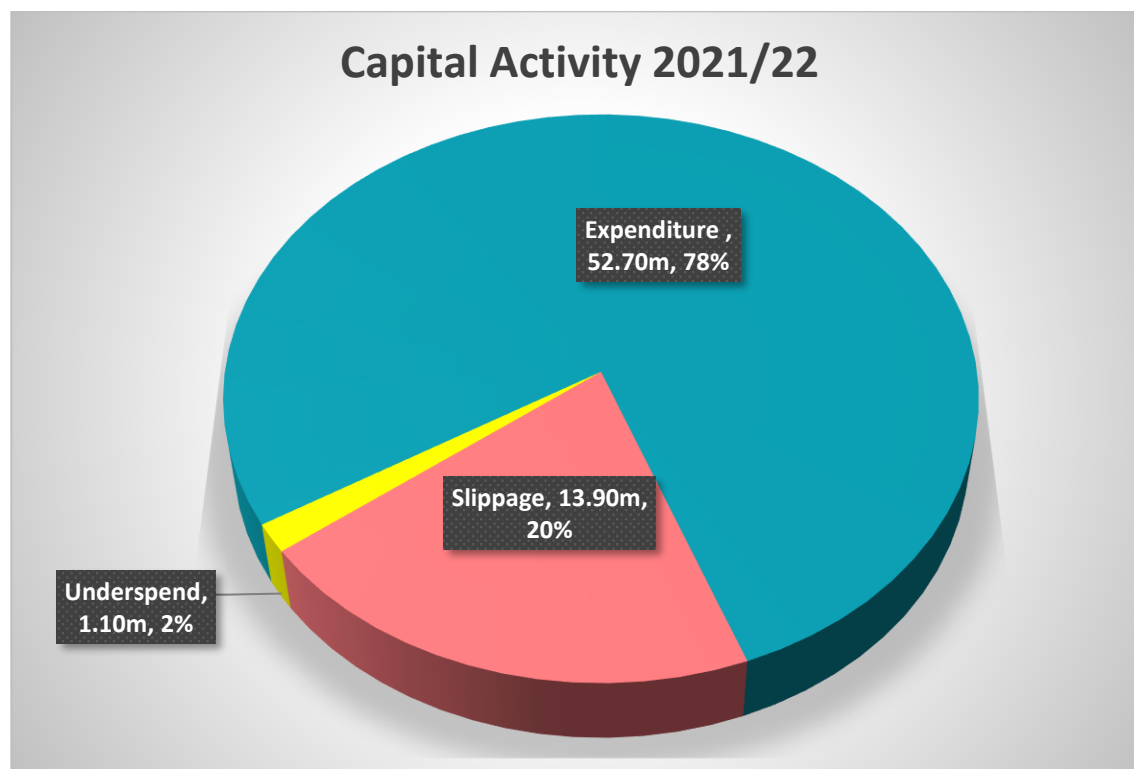


During 2021/22, the Council actually spent £52.7m on Council assets to maintain and improve service delivery and to support regeneration initiatives. The outturn position for capital in 2021/22 showed a total slippage (budget moved into future years of the programme) of £13.9m and a net underspend of £1.1m.

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The capital financing for the £52.7m expenditure was as follows,

Capital Expenditure 2021/22		Financed by:	
Education & Schools	£14.2m	Grants	£45.2m
Regeneration, Investment & Housing	£13.1m	Borrowing	£5.5m
People & Business Change	£0.6m	Contributions & S106	£1.2m
Social Services	£2.4m	Council Resources	£0.8m
City Services	£22.4m		
TOTAL	£52.7m		£52.7m

Balance Sheet

The Balance Sheet shows a 'snapshot' of the Council's assets and liabilities as at 31 March 2022, including its reserves. The Council's balance sheet has seen an increase in value between 2020/21 (net liability of £92m) and 2021/22 (net assets of £53m). This movement is mainly due to a reduction in the pension fund liability, an increase in short term investments, and the revaluation of assets reflective of an anticipated increased rebuild cost caused by a volatility in construction inflation. The pension fund liability is now £403m which, if excluded from the balance sheet, would leave net assets of £456m.

Usable reserves (a reserve which can be used to fund cash expenditure of the Council) of £151.9m shows the Council as having strong financial resilience. Most of these are covering specific issues and risks and earmarked for specific purposes. A further breakdown of these reserve balances are shown in the section that follows.

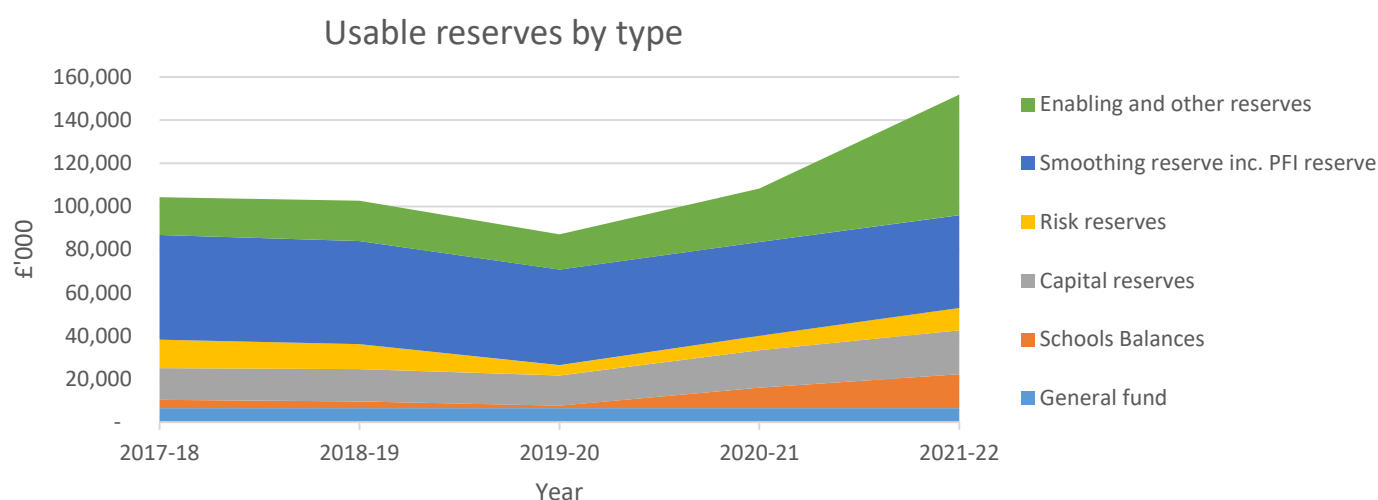
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Usable Reserves

The level of Council's usable reserves increased, net, by £43.6m in 2021/22 from £108.3m to £151.9m. The General Fund Reserve remained unchanged at £6.5m (3.2% of net expenditure budget excluding schools). The chart below shows the level of reserves since 2016/17, showing those reserves that cover risk areas, are enabling in their purpose, assist with smoothing expenditure, the General Fund Reserve, Schools reserves and other reserves.



The chart above shows that usable reserves have remained relatively steady during the period shown, before a reduction in 2019/20 and then significant increases in the subsequent two years, with a 25% increase in 2021/22 alone. In breaking down the increase shown in 2021/22, it should be noted that the majority of the increase is reflective of the overall revenue underspend, which has seen the £18.4m surplus distributed across a handful of earmarked reserves. In addition, school balances, which are required by legislation to be held in individual reserves specific to each school, increased by £6.2m and account for the majority of the residual balance.

The reserves as at 31st March 2022 reflect the following:

- General Fund Reserve balance of £6.5m. This is a prudent reserve held to mitigate against the risk of unforeseen circumstance. It is established by Council's Head of Finance and is a product / proportion of the annual budget. It is ultimately the last line of defence once specific earmarked reserves and other contingencies have been utilised.
- Adequate cover for the assessed risks identified by the Council – such as known one-off risks such as the response to the pandemic, self-insurance and investment risks.
- Good level of 'enabling' reserves to fund strategic/transformational programmes and fund other 'cost to change' / savings projects, city centre development fund and support to the Council's Capital Programme.
- Smoothing reserves, in particular those relating to the ongoing costs of the two PFI schemes that the Council is involved in.

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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. The employer contribution rates were 21.2% of pay for 2021/22 and which are due to rise by 1% in 2022/23 to 22.2%. The average employee contribution rate was 6.2% of pay.

The Statement of Accounts for 2021/22 shows an improved pension affordability position on that reported in 2020/21. The headline message being that the net unfunded liability has reduced by £72m to £403m. The main cause for this improvement is due to the performance of investments during the period, these have been offset in part by changing actuarial assumptions (e.g. increased inflation, decreased discount rate, increasing longevity/age predictions).

It should be noted that the fund is there for the long-term funding of pensions, and annual variations in actuarial assumptions can skew the presentation of figures quite significantly in any one year. This anticipated deficit on the pension scheme and its impact on the Council's overall reserves is also a long-term issue. Helpfully, the deficit and liability would not arise in any single year, and the deficit is being addressed through higher employee and employer contributions, 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 41-42.

Provisions & Contingencies

Provisions are funds set aside on the balance sheet to meet likely liabilities. An assessment is made each year on the level of the risks and, if any, what new issues/risks have arisen and require sums to be identified and set aside.

Following our assessment of risks, total short-term provisions increased by a net £513k to £6.5m after £1.2m of historic provision was utilised. The increase, after allowing for the use of historic amounts, is mainly due to the need to add to existing insurance provisions, to reflect likely claims activity and potential legal issues arising from health and safety issues.

Long-term provisions have increased by £786k to £6.9m. The provision in respect of capping and upkeep of Council tips increased by £747k. A survey of potential liability is undertaken every 5 years, and this resulted in an anticipation of extra costs in the new survey undertaken during 2021-22.

Additionally, the Council makes provision for a proportion of the debts it raises not being paid. This is calculated based on historic recovery levels and how long particular debts have remained outstanding. Combined for general debts, housing benefit and Council Tax, this provision has increased by £0.8m. This year, the calculation has prudently taken into account the ongoing effect of the COVID-19 pandemic on likely recovery of debt.

In addition to provisions, a number of contingent liabilities are disclosed in the Statement of Accounts (Note 44). The distinction between a provision and contingent liability is around the uncertainty as to whether the event will occur and if so whether it can be suitably quantified. As such, no specific resources are attributed to affording

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contingent liabilities (unlike provisions) and the Council would use its annual resourcing and reserve balances should such pressures materialise.

Details of the movements of individual provisions and contingent liabilities are shown in Note 24 and 44 respectively.

4. Financial Outlook

The final funding settlement from Welsh Government for 2022/23 confirmed that funding would increase by 10.31%, which was better than anticipated, although consistent with the provisional figures received earlier in the year. Such a positive settlement was clearly welcomed, as it enabled the Council to fully cover its estimated inflation and demand pressures, as well as facilitating a lower than previously planned Council Tax increase (2.4%). In addition, a relatively low level of savings was required to balance the budget and there was also scope to fund some policy priority areas.

The most significant investments, in addition to non-schools staffing pressures, were linked to:

- £8.003m investment in school budgets, including estimates for pay inflation and demand pressures.
- £6.502m investment in social care, including funding to pay staff the Real Living Wage and additional provision to cover the higher ongoing costs of the sector, in the wake of the pandemic.
- £1.597m to cover the employers' cost arising from the increase in National Insurance contribution rates.
- £0.5m to assist with managing the ongoing financial impact of the pandemic and associated recovery.
- £0.6m investment in the city centre and maintenance of play areas and equipment.

As in the previous year, despite the positive settlement, uncertainty continues to exist when looking at the medium term picture. Although Welsh Government have provided indicative settlement figures for the following two financial years, an overall medium term budget gap is currently being projected. To provide context, this forecasted gap does not necessarily reflect the full extent of the current cost of living and inflationary challenges. Therefore, there is a risk that this position will worsen over the coming months as the Council reviews its MTFP and 2023/24 budget in particular and require steps to be taken to ensure a balanced budget for 2023/24.

As well as the specific inflationary challenge, there remains the issue of the pandemic which, whilst not as acute as in recent years, may well have a longer term impact which the Council will need to manage and respond to. There is no guarantee that there won't be further periods of lockdown and the financial impact, through both additional expenditure and loss of income, to contend with. The Council has created financial mitigation, up to a certain level, for the 2022/23 financial year, but will need to consider the longer term impact as part of its 2023/24 budget and consider realigning budgets to reflect the new post-pandemic environment that it will be working within.

There is also a challenge to respond to in terms of the Council's capital programming. Rising costs of construction and issues with supply chains are placing unprecedented constraints on delivery and cost of the programme. This has resulted in both significant levels of slippage and projects overspending, requiring a need to identify additional resources and, in the process, restricting the scope of what can be delivered. As the Council embarks on preparation for a new five-year Capital Programme, close attention will need to be paid to the cumulative impact of increasing levels of capital expenditure on overall affordability and ultimate pressure upon the revenue budget.

Statement of Responsibilities

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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 49 – 144 Give a true and fair view of the financial position of Newport City Council and Newport City Group at 31 March 2022 and its income and expenditure for the year end 31 March 2022.

Signed M Rushworth	Signed G Chapman
Meirion Rushworth	Gareth Chapman
Head of Finance (Section 151 Officer)	Chair of Governance & Audit Committee
26th January 2023	26th January 2023

Annual Governance Statement

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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

The Annual Governance Statement is a requirement of the Accounts and Audit (Wales) Regulations 2014. It also takes account of the Local Government and Elections (Wales) Act 2021. This Statement will be incorporated into the Council's Annual Wellbeing and Self Assessment Report. This Statement demonstrates that Newport City Council is compliant with these Regulations for 2021/22.

It describes the governance framework in place within the Council, how the effectiveness of the governance arrangements has been monitored and evaluated during the year with evidence and examples and sets out any changes planned for 2022/23.

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'.

This statement was compiled following the Coronavirus (COVID-19) pandemic which, in the first few months of 2020, resulted in the suspension of all public and non-essential meetings and which continued, to a lesser extent, throughout 2021/22.

The sound governance framework in place at Newport City Council is detailed in the revised Code of Corporate Governance 2019/20 which includes a detailed list of all governance arrangements.

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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 2011 and the Local Government and Elections (Wales) Act 2021 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. The Council is now required to self-assess its governance and performance as outlined in the Local Government and Elections (Wales) Act 2021.
- 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 'CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010)' sets out the governance arrangements which are in place within the Council to ensure sound financial management.
- 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'. This was initially approved by Cabinet and then Council in July 2013 with a further update approved by Cabinet in July 2014. The Code was updated in 2019/20 and approved by Cabinet in April 2021. A copy of the Code can be obtained from the Head of Finance.
- 1.6 The Code of Corporate Governance outlines the key governance arrangements in place at Newport City Council and as such will be cross referenced to where relevant throughout this Annual Governance Statement.

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.

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- 2.3 The governance framework has been in place at the Council throughout the year 2021/22, and up to the date of approval of the statement of accounts.
- 2.4 A review of the governance arrangements around the development, delivery and monitoring of the Council's future 'Transformation Programme' is currently underway and will also include clear responsibilities and arrangements for other key areas, such as financial management, capital programme, major projects etc. It is anticipated this will be put in place in the first quarter of 2022/23.

3 The Governance Framework

- 3.1 The Council's Governance arrangements are 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.

The Statement will cover these principles in more detail from Section 6 onwards.

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, with the core behaviours of:

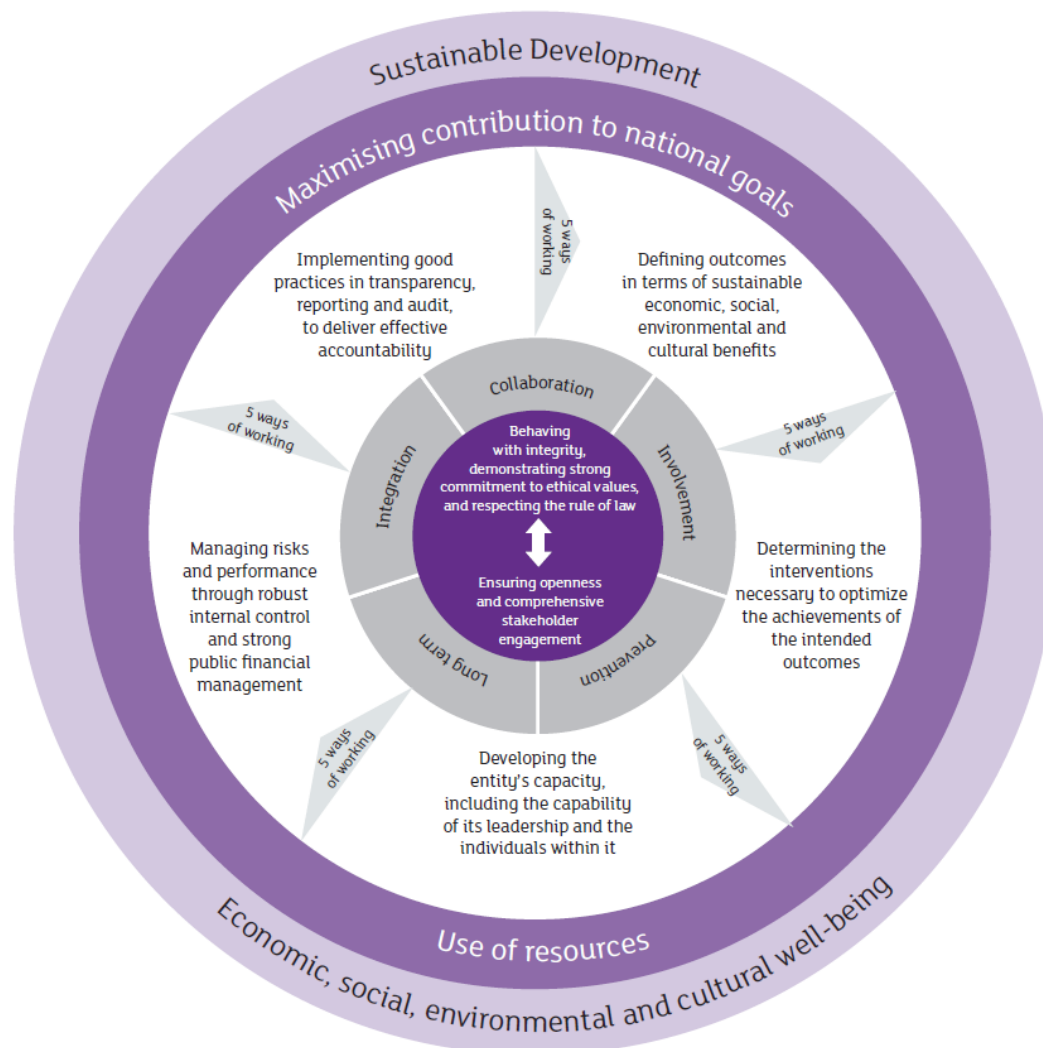
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- Ensuring openness and comprehensive stakeholder engagement

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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. These are:

- 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, policies and procedures 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 & CIW).

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

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 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.
- 3.6 Within the Corporate Plan twenty commitments for change, relating to the following four key areas have been outlined:
- Resilient Communities,
 - Thriving City,
 - Aspirational People,
 - Modernised Council.
- 3.7 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
- 3.8 The Corporate Plan is delivered through service area plans. Service plans are set in conjunction with Cabinet Members and scrutiny committees to ensure oversight and accountability for the delivery of the actions.
- 3.9 An annual report of progress against the Corporate Plan is presented to members (Cabinet - October 2021) and published so that it can be shared with all employees and members of the public to present an open and transparent view of how the Council is working towards its vision and objectives and how further work will be focused to ensure further improvement.

Public Service Board

- 3.10 The One Newport Public Service Board (PSB) Newport merged with other local boards during 2021/22 to form the regional Gwent Public Service Board (Cabinet October 2021). One Newport will continue as a strong Local Delivery Partnership and will deliver the City's Well-being Plan until March 2023.
- 3.11 PSBs were established by the Well-being of Future Generations (Wales) Act 2015 (WFG) and must work in accordance with the sustainable development principle and achievement of the seven wellbeing goals by:

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- 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.

3.12 Performance of the Well-being Plan was reported through the Performance Scrutiny Committee – Partnerships during 2021/22, in October 2021 and February 2022. A summary was reported into Cabinet October 2021.

3.13 Newport's stakeholders are encouraged to get involved with shaping the policies and decisions of the PSB through the Involve Newport Citizens' Panel and the One Newport Engagement and Participation Strategy.

Coronavirus (Covid-19) Pandemic

3.14 The Coronavirus pandemic (Wef March 2020) had caused significant organisational disruption including new emergency responsibilities, increased staff absence and a requirement for staff to work from home (where possible) while continuing to ensure statutory services were maintained as expected. For the duration of 2021/22 the majority of office based staff within the Council continued to work from home. This statement assesses the governance in place during 2021/22.

3.15 In accordance with the Council's Corporate Emergency Management Plan (revised March 2019) an Emergency Response Team (ERT) was established along with a regional multi-agency Strategic Co-ordination Group (SCG) to deal with this pandemic. These groups continued to meet throughout 2021/22.

3.16 Once enacted, the Corporate Emergency Management Plan allowed for an emergency management structure and delegation of emergency powers to the ERT Gold Duty Officer in consultation with the Leader of the Council.

3.17 The pandemic impacted on the Council's delivery of services as some staff were diverted to front line duties to ensure that critical services were prioritised. There were also new areas of activity as part of the national response to Coronavirus for example providing emergency assistance to businesses in Newport.

3.18 There has been funding and logistical consequences of delivering the local government response. To ensure appropriate governance and accountability, these costs have been identified by staff and appropriately coded on the Council's Main Accounting System and reclaimed from Welsh Government.

3.19 In line with public health measures to mitigate the spread of Coronavirus and to enable the Council to focus on the delivery of critical services, all public meetings were initially suspended. This included Council meetings, meetings of full Cabinet and all committee and sub-committee meetings, including Scrutiny, Planning and Licensing.

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- 3.20 Urgent decisions were made in accordance with the officer and members' schemes of delegation as detailed in the Council's Constitution and urgent decision-making procedures.
- 3.21 Using appropriate technology there was minimum disruption to Council democratic business; Cabinet recommenced in June 2020, Council in July 2020, Governance & Audit Committee in September 2020, Democratic Services Committee in October 2020, Scrutiny Committees in September 2020. Virtual and remote meetings were held in line with temporary legislation.
- 3.22 Moving into 2021/22, Welsh Government restrictions eased. Covid 19 Recovery Updates and Response and Progress continued to be reported through Cabinet monthly. Responding to the New Normal was also reported through Cabinet in July 2021 and December 2021.
- 3.23 During 2021/22 the coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness.

Internal Audit

- 3.24 As far as possible, the systems of internal control have continued to operate during the pandemic. The Council's implementation of Office365 and multi-factor authorisation has allowed the majority of employees to successfully work from home without major disruption. For example, the Council's i-Procurement system allows for electronic authorisation from delegated officers with an inbuilt segregation of duties.
- 3.25 In the Chief Internal Auditor's opinion, adequate assurance was obtained over the course of 2021/22 resulting in an overall '*Reasonable*' assurance audit opinion to be issued for the Council's activities, although this was based on limited work undertaken by the team; the Internal Audit Plan was approved by Governance & Audit Committee in May 2021. Internal Audit normal coverage was adversely affected during the 2021/22 as very few site visits were permissible. 71% of the approved Audit Plan was completed against the target of 82%, with 35 audit opinions issued. Reliance on previous years' audit work has also been taken into consideration in arriving at this year's opinion in that there have been no significant systems or staff changes. Further detail regarding the Internal Audit team's performance is included within the Internal Audit Annual Report 2021/22 which will be presented to the Governance & Audit Committee in May 2022.

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 Corporate Management 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 processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:

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- i. periodic reviews of the Constitution and ethical governance arrangements by the Monitoring Officer; Democratic Services Committee in February 2021;
- ii. periodic reviews of the financial controls by the Chief Finance Officer; Revised Contract Standing Orders approved by Cabinet in December 2019;
- iii. formal risk management and regular on-going review of the processes involved; Cabinet March 2021, September 2021, October 2021, December 2021;
- iv. the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems and establishments in accordance with the Annual Internal Audit Plan, and which includes 'follow-up' work to ensure that Heads of Service implement agreed management actions; Annual Report 2020/21 Governance & Audit Committee May 2021;
- v. the work of the Performance Scrutiny Committees, Overview & Scrutiny Management Committee, Democratic Services Committee, Standards Committee and Governance & 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 service plans and key targets, and reporting of this to senior management and members, through the Management Information Hub;
- viii. the outcomes of the Annual Information Risk Report are monitored quarterly by the Information Governance Group;
- ix. progress against the Newport Well-being Plan is monitored by scrutiny and the PSB throughout the year.

Sections 5 to 11 demonstrate how the Council is meeting the key governance principles with evidence and examples.

5 Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Behaving with integrity

- 5.1 Standards Committee met throughout 2021/22; received reports on succession planning for Standards Committee Members in line with respective Regulations, updates on complaints against Members, revised Employee Code of Conduct, changes to the Guidance on Members' Code of Conduct.
- 5.2 In order to monitor all key Council decisions for fairness a 'Fairness Commission' was established. 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. Reviews of the Council budget proposals have been undertaken by the Fairness Commission.
- 5.3 The Council has an agreed Constitution, available on the website, which includes the Council's related codes and protocols.

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- 5.4 A set of Council values 'Courageous, Positive, Responsible' were established following staff feedback. These are regularly communicated with all staff.
- 5.5 The Council demonstrates, communicates and embeds its operating principles and values through appropriate policies which are reviewed on a regular basis. These policies also place an emphasis on ethical values. Some of the policies in place to support this are:
- Whistleblowing Policy
 - Member and Employee Codes of Conduct
 - Anti-Fraud, Bribery & Corruption Policy
 - Safeguarding Policy
 - Complaints Procedure
 - Code of Corporate Governance
- 5.6 The Council's financial management arrangements conform to 'CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010)'.
- 5.7 The revised Anti-fraud, Bribery and Corruption Policy and the updated Code of Corporate Governance were approved by Cabinet April 2021.

Demonstrating strong commitment to ethical values

- 5.8 The Council's 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 periodically 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;
 - the Strategic Equality Plan and Equality Objectives 2020-24 were agreed by Cabinet in July 2020 and Council September 2020;
 - Strategic Equality Plan Annual Report for 2020/21 went to Council in November 2021.
- 5.9 In line with the Local Government Measure a separate Democratic Services Committee was established; this committee met throughout 2021/22; it deals with national consultation exercises, national policy and Members' codes and development. Council received a copy of the Democratic Services Committee Annual Report for 2020/21 in November 2021.
- 5.10 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. Council received a copy of the Standards Committee Annual Report for 2020/21 in November 2021.

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- 5.11 A review of Ethical Standards Framework was taken through Standards Committee in November 2021.
- 5.12 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.
- 5.13 The Council looks to ensure that external providers of services on behalf of the Council act with integrity and in compliance with high ethical standards. The Council has signed up to the Welsh Government's Code of Practice – Ethical Employment in Supply Chains. The Code covers modern slavery and human rights abuses, blacklisting, false self-employment, unfair use of umbrella schemes and zero hours contracts as well as considering paying the living wage.

Respecting the rule of law

- 5.14 The Council has a strong commitment to the rule of law and adhering to the laws and regulations set by Welsh Government, UK Government and the European Union. There were no “call-in” challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 5.15 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 2018 (GDPR), Environmental Information Regulations 2004 and the Freedom of Information Act 2000 are met and that the risks around information are managed appropriately. The Annual Information Risk Report 2020/21 was presented through the Information Governance Group for consultation and endorsed by the Cabinet Member in September 2021.
- 5.16 There were 2 ongoing complaints of Member misconduct made to the Public Services Ombudsman for Wales (PSOW) during 2021/22 involving City Councillors. 3 further complaints against City Councillors were made to the PSOW but he felt there was no breach of the Code and were not accepted for formal investigation. During the year the PSOW reported the outcome of 1 complaint which was upheld and referred to the Standards Committee for a breach of the Member Code and consideration of a sanction.
- 5.17 The Council's Annual Report on Compliments, Comments & Complaints was taken through Cabinet November 2021. In 2020/21 17 complaints were received by PSOW concerning Newport. Most of the complaints received were discontinued or resolved. Although the Council had to take action on 3 complaints, there were no findings of maladministration, misconduct or public interest reports.
- 5.18 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. This will be reviewed and updated following Local Government elections in May 2022.
- 5.19 The Internal Audit team continued to deliver awareness raising sessions on the importance of compliance with Financial Regulations and Contract Standing Orders.
- 5.20 There was no change in Leadership of the Council in 2021/22; Cllr Mudd continued as Leader of the Council.

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- 5.21 During 2021/22 the Council had the following statutory posts and enables officers to fulfil their responsibilities in accordance with legislative and regulatory requirements:
- Head of Paid Service (Chief Executive)
 - Section 151 Officer (Head of Finance)
 - Monitoring Officer (Head of Law & Standards)
 - Director of Social Services
 - The Director of Social Services post was fulfilled by the Head of Adult & Community Services on an interim basis until the recruitment took place for the Strategic Director (Social Services) who assumed this role in October 2021.
 - Head of Democratic Services
 - Following an internal appointment, the role of Democratic Services Manager was filled in May 2021.
- 5.22 The Corporate restructure saw the appointment of 3 new Strategic Directors during the year:
- Transformation & Corporate
 - Environment & Sustainability
 - Social Services
- In addition, the restructure saw an increase from 8 to 11 Heads of Service. One Head of Service appointment (Head of Housing & Communities) was vacant at the end of the 2021/22 year.
- 5.23 The Council optimises the use of the full powers available for the benefit of the citizens of Newport, communities and other stakeholders. For example, the Council takes its decisions by way of full Council or the Executive (Cabinet). 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.
- 5.24 A revised Whistleblowing Policy was updated in 2017, and a confidential helpline set up. In 2021/22 there were no disclosures made under the policy.
- 5.25 All waivers of Contract Standing Orders and urgent decisions are reported through the Governance & Audit Committee quarterly.

6 Principle B: Ensuring openness and comprehensive stakeholder engagement

Openness

- 6.1 The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council 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 City Council's Twitter account.

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- 6.2 Due to the impact of Covid-19 and national lockdown in March 2020 all public meetings were initially put on hold. Throughout 2021/22 virtual and remote meetings were set up which were accessible to the public.
- 6.3 As part of Newport City Council's commitment to being open and transparent it continues to publish its data on the website which the public is free to view and use www.newport.gov.uk/transparency.
- 6.4 The Council has responded to Freedom of Information Act requests within the required 20 days:

	2019-20	2020-21	2021-22
No' of FOI requests	1,100	797	953
No' responded to within 20 days	992	724	853
Percentage of FOIs responded to within 20 days	90.2 Target 88%	90.8% Target 88%	89.5% Target 88%

- 6.5 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles.
- 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 Agendas, reports, decision schedules and minutes of all meetings of the Council, Cabinet or Cabinet Member are available to the public by way of the Council's website. Minutes or decisions arising from the consideration of such reports are available to the public via the website.
- 6.8 Every report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer, the Section 151 Officer and the Head of People, Policy & Transformation. The report template ensures report authors consider potential risks, equalities, WFG and financial implications of their proposals.
- 6.9 Public Service Board (PSB) papers are published online on the One Newport partnership website to ensure transparency.
- 6.10 The Council uses a range of formal and information consultation and engagement exercises to determine the most appropriate and effective intervention / course of action. For instance, the Council undertakes the school reorganisation programme in accordance with the Welsh Government Statutory School Organisation Code. Each consultation is supported by full stakeholder engagement as outlined in the statutory code. Since the pandemic, we have ceased face to face meetings. Instead, and regarding engagement with adult stakeholders, we ask that any questions or comments are submitted to a dedicated email account and are then responded to in a timely manner to enable stakeholders to submit an informed response to the consultation. We have however continued to support pupil engagement through MS Teams. Following each consultation, a consultation report is prepared and published which outlines how the consultation was carried out, who is engaged and the relevant responses. These reports are provided as annexes to the Cabinet Member report which

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approves 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.

- 6.11 The Director of Social Services' Annual Report 2020/21 was taken through Cabinet in December 2021. The Corporate Safeguarding Annual Report 2020/21 was taken through Cabinet September 2021. The Corporate Risk Register, Covid updates, Brexit updates and the New Normal reports were also taken through Cabinet during the year demonstrating openness and transparency.
- 6.12 Scrutiny Annual Report 2020/21, Democratic Services Committee Annual Report and the Standards Committee Report went through Council September 2021 and November 2021 respectively.

Engaging comprehensively with institutional stakeholders

- 6.13 The Council looks to effectively engage with all stakeholders to ensure that the objectives and intended outcomes for each relationship are clear so the outcomes can be achieved successfully and sustainably. For example, 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.
- 6.14 The Council has developed a number of formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. Some examples of these are the Public Services Board, Newport Live (Leisure Trust) and the Community Safety Partnership.
- 6.15 All partnerships are based on trust along with a shared commitment to change while promoting challenge among partners.
- 6.16 The Council has a number of formal appointments onto outside bodies to provide effective challenge. These appointments are agreed at the Council's AGM and at further Full Council meetings when necessary. A list of these appointments can be seen within the Council minutes.

Engaging stakeholders effectively, including individual citizens and service users

- 6.17 A formal policy for the type of issues that the Council will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes needs to be developed.
- 6.18 Communication is important to Newport; the Annual Statement of Accounts 2020/21 was taken through the Governance & Audit Committee in 2021/22. All Council decisions, reports and questions asked by Members are available on the website, as are Cabinet Member decisions, Governance & Audit Committee reports 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, Council activities, achievements, developments, updates and events were included in Newport Matters, which is distributed to every household in the City, and are also available on the Council's intranet and website.
- 6.19 The Council looks to communicate via a number of different methods. 'Have Your Say' consultations are on the Council website, along with regular posts on social media and the use of Bus WIFI surveys.
- 6.20 Members hold Ward meetings and these are supported by Officers of the Council, although these were suspended during 2021/22 due to the pandemic. Social media, Twitter and Facebook for example, is regularly being used to engage local people and communicate the corporate message.

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- 6.21 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery and look for opportunities to improve. The Council's Customer Complaints Policy and procedures are available on the web site; the public can report a problem or concern via the 'Report it' option on the web front page. An Annual Report on Compliments, Comments and Complaints Management for 2020/21 was presented to Cabinet in November 2021. The following table shows the number of complaints received for the past three years:

	2019-20	2020-21	2021-22
Stage 1 Complaints	354	261	271
Stage 2 Complaints	33	39	31
Complaints to PSOW	31	14	24

- 6.22 The online self-service system made it much easier for customers to make their complaints online, using the website, their customer accounts or through an app.
- 6.23 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.

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

Defining Outcomes

- 7.1 The Corporate Plan 2017-2022 "Building on Success - Building a Better Newport" incorporates the Council's wellbeing objectives as required by the WFG Act. The Plan sets out clearly the Council's purpose, priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and promoting sustainable development. This provides the basis for the Council's overall strategy and performance.
- 7.2 Audit Wales issued the Council with its Certificate of Compliance in accordance with the Local Government (Wales) Measure 2009 following its publication of its Corporate Annual Report 2020/21. This went to Cabinet in December 2021, confirming the Council had discharged its duties under section 17 of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- 7.3 The One Newport PSB Well-being Plan (Cabinet October 2021) – 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, cultural and environmental well-being of the whole community. The priorities have been identified as those where the PSB and other key stakeholders must work together to achieve success and meet the requirements of the WFG

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Act. The new Gwent Public Services Board came into being in October 2021, merging the 5 regional PSBs.

- 7.4 Members of the performance team attend each service area's monthly management team meetings to comment on and review the section's performance against key performance indicator targets.
- 7.5 The Council identifies and manages risk through the Corporate Risk Register (see section 11) and also individual service area plans to ensure the achievement of intended outcomes.
- 7.6 The Council looks to manage service user expectations with regards to determining priorities and making the best use of the resources available. For instance, regular updates on the Council's Medium Term Financial Plan (MTFP) are presented to Cabinet regularly.
- 7.7 2021/22 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.

Sustainable economic, social and environmental benefits

- 7.8 Newport City Council considers and balances these combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provisions. Each report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer (legal), the Section 151 Officer (economic) and the Head of People, Policy & Transformation (social and environmental).
- 7.9 Equality Impact Assessments (EIA) 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 2021/22 which have been published on the Council's website. A Strategic Equalities annual report is published by the Council (Cabinet July 2021).
- 7.10 The PSB 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

Determining Interventions

- 8.1 Decision makers are provided with reports which allow for an analysis of a variety of options including how they would be achieved and the risks associated. Comments are received on each report from the Monitoring Officer, Chief Financial Officer and the Head of People, Policy & Transformation.

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- 8.2 The results of all consultation exercises are considered along with Fairness Equality Impact Assessments when making decisions about service improvements to prioritise the competing demands with the resources available. All reports consider the WFG Act.

Planning Interventions

- 8.3 The Council's Corporate Plan underpins the strategic objectives of the Council. Each service area also has an operational plan along with their own priorities and targets. Service area plans are approved by the Cabinet Member responsible for the portfolio. Mid and end of year reviews are completed by the Head of Service and reported to Scrutiny; November 2021.
- 8.4 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.
- 8.5 Through the Council's communication methods and annual budget consultation internal and external stakeholders are consulted in determining how services and other courses of action are planned and delivered.
- 8.6 For partner organisations such as the ONE Newport PSB (merged into the Gwent PSB during 2021/22) and Newport Live, the Council collaboratively works together to consider and monitor the risks which may arise while ensuring that any arrangement is flexible so they can be adapted to any change of circumstance.
- 8.7 The Council has established a number of local performance indicators and monitors these along with the relevant statutory and national performance indicators. These are detailed within individual service plans and reported via the Council's performance management system MI Hub. The year-end Performance Analysis for 2020/21 was taken through Cabinet in September 2021 which showed 55% of performance indicators performed in line with targets.
- 8.8 Performance management arrangements have improved with regular monitoring by the Cabinet and Cabinet Members as well as at officer level. The Authority had made its targets more difficult to achieve in an effort to push the organisation into improving services.
- 8.9 Mid-Year Performance Analysis for 2021/22 was taken through Cabinet in January 2022. The report showed that for the first six months of this financial year:
- 63% of performance measures were on target
 - 20% of performance measures were short of target
 - 13 of performance measures were off target
 - 69% of the actions identified in the service plans were reported as being 'In Progress';
 - 37% of actions reported as being 'Completed'
 - 17% of actions had been reported as 'Amber'; and
 - 2% of actions had not yet started.

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- 8.10 Budgets are prepared in accordance with the Council's strategic directives and Corporate Plan. There are robust arrangements for effective financial control through the Council's accounting procedures, Financial Regulations (last updated 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. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Council's Governance & Audit Committee and Cabinet (July 2021, December 2021) to ensure a sustainable funding strategy is maintained.

Optimising achievement of intended outcomes

- 8.11 Where value for money of the public pound is concerned, budget proposals were examined by meetings of the Scrutiny Committees. This is to ensure that the service priority, affordability and other resource constraints are balanced.
- 8.12 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 July 2021, September 2021, November 2021, January 2022 and February 2022, taking into account the full cost of operations. The MTFP report highlights any significant delivery issues or changes to the external environment which arise during the period and have a financial impact.
- 8.13 The Head of Finance will review the governance arrangements around the capital programme to ensure the decision making, responsibilities and monitoring are robust moving forward.
- 8.14 The 2022/23 Budget consultation and MTFP were submitted to Cabinet in January 2022 and Council in March 2022; 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 2022/23 budget proposals.

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

Developing the entity's capacity

- 9.1 The Council has developed and maintained a People & Culture Strategy 2018 – 2022 as a workforce plan to enhance the strategic allocation of resources.
- 9.2 Through annual service area plans and mid year reviews, the operations and use of assets are reviewed. Performance is monitored through the service plans and also through the MI Hub performance management system with 6 monthly reports to Cabinet to ensure the continuing effectiveness of operations.
- 9.3 The Council recognises the benefits of partnerships and collaborative working to add value into the organisation. Examples of these arrangements can be in place locally (within Newport) such as the Newport Live (Leisure Trust), regionally within Gwent – the Education Achievement Service for SE

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Wales (EAS), regionally within South East Wales - the Cardiff Capital Region City Deal and wider afield through the 'Great Western Powerhouse'.

Developing the capability of the entity's leadership and other individuals.

- 9.4 The Council has an agreed Member/Officer Protocol within the Constitution which ensures that a shared understanding of the roles and objectives are maintained.
- 9.5 The Council's senior Leadership Team was strengthened in 2021/22 with the implementation of a new structure which introduced an additional Director role and three Chief Officer roles. All of the Executive Team and Chief Officers will be undergoing relevant training in the Council's decision making and governance arrangements and their own responsibilities and accountabilities. As noted elsewhere here, the scheme of delegation has been updated to reflect this increased and new structure.
- 9.6 The Constitution also includes a clear scheme of delegated powers for decision taking by Members and Chief Officers. This document details the types of decisions which can be delegated to Cabinet Members, established Sub-Committees or Chief Officers or those which have to be made by the collective body of the full Council.
- 9.7 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. Also updated in October 2019, and will be further reviewed and updated to reflect the Local Government and Elections (Wales) Act 2021.
- 9.8 As a necessity, temporary governance measures were in place for some aspects of officer key decision making in 2021/22 given the significant gaps in the Council's Leadership Team and which also impacted on general capacity on performance monitoring and delivery. The new structure and increased resources now allows a new framework to be devised and implemented and this is in progress.
- 9.9 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance. In year the SLT became the Executive Board, which consisted of the Chief Executive, Strategic Director Transformation & Corporate, Strategic Director Environment & Sustainability and Strategic Director Social Services.
- 9.10 Following the permanent appointment of the Chief Executive in 2020 a restructure of the leadership team was put in place to better manage capacity. Strategic Directors were increased from 2 to 3 with Heads of Service increasing from 8 to 11. As at 31 March 2022 all but one of the posts had been appointed to.
- 9.11 The Council develops the capabilities of members and senior management to achieve effective shared leadership. This enables the Council to respond successfully to changing legal and policy demands. In addition, the Council ensures that Members and officers have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities. This is completed by;

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- An on-going programme of events and training for Members especially those involved in the Planning & Licensing Committees and Sub Committees.
- A mandatory management programme for all senior managers 'Management in Action' to develop management capacity (2018).
- Further In-house management development modules for middle managers;
- Aspiring Leaders Programme delivered in partnership with the University of South Wales.
- Core Skills training is also available to all employees aligned to our corporate values with specific training available on topics such as Customer Care, Stress Management and Equality and Diversity.

9.12 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 & Heads of Service;
- Strategic Directors one to one meetings with Heads of Service
- Cabinet Member one to one meetings with Heads of Service

9.13 The previously used 'Clear Review' performance management system was replaced by the 'Check-in' process directly recorded onto the i-Trent HR & Payroll System. This forms part of the suite of corporate performance indicators. The system also allows continued professional development (CPD) opportunities to be identified which are needed to improve the skill, knowledge and understanding of employees. This enables 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 and service plan.

9.14 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures. Newport City Council supports employees and citizens in maintaining both their physical and mental well-being. Information on our workforce can be found in the Strategic Equalities annual report.

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

Managing Risk

10.1 Risk management is an integral part of all activities and is considered in all aspects of decision making. A report template for all formal Member and scrutiny reports requires authors to consider risk and its management or mitigation when writing reports. Each Head of Service incorporate the key risks to their service within service plans which identify the impact, the likelihood and any mitigation in place to manage those risks.

10.2 The Corporate Risk Management Policy was reviewed during 2019/20 and revised to strengthen existing arrangements and support the delivery of the Corporate Plan. The revised Policy was considered by the Governance & Audit Committee in January 2020, approved and endorsed by the Leader in July 2020.

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- 10.3 The Council's Corporate Risk Register was updated and taken through Cabinet and Governance & Audit Committee during 2021/22 on a quarterly basis. Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. 18 corporate risks were identified for the Council and these were recorded on the Corporate Risk Register as of the end of quarter 3 2020/21 which went to Cabinet March 2022; 10 severe, 5 major, 2 moderate, 1 low.
- 10.4 The Governance & 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. Risk management is included within the service plans where operational managers have greater responsibility for owning and dealing with the risks identified in their areas. All risks within the Corporate Risk Register have a designated overseeing officer(s) and a lead Cabinet Member(s) assigned.

Managing Performance

- 10.5 Service delivery is monitored through a number of key performance indicators agreed with targets at the start of each year. These are included on the Council's performance management system MI Hub and challenged by the Policy & Performance team. The planning, specification and delivery of service area work is included within annual service area plans which are approved by the lead Cabinet Member for the service area along with being reviewed through the scrutiny process. These are subject to mid-year and end of year reviews presented to the respective scrutiny committee. This ensures that Members and senior managers have regular reports on progress towards outcome achievement.
- 10.6 All decisions are based on clear, objective analysis taking into account the Council's financial position, social and environmental implications. Consideration against statutory policies is also made through a review of the WFG Act commitments. The above are considered by the report author when writing the report and also through the comments of the Monitoring Officer, Chief Financial Officer and the Head of People, Policy & Transformation.
- 10.7 Members of the scrutiny committees review policies and performance and question key decisions made by the Council's Cabinet and Officers to ensure they are open, accountable, transparent and in the best interests of the local area and its residents. Audit Wales reviewed the Council's Overview and Scrutiny functions to determine if they were 'Fit For the Future' in August 2018. They concluded that the Council's leadership was committed to improving its scrutiny function and to meet current and future challenges for scrutiny, but Members need a fuller understanding of their scrutiny role and more effective, timely training.
- 10.8 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

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Each Committee is politically balanced and the chair persons are allocated in proportion to the number of seats held by political groups.

Robust internal control

- 10.9 Internal Audit provides assurance to Senior Management and the Governance & Audit Committee on the effectiveness of internal control, risk management and governance.
- 10.10 The Governance & Audit Committee considers the work of internal and external auditors and the responses to audit recommendations. The Governance & Audit Committee has appointed an independent Chair; who is not part of the political structure of the Council. It also has responsibility for approving the Annual Statement of Accounts and its associated reports (which include this statement). This responsibility has been delegated by Council where the Chair of the Governance & Audit Committee signs the Accounts on behalf of the Governance & Audit Committee.
- 10.11 Moving forward, from May 2022, the Governance & Audit Committee will have 3 lay members as part of its committee, one of which will be the Chair in accordance with the Local Government & Elections (Wales) Act 2021. The recruitment process for the new lay members took place by means of a cross member panel during 2021/22 in readiness for the Committee's first meeting in 2022/23.
- 10.12 Governance & Audit Committee meets regularly and its activities can be seen via the Council's website; it met 4 times in 2021/22. Members received:
- The Annual Internal Audit Report 2020/21
 - The Annual Internal Audit Plan 2021/22
 - 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 2020/21 Financial Statements, including the Annual Governance Statement
 - 6 monthly updates on Internal Audit low assurance opinions
 - Audit Wales reports
- 10.13 The Council has established anti-fraud, bribery and corruption arrangements which provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. The revised Anti-Fraud, Bribery and Corruption Statement was approved by Cabinet in April 2021.
- 10.14 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 Governance & Audit Committee. 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.
- 10.15 The Chief Internal Auditor reports, in his own name, to the Governance & Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and

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effectiveness of the Council's internal control environment, governance arrangements and risk management processes.

- 10.16 35 Internal Audit opinions were issued in 2021/22. The overall opinion on the adequacy of the internal control environment for 2021/22 was **REASONABLE** (in 2020/21 the opinion was Reasonable).

	2019-20	2020-21	2021-22
Good	7	5	10
Reasonable	19	23	23
Unsatisfactory	6	1	2
Unsound	0	0	0
Total	32	29	35

- 10.17 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will follow this up. 82% of agreed management actions for 2020/21 had been implemented by management.
- 10.18 Reasons why the outcome of some internal audit reviews were deemed to be unsatisfactory were presented to Governance & Audit Committee. The Governance & 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. There were no call-ins during 2021/22.
- 10.19 Assurance is provided by Heads of Service who attend Governance & Audit Committee that improvements will be made in the examined areas which will result in a future improvement in the internal control environment and resulting internal audit opinion.

Managing Data

- 10.20 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 (SRS);
 - The Information Governance Group provides a high level management overview of information governance;

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The Council's Information Risk Register is maintained by the Information Management team to document and manage risks, reported annually.

- 10.21 The Annual Information Risk Report 2020/21 Draft was presented to the Information Governance Group through the year for consultation and endorsed by Cabinet Member for Community and Resources in September 2021.
- 10.22 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 2018. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.
- 10.23 Through Internal and External Audit reviews the quality and accuracy of data used in decision making and performance monitoring is reviewed.

Strong public financial management

- 10.24 The Council ensures that its financial management supports both long term achievement of the strategic objectives and outcomes while ensuring that short-term financial and operational performance is monitored. This is completed through the approval of a Medium Term Financial Plan and Capital Programme which are reviewed on a regular basis by Cabinet. On a short term basis, the individual service area budgets are monitored on a risk based programme by Accountancy.
- 10.25 The Council has a Budget Management System which promotes responsible and good financial management across all service areas of the Council. This system allows officers to highlight and explain any financial risks and controls.

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

Implementing good practice in transparency

- 11.1 The Council looks to ensure that all reports and communications are in clear English and in a style which is easily understandable. All reports can be accessed via the democracy pages on the Council's website using the modern.gov platform. The Council ensures that the provisions of the Welsh Language Standards are met with its communication to residents.
- 11.2 All reports are required to have comments from the Monitoring Officer, Chief Financial Officer and the Head of People, Policy & Transformation. These 3 Officers ensure that reports strike the correct balance to ensure the right amount of information is provided to satisfy transparency demands and to enhance public scrutiny. They also ensure that reports are not too onerous and in a language which the users can understand.

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Implementing good practices in reporting

- 11.3 All service areas are required to report annually on performance, value for money and the stewardship of resources through the service plan reviews, which also have a mid year review by Scrutiny.
- 11.4 All service plans, risks, budgets and performance measures have a designated responsible officer along with the appropriate Head of Service and Cabinet Member.
- 11.5 The Council has arrangements through this Annual Governance Statement for ensuring robust arrangements for assessing the extent to which the principles contained in the Code of Corporate Governance Framework have been applied to demonstrate good governance.
- 11.6 The Council's Code of Corporate Governance was revised during 2019/20 and approved by Cabinet in April 2021.
- 11.7 The preparation of the Council's financial statements are completed as soon as possible after year end. Both the publication of the Draft and Final 2020/21 end of year accounts, whilst not within required deadlines, commensurate with nearly all of the sector across the UK, were reported to the Audit and Governance Committee. The final, audited accounts were approved and signed in November 2021.

Assurance and effective accountability

- 11.8 Any recommendations made by the Council's external auditors (Audit Wales) are acted upon. Each report contains an action plan and is presented to and monitored by the appropriate scrutiny committee. An end of year 'lessons learnt' exercise was completed for the 2020/21 account closure process and this was reported to the Governance & Audit Committee in January 2022.
- 11.9 The Council has an Internal Audit service which has unrestricted access to all personnel, documentation and premises of the Council. The Chief Internal Auditor also has unrestricted access to the Chair of the Governance & Audit Committee, Chief Executive and Leader of the Council if required. These provisions are set within the Council's Financial Regulations (part of the agreed Constitution) and are also included within the Internal Audit Charter.
- 11.10 An Internal Audit follow up review of Corporate Governance across the organisation will be undertaken during 2022/23.
- 11.11 The Council welcomes all challenge, reviews and inspections from regulatory bodies. A number of external bodies have provided reports on the Council's activities during 2021/22 including Audit Wales, the Care Inspectorate for Wales (CIW) and Her Majesty's Inspector of Education & Training in Wales (ESTYN). The Council looks to implement all recommendations arising from these reports to ensure the necessary controls and improvements are made for the benefit of the citizens of Newport.
- 11.12 When working in partnership, the Council ensures that arrangements for accountability are clear, whether this is through a memorandum of understanding or contract being in place. This is to ensure that wider public accountability is met.

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12 Action Plan

Based on the review of the governance framework, the following issues need to be addressed during 2022/23 to further improve and strengthen the governance arrangements and their effectiveness in future years.

Previous Action Plan

Issue	Action	Responsible Officer
Consultation and Engagement Policy requires review	<p>To review the required policy and seek appropriate approval.</p> <p><u>Progress to date:</u></p> <p>To be reviewed as part of the implementation plan for the Local Govt. & Elections (Wales) Act during 2021/22.</p>	Head of Law & Standards
The revised Code of Corporate Governance needs to be communicated to all jointly managed and shared service organisations.	Communicate the revised Code of Corporate Governance to all jointly managed and shared service organisations and that assurance on compliance is received for the Annual Governance Statement.	<p>Head of Finance</p> <p>Chief Internal Auditor</p>
Action needs to be taken in response to the 'Corporate Governance' Unsatisfactory Internal Audit report (Finalised December 2020).	<p>Management to agree a response to the report and ensure concerns are addressed.</p> <p><u>Progress to date:</u></p> <p>Management actions agreed; assurance has been provided that agreed actions have been implemented; Internal Audit to undertake a follow up audit in 2022/23.</p>	<p>Head of People & Business Change</p> <p>[Head of People, Policy & Transformation]</p> <p>Head of Law & Standards</p> <p>Head of City Services</p>

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2021/22 Action Plan

Issue	Action	Responsible Officer
A review of the governance arrangements around the development, delivery and monitoring of the Council's future 'Transformation Programme' is currently underway and will also include clear responsibilities and arrangements for other key areas, such as financial management, capital programme, major projects etc	To conclude the review and communicate the outcome to all concerned.	Head of People, Policy & Transformation
New Members have the appropriate skills to effectively undertake their roles	Training and Induction for new Members will be reviewed and updated following Local Government elections in May 2022.	Democratic and Electoral Services Manager
Ideally there should be a formal policy for the type of issues that the Council will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes needs to be developed.	Consideration to be given to developing a formal policy and communicating it to all relevant stakeholders.	Head of People, Policy & Transformation
The Council's Constitution is kept up to date following recent legislation.	Consideration needs to given to further update the Council's Constitution to reflect the Local Government and Elections (Wales) Act 2021.	Head of Law & Standards

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13 Conclusion

- 13.1 In conclusion during 2021/22 the Coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness. There are effective governance arrangements in place at Newport City Council. This will be monitored during 2022/23 and reviewed as part of Internal Audit work and future Annual Governance Statements.
- 13.2 We propose over the coming year to continually monitor and review the projects within each service area to mitigate and manage any risks to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that may be identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: J Mudd **Date** 23 January 2023

Councillor Jane Mudd, Leader of Newport City Council

Signed: B A Owen **Date** 30 December 2022

Beverly Owen, Chief Executive of Newport City Council

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

Opinion on financial statements

I have audited the financial statements of:

- Newport City Council; and
- Newport City Council Group.

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

Newport City Council's financial statements comprise the Expenditure and Funding Analysis, 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, 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 UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

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 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 the 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

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's and Group's ability to continue to adopt the going concern basis of

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

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accounting for a period of at least 12 months from when the financial statements are authorised for issue. My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other Information

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

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

I have nothing to report in this regard.

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 2021-22;
- 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 Group and their 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

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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 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.

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

My procedures included the following:

- enquiring of management, the Council's Chief Internal Auditor and those charged with governance, including obtaining and reviewing supporting documentation relating to the Council's and Group's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or noncompliance with laws and regulations;
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud;
- obtaining an understanding of the Council's and Group's framework of authority as well as other legal and regulatory frameworks that the Council and Group operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Council and Group.

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In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

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.

Signed	
Adrian Crompton	24 Cathedral Road
Audit General for Wales	Cardiff
30th January 2023	CF11 9LJ

Electronic Publication of Financial Statements

The maintenance and integrity of Newport City Council's 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.

Comprehensive Income and Expenditure Statement

Statement of Accounts 2021/22

Newport City Council

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	2020/21	Net		Notes	Gross	2021/22	Net	
	Expenditure	Gross	Expenditure			Expenditure	Gross	Expenditure	
	£'000	Income	£'000			£'000	Income	£'000	
				Children's and Young People					
35,243	(7,223)	28,020	Services		39,467	(9,582)	29,885		
89,327	(40,931)	48,396	Adults and Community Services		95,987	(47,315)	48,672		
30,290	(12,365)	17,925	Education		33,666	(14,211)	19,455		
155,238	(30,279)	124,959	Schools		157,030	(35,443)	121,587		
			Regeneration, Investment and						
37,471	(23,903)	13,568	Housing		45,512	(29,017)	16,495		
54,445	(17,965)	36,480	City Services		60,922	(19,556)	41,366		
26,457	(6,437)	20,020	Corporate Services		32,497	(8,853)	23,644		
48,363	(45,120)	3,243	Other Non Department Costs		41,260	(42,559)	(1,298)		
476,834	(184,223)	292,611	Cost of services		506,341	(206,536)	299,806		
25,032	(1,126)	23,906	Other operating expenditure	11	26,813	-	26,813		
19,464	(1,055)	18,409	Financing and investment income and expenditure	12	20,762	(1,055)	19,707		
-	-	-	(Surplus) / deficit on discontinued operations		-	-	-		
-	(326,087)	(326,087)	Taxation and non-specific grant income	13	-	(372,866)	(372,866)		
521,330	(512,491)	8,839	(Surplus) / Deficit on Provision of services		553,916	(580,457)	(26,540)		
		(33,988)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets				(11,656)		
		104,470	Actuarial (gains) / losses on pensions assets / liabilities				(107,175)		
		70,482	Other Comprehensive Income and Expenditure				(118,831)		
		79,321	Total Comprehensive Income and Expenditure				(145,371)		

Expenditure and Funding Analysis

Statement of Accounts 2021/22

Newport City Council

The Expenditure and Funding Analysis (EFA) is a key note to the main financial statements. It demonstrates how the funding available to the council (i.e. Council Tax, Rents, Business Rates and Central Government grants) has been used in providing services in comparison with those resources consumed or earned in accordance with Generally Accepted Accounting Practices (e.g. adjustments made for depreciation, revenue afforded impairment costs etc). It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Corporate Services include the services areas Directorate, Finance, People and Business Change and Law and Regulation.

2021/22	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	24,955	4,930	29,885
Adults and Community	46,887	1,785	48,672
Education	14,807	4,648	19,455
Schools	111,731	9,856	121,587
Regen Investment + Housing	11,682	4,813	16,495
City Services	28,925	12,441	41,366
Corporate Services	19,009	4,635	23,644
Other Non Department Costs (Non Service)	29,123	(30,421)	(1,298)
Net Cost of Service	287,119	12,687	299,806
Other Income and Expenditure	(293,698)	(32,648)	(326,346)
(Surplus) or Deficit	(6,579)	(19,961)	(26,540)
Opening General Fund as at 31 March 2021	(6,500)		
(Surplus) / Deficit on the General Fund	-		
Transfer between Earmarked reserve and general funds	-		
Closing General Fund as at 31 March 2022	(6,500)		

2020/21	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	26,226	1,794	28,020
Adults and Community	46,224	2,172	48,396
Education	14,511	3,414	17,925
Schools	106,527	18,432	124,959
Regen Investment + Housing	15,284	(1,716)	13,568
City Services	26,606	9,874	36,480
Corporate Services	21,940	(1,920)	20,020
Other Non Department Costs (Non Service)	10,296	(7,053)	3,243
Net Cost of Service	267,614	24,997	292,611
Other Income and Expenditure	(274,971)	(8,801)	(283,772)
(Surplus) or Deficit	(7,357)	16,196	8,839
Opening General Fund as at 31 March 2020	(6,500)		
(Surplus) / Deficit on the General Fund	-		
Transfer between Earmarked reserve and general funds	-		
Closing General Fund as at 31 March 2021	(6,500)		

Movement in Reserves Statement

Statement of Accounts 2021/22

Newport City Council

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 £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at the 31 Mar 2020 carried forward	(6,500)	(72,306)	(8,259)	(87,065)	99,554	12,489
Movement in reserves during 2020/21 (Surplus) / deficit on the provision of services	8,838	-	-	8,838	-	8,838
Other comprehensive Income and Expenditure	-	-	-	-	70,482	70,482
Total Comprehensive Income and Expenditure	8,838	-	-	8,838	70,482	79,320
Adjustments between accounting basis and funding basis under regulations (Note 9)	(31,550)	-	1,506	(30,044)	30,044	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(22,712)	-	1,506	(21,206)	100,526	79,320
Transfer to/ from Earmarked Reserves (Note 10)	22,712	(22,712)	-	-	-	-
(Increase) / Decrease in 2020/21	-	(22,712)	1,506	(21,206)	100,526	79,320
Balance at the 31 Mar 2021 carried forward	(6,500)	(95,018)	(6,753)	(108,271)	200,080	91,809
Balance at the 31 Mar 2021 carried forward	(6,500)	(95,018)	(6,753)	(108,271)	200,080	91,809
Movement in reserves during 2021/22 (Surplus) / deficit on the provision of services	(26,540)	-	-	(26,540)	-	(26,540)
Other comprehensive Income and Expenditure	-	-	-	-	(118,831)	(118,831)
Total Comprehensive Income and Expenditure	(26,540)	-	-	(26,540)	(118,831)	(145,371)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(14,401)	-	(2,637)	(17,038)	17,097	59
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(40,945)	-	(2,637)	(43,582)	(101,734)	(145,312)
Transfer to/ from Earmarked Reserves (Note 10)	40,945	(40,945)	-	-	-	-
(Increase) / Decrease in 2021/22	-	(40,945)	(2,637)	(43,582)	(101,734)	(145,314)
Balance at the 31 Mar 2022 carried forward	(6,500)	(135,962)	(9,390)	(151,852)	98,346	(53,505)

Balance Sheet

Statement of Accounts 2021/22

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-21		Notes	31-Mar-22
£'000			£'000
Restated			
361,730	Property, Plant and Equipment	14	390,758
147,597	Property, Plant and Equipment - Infrastructure	14	151,210
17,354	Heritage Assets	16	17,362
12,945	Investment Property	17	12,530
447	Long Term Investments	18	447
19,514	Long Term Debtors	18	27,216
559,587	Long Term Assets		599,523
15,294	Short Term Investments	18	56,294
3,046	Assets Held for Sale	22	742
295	Inventories	19	1,032
64,451	Short Term Debtors	20	74,385
141	Deferred Tax Asset	18	131
7,201	Cash and Cash Equivalents	21	5,756
90,428	Current Assets		138,340
(5,648)	Short Term Borrowing	18	(5,049)
(43,863)	Short Term Creditors	23	(70,064)
(6,001)	Provisions	24	(6,514)
(2,447)	Other Short Term Liabilities	18	(2,257)
(57,959)	Current Liabilities		(83,884)
(17,629)	Long Term Creditors	18	(15,636)
(6,076)	Long Term Provisions	24	(6,862)
(145,725)	Long Term Borrowing	18	(136,058)
(475,116)	Pension Liability	26	(403,203)
(39,320)	Other Long Term Liabilities	18	(38,716)
(683,866)	Long Term Liabilities		(600,474)
(91,810)	Net Assets / Liabilities		53,505
(108,271)	Usable Reserves	25	(151,852)
200,081	Unusable Reserves	26	98,346
91,810	Total Reserves		(53,505)

Cash Flow Statement

Statement of Accounts 2021/22

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.

2020/21 £'000		Note	2021/22 £'000
8,839	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		(26,540)
(62,014)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	(74,302)
19,720	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	40,975
(33,455)	Net cash flows from Operating Activities		(59,867)
3,234	Investing Activities	28	50,008
15,830	Financing Activities	29	11,304
(14,391)	Net (increase) or decrease in cash and cash equivalents		1,445
(7,189)	Cash and cash equivalents at the beginning of the reporting period	21	7,201
7,202	Cash and cash equivalents at the end of the reporting period	21	5,756

Notes to the Statement of Accounts

Statement of Accounts 2021/22

Newport City Council

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, and in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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

Notes to the Statement of Accounts

Statement of Accounts 2021/22

Newport City Council

expenditure; and the operation has clearly defined assets, liabilities, income and expenditure on operations for operational and financial reporting purposes.

Exceptional Items

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

Notes to the Statement of Accounts

Statement of Accounts 2021/22

Newport City Council

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 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 Schools and Education lines in the Comprehensive Income and Expenditure Statement are 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:

Notes to the Statement of Accounts

Statement of Accounts 2021/22

Newport City Council

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;
- **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 41 and 42.

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;

Notes to the Statement of Accounts

Statement of Accounts 2021/22

Newport City Council

- 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 recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading 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. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is

Notes to the Statement of Accounts

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Newport City Council

managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI), held as a long-term investment.

The Council has made an irrevocable election to designate one of its equity instruments as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018.

The asset is initially measured and carried at fair value.

The value is based on the principal that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuation.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted previously for the asset which was classified in the Transport Realisation account. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

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.

Notes to the Statement of Accounts

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Newport City Council

Agency Expenditure & Income

Welsh Government can periodically use Councils' administrative mechanisms to distribute resourcing to the electorate or particular business sectors as an alternative to making their own direct payment arrangements. Such measures are known as agency arrangements.

Welsh Government have adopted an accounting treatment that means Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. However, there can often be a lag in Councils receiving such resourcing that extends over the year end and the Council is not obligated to make any such payments to the electorate in advance of such receipts.

The Council will receive award letter correspondence about any prospective agency requests which should necessitate agreement through the signed acceptance to any terms and conditions and so has reasonable assurance that the grant involved will be received. So where any agency grant has not physically been paid before the year end but the Council has agreed to the terms and conditions, the Council will adopt a debtor and equivalent creditor presentation in the year of signed acceptance for the funding.

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.

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

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Tredegar House is a 17th century Charles II mansion and grounds which is leased to the National Trust to manage and maintain and does not appear on the Councils balance sheet.

Conversely the contents of the property include paintings, furniture and other artefacts of the time period remain in the ownership of the Council. These items are reported in the balance sheet at insurance value which is based on market values. These insurance valuations will generally be updated every five years in line with other heritage asset considerations. 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).

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.

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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.

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 are 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.

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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 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.

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 two such lease debtors in the accounts.

Lease rentals receivable are apportioned between:

- 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

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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 de minimis cost of £10,000 for any asset to be capitalised. However, where groups of assets e.g. PCs are purchased individually fall below the de minimis 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:

- 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);

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- 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. Consequently, these revisions exhibit no impact upon taxpayer funded services.

Valuations are undertaken through an agency arrangement by 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.

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.

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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:

Asset	Policy	Life
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

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.

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.

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.

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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). Some asset sales, like vehicles, tend to be amalgamated when considering against the £10,000 de minimis capital receipt level. 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.

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.

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

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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 44 and 45. The disclosure sets out the scale of potential costs and likelihood of these being realised.

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

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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 26.

Schools Accounting Policy

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not in the group accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

Value Added Tax (VAT)

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the Council is not able to recover VAT on expenditure.

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.

IFRS 16 is a new International Financial Reporting Standard for lease accounting which came into force on 1 January 2019. It replaced the existing IAS 17 accounting standard.

CIPFA/LASAAC which governs local authority financial standards has deferred formal implementation date and the latest position is a potential adoption date of April 23 or April 24.

The future effect of IFRS 16 will require local authorities that lease/rent assets to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. There is an exception for low value (£5k) and short life arrangements (1 year or less).

Based on early work, it is currently anticipated that fixed assets, through the creation of on use assets, would be increased by £10.14million if it were applicable to 2021-22 Accounts.

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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 Statement of Accounts can contain estimated figures, particularly where it is necessary to base costs and income on assumptions made by the Authority about the future or that are otherwise uncertain. So figure work can include an anticipation of future interest rates or inflation and are mitigated through techniques like discounted cash flows or internal rate of return. 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. For instance:

- The Government has made fundamental changes in respect of the provision of public sector pensions in recent years, and last year the Council also absorbed the net Newport Transport pension liability for those staff still accessing Superannuation scheme. The LGPS triennial valuation continues to affirm the affordability of the scheme through its revision of current and future contribution rates.
- In line with accounting standards the Authority continues to make a significant provision in respect of final remedial work and future maintenance/monitoring of its major waste disposal site. Assumptions regarding remediation and aftercare costs have been based on legal requirements to monitor the site for a period of 60 years following closure and have been adjusted for the time value of money.
- From an asset point of view, schools remain the most significant class in the portfolio. The Council is required to report any material expenditure, income, assets and liabilities of schools within its primary statements. It may have to rely upon information derived from outside sources. 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.
- 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 9 schools from the Council's non-current assets.
- The Authority also undertook a fundamental review in 2012/13 of its Schools portfolio with a view to both rationalising and significantly improving the quality of school premises available across the City and County (21st Century Schools Programme). In the light of this scheme and the outline timescale for implementation, the useful lives of some school buildings were re-evaluated and considerably reduced from that previously used. The effect of this was to accelerate residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet.
- The Council's fixed asset valuation process involves a rolling programme of examination over a 5 year period. Consequently, it is necessary to consider whether any changes in valuation experienced in the current year are perceived to also have a bearing upon other classes of assets that weren't examined and their values also adjusted accordingly.
- There remains a high degree of uncertainty about future levels of funding for local government. The Council's Accounts continue to be recorded on the basis of going concern.

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4 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Finance on 12th July 2022. Any events taking place after this date are not reflected in the statement of accounts or notes and there are no specific issues or events that are expected to change this.

Since the draft Statement of Accounts was authorised for issue by the Head of Finance on 12th July 2022, the Chartered Institute of Public Finance and Accountancy has amended the regulations governing the accounting treatment for Infrastructure assets. Unusually this applied retrospectively to 2021-22 accounts and necessitated a change to note 14: Fixed assets to amend the presentation of Infrastructure assets to disregard gross book value and accumulated depreciation values.

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 impact of the Covid-19 pandemic has altered demand, supply and the approach to the provision of services over the last 2 years. It is unclear whether such changes will prove temporary or more permanent, such that any future assumptions and estimation used in the Statement of Accounts which is based upon current activity is potentially less reliable and more volatile than it has been traditionally.

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Provisions	<p>The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made.</p> <p>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>
Provisions in relation to Arrears of Debt	<p>At 31 March 2022, 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</p>	<p>Beneficial collection activity will improve the 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. Common with 2020/21 the Council continues to make an</p>

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	assumed which may or may not be deemed to be sufficient.	additional provision for non payment as a result of Covid-19 pandemic/UK economic situation. Future years will necessitate a similar consideration as to whether recent cost of living increases felt on other goods and services (e.g. food, utilities, fuel etc) are impactful into the medium term upon disposable income and limits potential payment to the Council, but this will be informed by any uptick in arrears.
Property, Plant and Equipment	Assets are depreciated over their useful lives which are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Uncertainty about the actual useful life of an asset introduces potential volatility in depreciation charges over its life.	The importance of this is that if the useful life of assets is reduced, depreciation increases and the net carrying value of the assets falls. Such revisions are accounted for through the un-useable reserves section of the balance sheet to ultimately exhibit no impact upon taxpayer funded services.
Fair value measurements	<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>

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Valuation of operational property	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution should be attached to the valuation.</p> <p>Traditionally the Council undertakes a rolling 5 year valuation schedule to review and update the value of the assets held in the balance sheet. This process is managed by RICS qualified personnel through an agency contract. Given the length of time between valuations and the perceived impact of recent construction inflation changes upon replacement cost figures, this introduces an increased uncertainty as to gross book values reported. In order to mitigate this, a desk based exercise has been introduced to revise property values affected by construction inflation annually until that asset receives its next formal RICS revaluation.</p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will tend to fluctuate based on changes in estimated current value.</p>
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Fair value measurement of investment property	<p>The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution should be attached to the valuation.</p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, it has been difficult to value property assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2019 valuation data to ensure that it is captured in the 31 March 2022 IAS19 balance sheet figures. The final impact on the pension scheme will not be known until the required changes in legislation have been made.</p>	<p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>

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The Pensions actuary has provided a table of the variables and the estimated effect upon the fund from a change in current predictions:

Change in assumptions at 31 March 2022:	Approximate effect on liability (£000)	Approximate resultant % increase to Defined Benefit Obligation
0.1% decrease in Real Discount Rate	21,514	2%
1 year increase in member life expectancy	41,858	4%
0.1% increase in the Salary Increase Rate	2,136	0%
0.1% increase in the Pension Increase Rate (CPI)	19,217	2%
<i>Source: Actuarial Report for NCC 31st March 2022</i>		

In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme obligations at the accounting date on varying bases to derive an average. The approach taken is consistent with that adopted to derive the accounting figures provided in their year end report, based on the profile (average member ages, retirement ages etc) of the Employer as at the date of the most recent valuation.

6 MATERIAL ITEMS OF INCOME AND EXPENSE

Information is material if omitting, misstating or obscuring it could be reasonably expected to alter the reader's decisions/opinion in respect of the financial statements. The Council has captured material transactions within the various notes, it does not consider that there are any other material items of income and / or expense that were incurred and / or received in the normal day to day provision of services.

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7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
2021/22					
Adjustments from General Fund to arrive at CIES amounts	£'000	£'000	£'000	£'000	£'000
Children and Young People	1,111	3,492	(41)	369	4,930
Adults and Community	(274)	3,571	(37)	(1,475)	1,785
Education	1,822	1,785	326	716	4,648
Schools	8,546	7,936	-	(6,626)	9,856
Regen Investment + Housing	3,061	2,515	(44)	(719)	4,813
City Services	10,097	3,194	(9)	(841)	12,441
Corporate Services	994	4,266	(68)	(556)	4,635
Other Non Department Costs (Non Service)	24	(1,245)	-	(29,200)	(30,422)
Net Cost of Service	25,380	25,513	126	(38,332)	12,687
Other Income and Expenditure from Funding Analysis	(46,288)	9,749	-	3,891	(32,648)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit	(20,909)	35,262	126	(34,441)	(19,962)

	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
2020/21					
Adjustments from General Fund to arrive at CIES amounts	£'000	£'000	£'000	£'000	£'000
Children and Young People	632	1,403	(93)	(149)	1,793
Adults and Community	847	1,459	(104)	(30)	2,172
Education	3,885	690	(50)	(1,111)	3,414
Schools	23,666	3,191	(829)	(7,596)	18,432
Regen Investment + Housing	2,735	1,063	(224)	(5,290)	(1,716)
City Services	11,288	1,293	(98)	(2,609)	9,874
Corporate Services	1,051	1,638	(124)	(4,485)	(1,920)
Other Non Department Costs (Non Service)	31	(5)	-	(7,079)	(7,053)
Net Cost of Service	44,135	10,732	(1,522)	(28,349)	24,996
Other Income and Expenditure from Funding Analysis	(18,147)	8,084	-	1,263	(8,800)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit	25,988	18,816	(1,522)	(27,086)	16,196

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

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- 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 Adjustments

- 4) This column reflects any 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 £3,889k under 'Other Non-Department Costs (Non service)' includes adjustments for Levies, Council Tax Reduction Scheme, reserve balances, minimum revenue provision, Private Finance Initiatives and any other income and expenditure.

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8 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2020/21 £'000	2021/22 £'000
Expenditure		
Employee Benefits Expenses	201,961	234,329
Other Services Expenditure	232,325	247,462
Depreciation, Amortisation, Impairment	43,567	24,550
Interest Payments	18,446	20,762
Precepts and Levies	25,032	26,464
(Gain)/Loss on Disposal of assets	-	349
Total Expenditure	521,330	553,917
Income		
(Gain)/Loss on Disposal of assets	(1,126)	-
Fees, Charges and other service income	(24,575)	(30,804)
Interest and investment income	(1,056)	(1,056)
Income from Council tax and non-domestic rates	(122,903)	(130,256)
Government grants and contributions	(362,832)	(418,341)
Total Income	(512,492)	(580,457)
(Surplus) or Deficit on the Provision of Services	8,839	(26,541)

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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.

	Usable Reserves		
	Council Fund Balance £'000	Capital Receipts Reserve £'000	Movement in Unusable Reserves £'000
2021/22			
Adjustments primarily involving the Capital Adjustment Account:	18,226	-	(18,226)
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	7,522	-	(7,522)
Charges for depreciation and impairment of non-current assets	(25,513)	-	25,513
Revaluation losses on PPE & Assets Held for Sale	960	-	(960)
Movements in the fair value of Investment Properties & Assets held for sale	(478)	-	478
Capital grants and contributions applied	39,235	-	(39,235)
Revenue expenditure funded from capital under statute	(4,169)	-	4,169
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	(2,922)	-	2,922
Cardiff City Region Aggregated Un-useable Reserves (NCC share)	408		(408)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	10,704	-	(10,704)
Statutory provision for the financing of capital investment	10,008	-	(10,008)
Capital expenditure charged against the General Fund	696	-	(696)
Adjustments primarily involving the Capital Receipts Reserve:	2,655	(2,637)	-
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure statement	2,655	(2,655)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	18	(18)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
Use of Capital Receipts to fund Premium	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:	-	-	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:	105	-	(105)
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	105	-	(105)
Adjustments primarily involving the Pensions Reserve:	(35,262)	-	35,262

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Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)

(54,057) - 54,057

Employer's pensions contributions and direct payments to pensioners payable in the year

18,795 - (18,795)

Adjustment primarily involving the Accumulated Absences Account:

(126) - 126

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

(126) - 126

TOTAL ADJUSTMENTS

(14,401) (2,637) 17,038

2020/21 Comparative figures

	Usable Reserves		
	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	(15,441)	-	15,441
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	(26,828)	-	26,828
Charges for depreciation and impairment of non-current assets	(23,573)	-	23,573
Revaluation losses on Property Plant and Equipment	(18,108)	-	18,108
Movements in the market value of Investment Properties	(77)	-	77
Capital grants and contributions applied	19,935	-	(19,935)
Revenue expenditure funded from capital under statute	(4,681)	-	4,681
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	(324)	-	324
Cardiff City Region Aggregated Unuseable Reserves (NCC share)	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	11,387	-	(11,387)
Statutory provision for the financing of capital investment	10,888	-	(10,888)
Capital expenditure charged against the General Fund	499	-	(499)
Adjustments primarily involving the Capital Receipts Reserve:	(1,482)	1,506	(24)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	548	(548)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	24	(24)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
Use of Capital Receipts to fund Premium	(2,030)	2,030	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:	-	-	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:	2,666	-	(2,666)

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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

2,666	-	(2,666)
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Adjustments primarily involving the

Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)

(18,817)	-	18,817
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Employer's pensions contributions and direct payments to pensioners payable in the year

(35,240)	-	35,240
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16,423	-	(16,423)
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Adjustment primarily involving the

Accumulated Absences Account:

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

1,522	-	(1,522)
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1,522	-	(1,522)
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TOTAL ADJUSTMENTS

(31,552)	1,506	30,046
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Notes to the Statement of Accounts

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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 2021/22.

	Balance at 31-Mar-21	Movements between Reserves		Via Comprehensive I&E Account		Balance at 31-Mar-22
		Transfers Out	Transfers In	Transfers Out	Transfers In	
	£'000	£'000	£'000	£'000	£'000	£'000
Council Fund	(6,499)	-	-	-	(1)	(6,500)
Balances held by schools for future use	(9,558)	-	-	-	(6,179)	(15,737)
<u>Risk Reserves</u>						
Music Service	(127)	-	-	-	-	(127)
Pay Reserve	(1,418)	-	-	-	-	(1,418)
Insurance Reserve	(1,162)	-	-	-	-	(1,162)
MMI Insurance Reserve	(602)	-	-	-	-	(602)
Health & Safety	(16)	16	-	-	-	-
Education Achievement Service	(92)	-	-	-	-	(92)
Schools Redundancies	(985)	-	-	-	(113)	(1,098)
General Investment Risk Reserve	(1,188)	64	-	-	(1,443)	(2,567)
European Funding I2A & CFW	(984)	-	-	36	(450)	(1,398)
Metro Bus	(9)	9	-	-	-	-
GEMS Redundancies	(78)	-	-	-	-	(78)
COVID Risk Reserve	-	-	(1,884)	-	-	(1,884)
<u>Enabling Reserves</u>						
Capital Expenditure	(9,927)	-	-	-	-	(9,927)
Displacement headroom	-	-	-	-	(10,279)	(10,279)
Capital Grants Unapplied	-	-	-	-	(3,210)	(3,210)
Invest to Save	(8,464)	-	-	897	-	(7,567)
Super Connected Cities	(298)	-	-	128	-	(170)
Landfill Reserve	(332)	-	-	-	-	(332)
School Works	(432)	-	-	-	(497)	(929)
School Reserve Other	(27)	-	-	-	-	(27)
Schools ICT Sustainability	-	-	-	-	(50)	(50)
Investment Reserve	(497)	497	-	-	-	-
Usable Capital Receipts	(6,753)	-	-	18	(2,655)	(9,390)
Streetscene Manager Support	(66)	-	-	55	-	(11)
<u>Smoothing Reserves</u>						
Municipal Elections	(164)	-	-	-	(16)	(180)
Local Development Plan	(688)	55	-	118	-	(515)
Glan Usk PFI	(1,607)	-	-	-	-	(1,607)
Southern Distributor Road PFI	(40,392)	-	-	452	-	(39,940)
Building Control	(81)	-	-	-	(43)	(124)
Loan modification IFRS 9	(513)	-	-	-	-	(513)
Kingsway	(64)	-	-	-	-	(64)
<u>Other Reserves</u>						
Works of art	(21)	-	-	-	-	(21)
Theatre & Arts Centre	(232)	-	-	-	-	(232)
Cymorth Income	(25)	25	-	-	-	-
Blaen-y-plant remodelling	(4)	4	-	-	-	-
Homeless Prevention	(38)	38	-	-	-	-
Environmental Health - Improve Air Quality	(49)	-	-	-	-	(49)

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Refurbishment of a Children / Older People Homes	(41)	41	-	-	-	-
Apprenticeship Scheme Reserve	(17)	10	-	-	-	(7)
City Economic Development Reserve	(90)	-	-	-	-	(90)
Welsh Language Standards	(129)	2	-	-	-	(127)
Port Health	(16)	-	-	-	(4)	(20)
CRM	(52)	-	-	52	-	-
Financial System Upgrade	(600)	-	-	-	-	(600)
Events	(216)	-	-	-	(59)	(275)
MTFP Reserve	(5,117)	1,185	-	943	(6,412)	(9,401)
Voluntary Sector Grants	(43)	16	-	-	-	(27)
Bus Wifi	-	-	-	-	-	-
Bus Subsidy	(15)	15	-	-	-	-
Feasibility Reserve	(54)	-	-	-	-	(54)
IT Development	(53)	-	-	-	-	(53)
Leisure Delivery Plan	(103)	-	-	103	-	-
Chartist Tower	(256)	-	-	-	-	(256)
Joint Committee City Deal Reserve	(289)	-	-	-	(373)	(662)
Civil Parking Enforcement	(245)	-	-	52	-	(193)
Community COVID Recovery Fund	(500)	-	-	-	-	(500)
Clean & Green	(500)	-	-	481	-	(19)
Green Recovery Task Force	(1,000)	-	-	-	-	(1,000)
Business Development Grants	(250)	-	-	-	-	(250)
Business Support	(56)	-	-	-	(25)	(81)
Children's Service legal fees	(150)	-	-	150	-	-
Community Occupational Therapy	(53)	-	-	-	-	(53)
Directly Managed Community Centres Maintenance	(50)	-	-	-	-	(50)
IT Infrastructure	(120)	-	(95)	-	(432)	(647)
PSB Contribution	(40)	-	-	-	-	(40)
COVID Reserve	(596)	95	-	75	-	(426)
Highways road repairs [potholes]	(116)	-	-	116	-	-
Homelessness Prevention	(289)	-	(38)	-	-	(327)
Chief Education Grant	(765)	-	-	197	-	(568)
Home to School Transport	(801)	-	-	302	-	(499)
Housing Supply review	(25)	-	-	-	-	(25)
Anniversary tree planting / green canopy	(20)	-	-	17	-	(3)
Cariad Casnewydd	(170)	-	-	-	-	(170)
Soft Loan interest equalisation reserve	(1,861)	-	-	213	-	(1,648)
Community Gardening Schemes	(180)	-	-	-	-	(180)
SS COVID Recovery Reserve	-	-	-	-	(563)	(563)
Market Arcade Owner contributions	-	-	-	-	(51)	(51)
Strategic Development Plan	-	-	(55)	-	(55)	(110)
Parks & Open Spaces	-	-	-	-	(2,500)	(2,500)
Discretionary Rate Relief	-	-	-	-	(900)	(900)
Domiciliary Care Service Capacity	-	-	-	-	(500)	(500)
Social Services PPE Reserve	-	-	-	-	(212)	(212)
Prior year Underspend - 21-22	-	-	-	-	(7,895)	(7,895)
Communications Corporate Requirement	-	-	-	-	(232)	(232)
Decarbonisation Projects	-	-	-	-	(90)	(90)
St Andrew's Primary	-	-	-	-	(305)	(305)
Residential Care Home Equalisation Reserve	-	-	-	-	(940)	(940)
Cost of Living Support Scheme Reserve	-	-	-	-	(1,503)	(1,503)
Total	(108,270)	2,072	(2,072)	4,405	(47,987)	(151,852)

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Material reserves to note are:

- **Council fund** – Councils are required prudently to put a proportion of resourcing aside to assist with dealing with unexpected events and emergencies;
- **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.
- **Displacement headroom reserve** – the Council received 3 grants towards the end of 2021-22 that could not be used for intended purpose. Welsh Government required they be used to temporarily reduce Council's borrowing costs, on the proviso that resourcing was earmarked for use on free school meals, maintenance of schools, and public transport electrification in 2022-23.
- **Invest to save reserve** - established to enable funding of specific projects which demonstrate savings to the revenue budget within pay-back period of 3 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** – the funding for these two projects were received from Welsh Government upfront, and is held in a reserve to pay the annual capital repayments to the contractor over the life of the project.
- **Medium Term Financial Plan (MTFP) reserve** – created to earmark resourcing for the support, facilitation and achievement of the Council's corporate plan.
- **Prior year underspend 21-22** - commonly any year's underspend is attributed by members to further facilitate corporate/political priorities. This year, the year-end closure of accounts process coincided with local authority election in May 22, such the underspend was ring fenced intact for allocation by the incoming political administration.
- **Cost of Living Support Scheme** - alongside requiring Councils to direct £150 to eligible households (known as the main scheme), Welsh Government provided additional resourcing at the end of 2021-22 to develop a discretionary scheme to supplement that programme of support. The amount allotted to the discretionary scheme and an allowance for administering it and the main scheme have been transferred to reserves for use in 2022-23.

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11 OTHER OPERATING EXPENDITURE

31-Mar-21		31-Mar-22
£'000		£'000
	Precepts and levies:	
418	Community Councils	437
7,408	South Wales Fire Authority	7,855
755	Natural Resources Wales	755
16,451	Police and Crime Commissioner for Gwent	17,417
(1,103)	(Gains) and Losses on assets held for sale	66
(23)	Loss / (Profit) on the disposal of non-current assets	283
23,906	Total	26,813

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

31-Mar-21		31-Mar-22
£'000		£'000
10,360	Interest Payable and similar charges	11,013
8,084	Pensions interest cost and expected return on pensions assets	9,749
(180)	Interest receivable and similar income	(564)
146	Income and expenditure in relation to investment properties and changes in their fair value	(491)
18,410	Total	19,707

13 TAXATION AND NON SPECIFIC GRANT INCOME

31-Mar-21		31-Mar-22
£'000		£'000
(76,467)	Council tax income	(80,785)
(46,436)	Non domestic rates	(49,472)
(185,517)	Non-ring fenced government grants	(195,120)
(17,667)	Capital grants and contributions	(47,489)
(326,087)	Total	(372,866)

National Non-Domestic Rates (NNDR)

The total rateable value for non-domestic rates was £142,849,300 at 31 March 2022 (£142,324,592 at 31 March 2021). The rate poundage for occupied properties was 53.5p per £ of rateable value (53.5p in 2020/21) with empty properties being charged at 53.5p (53.5p in 2020/21).

In 2021/22 Newport received £49.4m from the Welsh NNDR pool in support of its services (£46.4m – 2020/21).

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Local Taxation

	31-Mar-21	31-Mar-22
	£'000	£'000
INCOME		
Council Taxes (net of Council Tax benefits)	(77,899)	(81,907)
Council Tax benefits	(12,273)	(12,346)
Total income	(90,172)	(94,253)
EXPENDITURE		
Precepts payable		
- Gwent Police Authority	16,451	17,417
- Community Councils	418	437
Newport Council Fund requirement	72,193	75,134
Council tax written off and provided for	1,432	1,122
Total expenditure	90,494	94,110
Net surplus for the year	322	(143)

Council Tax Requirement

	Dwellings	31-Mar-21 Tax Base	Dwellings	31-Mar-22 Tax Base
Total number of properties on valuation list	69,295	69,295	69,619	69,619
Adjusted as follows				
Less exempt properties @ 100%	2,044	(2,044)	1,824	(1,824)
Less single discounts @ 25%	25,328	(6,332)	25,124	(6,281)
Less multiple discounts @ 50%	87	(44)	80	(40)
Band D conversion		63		(7)
Losses on collection		(671)		(983)
Tax Base		60,267		60,484
		£		£
Council tax requirement		89,060,765		92,986,892
Less payable to Gwent Police		(16,450,480)		(17,416,973)
Less payable to Community Councils		(417,650)		(436,694)
Net requirement Newport City Council		72,192,635		75,133,225
Band D tax for the year		1,205		1,249

This basic amount of £1,249.42 for a band D property (£1,204.81 in 2020/2021) 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

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14 PROPERTY, PLANT AND EQUIPMENT

Restated	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2021	350,566	43,629	179	2,636	4,826	401,836	67,720
Additions	5,714	4,883	222	0	24,530	35,350	1,504
Donations	-	-	-	-	-	-	-
Re-classifications	993	-	9	1,851	(3,195)	(341)	-
Revaluations	7,821	-	-	1,936	-	9,757	-
Impairments	(3,590)	(54)	(158)	(0)	-	(3,802)	-
Disposals	(320)	(13,208)	-	-	-	(13,528)	-
At 31 March 2022	361,185	35,250	252	6,424	26,161	429,271	69,224
Accumulated Depreciation							
At 1 April 2021	(8,346)	(31,760)	-	-	-	(40,106)	(22,802)
Depreciation Charge in Year	(12,777)	(3,120)	-	-	-	(15,897)	(1,709)
Re-classifications	418	-	-	-	(14)	404	-
Revaluation Impact	3,817	-	-	-	-	3,817	-
Disposals	73	13,196	-	-	-	13,269	-
At 31 March 2022	(16,815)	(21,684)	-	-	(14)	(38,513)	(24,511)
Net Book Value							
At 1 April 2021	342,220	11,869	179	2,636	4,826	361,730	44,918
At 31 March 2022	344,369	13,566	252	6,424	26,147	390,758	44,713

	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2020	370,801	41,198	179	2,636	1,780	416,594	72,880
Additions	9,288	3,389	31	-	2,092	14,800	1,196
Donations	-	-	-	-	-	-	-
Re-classifications	(4,177)	141	-	-	954	(3,082)	-
Revaluations	(23,661)	-	-	-	-	(23,661)	(6,356)
Impairments	(1,125)	-	(31)	-	-	(1,156)	-
Disposals	(560)	(1,099)	-	-	-	(1,659)	-
At 31 March 2021	350,566	43,629	179	2,636	4,826	401,836	67,720
Accumulated Depreciation							
At 1 April 2020	(35,041)	(29,518)	-	-	-	(64,559)	(23,867)
Depreciation Charge in Year	(12,168)	(3,341)	-	-	-	(15,509)	1,065
Re-classifications	280	-	-	-	-	280	-
Revaluation Impact	38,472	-	-	-	-	38,472	-
Disposals	111	1,099	-	-	-	1,210	-
At 31 March 2021	(8,346)	(31,760)	-	-	-	(40,106)	(22,802)
Net Book Value							
At 1 April 2020	335,760	11,680	179	2,636	1,780	352,035	49,013
At 31 March 2021	342,220	11,869	179	2,636	4,826	361,730	44,918

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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.

14 PROPERTY, PLANT AND EQUIPMENT - INFRASTRUCTURE ASSETS

	2020-21	2021-22
Net Book Value at 1 April	149,029	147,597
Additions	6,045	10,004
Disposals	-	(87)
Depreciation	(7,015)	(7,115)
Impairment	(513)	(104)
Other movements in Cost	51	915
Net Book Value at 31 March	147,597	151,210

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 24L Wales of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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Capital Commitments

The Council continued its programme of capital investment in 2021/22 to improve the infrastructure and facilities in Newport. Of this programme, the Council is contractually committed to carry out works as follows:

	31-Mar-21	31-Mar-22
	£'000	£'000
Education	426	29,037
City Services	1,074	556
RIH	31	379
Total	1,531	29,972

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	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost	144	46,480	64	-	26,083	72,771
Valued at current value as at:						
31 March 2022	105,295	-	-	6,424	-	111,719
31 March 2021	172,815	-	-	-	-	172,815
31 March 2020	1,174	-	-	-	-	1,174
31 March 2019	61,008	-	188	-	-	61,196
31 March 2018	7,811	-	-	-	-	7,811
Total Cost or Valuation	348,247	46,480	252	6,424	26,083	427,486

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Fair Value Measurement of Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2022 are as follows:

<i>Recurring fair value measurements using:</i>	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2022 £'000
Residential properties	-	5,809	5,809
Commercial units/Land	-	615	615
Total	-	6,424	6,424

Comparative figures as at 31 March 2021 were:

<i>Recurring fair value measurements using:</i>	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
Residential properties	-	2,021	2,021
Commercial units/Land	-	615	615
Total	-	2,636	2,636

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

Significant Observable Inputs – Level 2: There are no assets included in Level 2.

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 2021/22, 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.

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15 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 2021/22 the Council has recognised the following impairment losses:

	31-Mar-21	31-Mar-22
	£'000	£'000
Land & Buildings	1,125	3,590
Community Assets	30	158
Infrastructure Assets	513	104
Vehicles Plant & Equipment	-	54
Total	1,668	3,906

16 HERITAGE ASSETS

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

	Museum & Library Collections	Tredegar House & Park	Public Art & Features	Archaeology	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2021	12,914	1,280	3,057	103	17,354
Revaluations / Additions	8	-	-	-	8
At 31 March 2022	12,922	1,280	3,057	103	17,362
Depreciation charge in year	-	-	-	-	-
At 31 March 2022	-	-	-	-	-
Net Book Value					
At 1 April 2021	12,914	1,280	3,057	103	17,354
At 31 March 2022	12,922	1,280	3,057	103	17,362

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	Museum & Library Collections	Tredegar House & Park	Public Art & Features	Archaeology	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2020	12,914	1,280	3,057	103	17,354
Revaluations	-	-	-	-	-
At 31 March 2021	12,914	1,280	3,057	103	17,354
Depreciation charge in year	-	-	-	-	-
At 31 March 2021	-	-	-	-	-
Net Book Value					
At 1 April 2020	12,914	1,280	3,057	103	17,354
At 31 March 2021	12,914	1,280	3,057	103	17,354

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:

- 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

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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 Museum and Art Gallery Manager. The Museum and Arts Gallery manager 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 began 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 drastically and it cannot be determined when it will be completed. 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 and in some cases specifically approved by the Cabinet Member for Leisure and Culture. Most objects added to the

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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.

17 INVESTMENT PROPERTIES

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

	31-Mar-21	31-Mar-22
	£'000	£'000
Balance at start of the year	10,897	12,945
Additions	-	1
Disposals	-	(5)
Net gains/ (losses) from fair value adjustments	(77)	(411)
Transfers:		
- to / from Property, Plant and Equipment	2,847	-
- to / from Assets Held for Sale	(722)	-
- to / from Public Conveniences	-	-
- to / from Commercial Properties	-	-
Balance at end of the year	12,945	12,530

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-21	31-Mar-22
	£'000	£'000
Rental income from investment property	(1,576)	(1,370)
Direct operating expenses arising from investment property	1,642	1,302
Net (gain) / loss	66	(68)

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.

Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2022 are as follows:

	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£'000	£'000	£'000
<i>Recurring fair value measurements using:</i>			
Office units	601	39	640
Commercial units	1,413	7,634	9,047
CCRCD Investment Properties		2,847	2,847
Total	2,015	10,520	12,535

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Comparative figures as at 31 March 2021 were:

<i>Recurring fair value measurements using:</i>	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31st March 2021
	£'000	£'000	£'000
Office units	339	273	612
Commercial units	3,262	6,224	9,486
CCRCD Investment Properties	-	2,847	2,847
Total	3,601	9,344	12,945

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:

	31-Mar-22 £'000	Valuation technique used to measure fair value	Unobservable inputs and Sensitivity
Office Units	39	Hardcore and Topslice*	Rental growth, Collection of rent, Discount rate, Basis of occupation
Commercial Units	7,634	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.

*Term and Reversion and Hardcore and Topslice are form of valuation methods

Term and Reversion capitalises the rent received at an appropriate yield derived from comparables up until the next lease event; rent review or lease renewal. Then an ERV (Estimated Rental Value) is determined again from comparables and this is capitalised (usually at a slightly higher yield to reflect the risk of the uncertainty of the ERV) in perpetuity deferred for the amount of time until the next lease event. Both values are added together to give the whole capital value.

Hardcore and Topslice is an alternative method to using term and reversion. The 'Hardcore' or the rent received is capitalised in perpetuity at an appropriate yield. An ERV is assumed and the Hardcore is deducted from this figure

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to determine the 'Topslice'. This is then also capitalised in perpetuity at the same yield as the Hardcore and then deferred for the amount of time until the next lease event. Both values are added together to give the whole capital value.

18 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
- Any overdraft facility is also treated in a similar fashion to short term loans
- Finance leases detailed in Note 38
- Private Finance Initiative contracts detailed in Note 39
- 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 following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Non-Current		Current	
	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22
	£'000	£'000	£'000	£'000
Financial assets at amortised cost:				
- Investments	-	-	15,294	56,294
- Debtors:				
- Financial assets held at contract amount	-	-	9,591	11,825
- Tredegar house lease premium	7,083	8,849	241	241
- Finance Leases	5,825	5,825	-	-
- Other long-term debtors	6,606	12,542	-	-
- Cash & Cash Equivalents	-	-	7,201	5,756
Amortised Cost Total	19,514	27,216	32,327	74,116
Financial assets at Fair Value through other comprehensive income - designated equity instrument	447	447	-	-
Total Financial Assets	19,961	27,663	32,327	74,116

Financial Liabilities

	Non-Current		Current	
	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost:				
- Borrowing	145,725	136,058	5,648	5,049
- Creditors*	17,629	15,636	18,962	42,081
- PFI & Lease liabilities	39,320	38,716	2,447	2,257
Total Financial Liabilities	202,674	190,411	27,057	49,387

*Current debtors excludes £56.8m of non-contractual current debtors that do not meet the definition of financial assets at amortised cost.

Current creditors excludes £28.6m of non-contractual current creditors that do not meet the definition of financial liabilities at amortised cost.

Deferred Tax Asset (CCRCDD)

	31-Mar-21	31-Mar-22
	£'000	£'000
Deferred Tax Asset	141	131
Total Deferred Tax Asset	141	131

c) 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 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local Council loans.

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- 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 31st 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.

d) Financial Assets - Fair Value

Fair values of the Council’s financial assets is not significantly different to the amortised cost as recognised on the balance sheet.

e) Financial Liabilities - Fair Value

For the purpose of fair value calculations, short term borrowing is comprised of temporary loans and accrued interest and isn't subject to fair value consideration where as PWLB loans that involve equal instalment of principal repayments have been treated as a long term borrowing liability despite appreciating a short term repayment component.

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		Restated Balance Sheet	Restated Fair Value	Balance Sheet	Fair Value
	Fair Value Level	31-Mar-21 £'000	31-Mar-21 £'000	31-Mar-22 £'000	31-Mar-22 £'000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	101,973	126,979	97,064	109,542
Long-term LOBO loans	2	30,000	49,578	30,000	44,520
Other long-term loans	2	5,000	7,957	5,000	6,644
Long term interest free loans	2	8,628	7,869	8,432	8,310
Lease payables and PFI liabilities	3	39,320	70,180	38,716	60,852
Total		184,921	262,563	179,212	229,868
Liabilities for which fair value is not disclosed*		39,808		60,585	
Total Financial Liabilities		224,729		239,797	
Recorded on balance sheet as:					
Short-term creditors		18,962		42,081	
Long-term creditors		12,627		15,636	
Short-term borrowing		5,648		5,049	
Long-term borrowing		145,725		136,058	
Other short-term liabilities		2,447		2,257	
Other long-term liabilities		39,320		38,716	
Total Financial Liabilities		224,729		239,798	

* This predominantly reflects long term creditors and short-term financial liabilities including trade payables assumed to approximate to the carrying amount.

19 INVENTORIES

Inventories are purchased and used by the Council at historical cost. Work in progress is included at cost.

	31-Mar-21 £'000	31-Mar-22 £'000
Stocks		
Building Services	272	269
Leisure & Catering	2	3
Museum Shop	-	-
Printing/Stationery	10	7
Social enterprise (Monwel Hankinson)	11	14
Social Services	-	739
	295	1,032

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20 SHORT TERM DEBTORS

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

	31-Mar-21			31-Mar-22		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	14,133	(4,543)	9,590	18,226	(6,401)	11,825
Council tax payers	9,272	(5,482)	3,790	9,877	(6,365)	3,512
NHS bodies	2,862	-	2,862	2,444	-	2,444
Central government bodies*	42,098	-	42,098	53,407	-	53,407
Other local authorities	6,111	-	6,111	3,197	-	3,197
	74,476	(10,025)	64,451	87,151	(12,766)	74,385

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

21 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 current accounts 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 2022 was £153k in credit, (31 March 2021 – £1,108k in credit).

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

	31-Mar-21	31-Mar-22
	£'000	£'000
Cash held by the authority	14,759	9,760
Bank Current accounts	(7,558)	(4,004)
Total Cash and Cash Equivalents	7,201	5,756

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22 ASSETS HELD FOR SALE

	31-Mar-21	31-Mar-22
	£'000	£'000
Assets at the start of the year	1,284	3,046
New Appropriations	94	90
Assets newly classified as held for sale:	722	350
Surplus Assets	-	-
Investment Properties	-	-
Property, Plant and Equipment	-	-
Revaluation losses	(1)	(66)
Revaluation gains	1,104	-
Assets declassified as held for sale:	-	(9)
to Property, Plant and Equipment	-	-
Community Land	-	-
to Surplus Assets	-	-
Assets sold	(157)	(2,669)
Assets at year-end	3,046	742

23 SHORT TERM CREDITORS

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

	31-Mar-21	31-Mar-22
	£'000	£'000
General	(19,462)	(42,081)
Central government bodies	(13,577)	(13,940)
Prepayments of council tax	(1,397)	(1,449)
NHS bodies	(358)	(583)
Other local authorities	(9,069)	(12,011)
	(43,863)	(70,064)

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24 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-21 £'000	Unused amounts reversed £'000	Amounts used £'000	Further provisions £'000	31-Mar-22 £'000
Current Provisions					
Accumulated absence provision	(2,831)	2,831	-	(2,958)	(2,958)
Social Care Tasks	(230)	230	-	-	-
Insurance / MMI Provision	(2,494)	-	935	(745)	(2,304)
Energy Provision	(30)	-	-	-	(30)
Chartist tower	(264)	-	264	-	-
Other	(152)	152	-	-	-
Health & Safety Fine	-	-	-	(1,100)	(1,100)
Overpaid Court Fees reimbursement	-	-	-	(122)	(122)
	(6,001)	3,213	1,199	(4,925)	(6,514)
Long Term Provisions					
Landfill Capping	(5,873)	-	-	(747)	(6,620)
Cardiff City Region	(203)	-	-	(39)	(242)
	(6,076)	-	-	(786)	(6,862)

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.
Social Care Settlement	Social Care Tasks provision which was set up in 2017/18 for the estimated liability for Local Authorities to settle historical liabilities stemming from the Supreme Court ruling August 2017 on the funding of tasks performed by a registered nurse. Welsh Government provided additional funding to assist such that no transactions have been drawn from the provision in last 2 years and the potential is remote, so balance has been transferred back to Social Services and provision closed.
Insurance / MMI	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 pay out.
Energy Provision	Estimated value of historic utility bills not yet invoiced by provider.
Chartist Tower	This provision was to recognise the potential liability of non payment of rent 2021/22, this has been utilised in year and the provision exhausted.
Health & Safety Fine	Potential fine in the event of a prosecution by HSE for breaches of the Health & Safety at Work Act.
Court Cost Reimbursement	The Council has received a receipt from HM Courts for the overpayment of court fees between period 2014-2018. Those fees would have been recharged to court attendees, so an exercise will be undertaken to trace individuals affected to make a reimbursement

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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 undertakes a review of potential liability every 5 years, with the last being undertaken in 2021-22.
Friar's Walk	This relates to an income subsidy agreement until 2032, and is split between short and long term consideration
City Deal Joint Venture	Reflects the provisions communicated by the 10 Authority regenerative partnership

In addition to the above the authority also has bad debt provisions in relation to Debtors, Council Tax and Housing Benefits. These are detailed separately within the specific notes.

25 USABLE RESERVES

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

26 UNUSABLE RESERVES

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Revaluation Reserve	(197,843)	(208,222)
Capital Adjustment Account	(76,880)	(95,993)
Financial Instruments Adjustment Account	1,150	1,045
Deferred Capital Receipt Reserve	(21)	(21)
Financial Instruments Revaluation Reserve	(251)	(251)
Pensions Reserve	475,114	403,202
Accumulated Absence Account	2,834	2,958
Cardiff City Region Aggregated Unuseable Reserves (NCC share)	(4,022)	(4,371)
	200,081	98,347

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.

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	31-Mar-21 £'000	31-Mar-22 £'000
Balance at 1 April	(163,939)	(197,843)
Upward revaluation of assets	(79,933)	(14,794)
Downward revaluation of assets and impairment losses not charged to provision of services	45,948	3,138
Surplus or deficit on revaluation of non-current assets not charged to provision of services	(33,985)	(11,656)
Difference between fair value depreciation and historic cost depreciation	-	-
Accumulated gains on assets sold or scrapped	81	1,277
Amount written off to the Capital Adjustment Account	81	1,277
Balance at 31 March	(197,843)	(208,222)

Capital Adjustment Account

The Capital Adjustment Account is predominantly an accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed. For example, the credit balance on the Account shows that an authority has generally financed capital investment in advance of receiving the benefits of that investment. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	Restated 31-Mar-21 £'000	31-Mar-22 £'000
Balance at 1 April	(96,232)	(76,876)
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	23,565	25,513
Revaluation losses/gains on Property, Plant and Equipment	18,108	(960)
Amortisation of intangible assets	-	-
Revenue Expenditure Funded from Capital under Statute	4,681	4,169
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	324	2,922
	46,678	31,643
Adjusting amounts written out of the Revaluation Reserve	(81)	(1,277)
Net written out amount of the cost of non-current assets consumed in the year	46,597	30,366
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(25)	(18)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing - Non REFCUS	(19,935)	(39,235)
Statutory provision for the financing of capital investment charged against the Council Fund balances	(10,888)	(10,008)
Capital expenditure charged against the Council Fund balance	(499)	(696)
	(31,347)	(49,958)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	77	412
Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	-	66
Movement of Cardiff City Region entries to explicit reserve	4,024	-
Balance at 31 March	(76,876)	(95,989)

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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 39 years.

	31-Mar-21	31-Mar-22
	£'000	£'000
Balance at 1 April	3,816	1,150
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(2,030)	-
Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(636)	(105)
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	(636)	(105)
Balance at 31 March	1,150	1,045

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-21	31-Mar-22
	£'000	£'000
Balance at 1 April	(21)	(21)
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	-	-
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	-	-
Balance at 31 March	(21)	(21)

Financial Instrument Revaluation Reserve

This reflects the Council's interest in Newport Transport Bus Company. There have been no changes / movements in value during 2021-22.

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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-21 £'000	31-Mar-22 £'000
Balance at 1 April	351,827	475,114
Actuarial gains or losses on pensions assets and liabilities	104,470	(107,175)
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	35,240	54,057
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,423)	(18,795)
Balance at 31 March	475,114	403,201

Accumulated Absences Reserve

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.

	Restated 31-Mar-21 £'000	31-Mar-22 £'000
Balance at 1 April	4,354	2,832
Settlement or cancellation of accrual made at the end of the preceding year	(4,353)	(2,832)
Amounts accrued at the end of the current year	2,833	2,958
Movement of Cardiff City Region entries to explicit reserve	(2)	-
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	(1,522)	126
Balance at 31 March	2,832	2,958

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Cardiff City Region City Deal Aggregated Unusable Reserves

Cardiff City Region is a 10 authority regenerative partnership administered by Cardiff County Council on behalf of the other Councils. The following balances have been extracted from the draft City Deal annual accounts reflective of Newport CC share.

	Restated 31-Mar-21 £'000	31-Mar-22 £'000
Balance at 1 April	-	(4,022)
Capital adjustment account	(4,024)	(331)
Accumulated absences	2	2
Accumulated interest	-	(20)
Balance at 31 March	(4,022)	(4,371)

27 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-21 £'000	31-Mar-22 £'000
Interest received	(56)	(21)
Interest paid	10,339	11,050
	10,283	11,029

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

	31-Mar-21 £'000	31-Mar-22 £'000
Depreciation	(22,524)	(22,681)
Impairment and downward valuations	(19,157)	(1,872)
(Increase) / Decrease in creditors	(5,402)	(20,803)
Increase / (Decrease) in debtors	1,738	9,363
Increase / (Decrease) in stock	94	737
Pensions liability	(18,817)	(35,262)
Carrying amount of non-current assets sold	(324)	(2,922)
Other non cash adjustments	2,378	(862)
	(62,014)	(74,302)

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

	31-Mar-21 £'000	31-Mar-22 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	548	2,655
Any other items for which the cash effects are investing or financing cash flows	19,172	38,320
Net cash flows from operating activities	19,720	40,975

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28 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-21	31-Mar-22
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	19,612	41,710
Purchase of short-term and long-term investments	3,040	41,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(548)	(2,655)
Other receipts from investing activities	(18,870)	(30,047)
Net cash flows from investing activities	3,234	50,008

29 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-21	31-Mar-22
	£'000	£'000
Cash receipts of short- and long-term borrowing	(25,775)	(190)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,571	1,038
Repayments of short- and long-term borrowing	40,035	10,456
Net cash flows from financing activities	15,831	11,304

30 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 Council has 53 Members. The total allowances and expenses paid in the financial year was £964,064 (2020/21 – £951,689). All Members are entitled to the same basic allowance of £14,368 per annum (2020/21 - £14,218). Each Member holding the following positions are also paid additional responsibility allowances as detailed below:

	31-Mar-21	31-Mar-22
	£	£
Leader of the Council	35,232	35,606
Deputy Leader	20,732	20,952
Mayor	8,700	8,793
Deputy Mayor	3,700	3,740
Cabinet Member (x7)	16,232	16,405
Chair of Scrutiny Forum (x4)	8,700	8,793
Chair of Planning (x1)	8,700	8,793
Chair of Democratic Services (x1)	8,700	8,793
Chair of Licensing (x1)	8,700	8,793
Opposition Leader	8,700	8,793

During the 2021/22 financial year, a total of 8 Lay (unelected) Members served for the Authority. 8 of these Lay Members claimed a total of £5,628, including both fees and expenses (2020/21: £2,543 claimed by seven Lay (unelected) Members) to sit on a number of committees.

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31 OFFICER REMUNERATION

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

2021 / 22 Post Holder Information	Salary/ Payment* £	Car Allowances & Mileage £	Termination Benefits £	Pensions contributions £	Total £
Chief Executive	133,754	-	-	28,356	162,110
Strategic Director - Environment & Sustainability (appointed 11th Oct 2021)	51,380	-	-	9,621	61,001
Strategic Director - Social Services (appointed 11th Oct 2021)	51,380	-	-	10,892	62,272
Strategic Director - Transformation & Corporate Centre (appointed 11th Oct 2021)	51,380	-	-	10,892	62,272
Chief Education Officer (post redesignated to Head of Education on 29th June 2021)	20,778	-	-	4,405	25,183
Head of Education	65,499	-	-	13,886	79,385
Head of Law and Regulation (Monitoring Officer) (post redesignated to Head of Law & Standards on 29th June 2021)	20,778	-	-	4,405	25,183
Head of Law & Standards	65,499	-	-	13,886	79,385
Head of Finance (Section 151 Officer)	86,277	-	-	18,291	104,568
Head of People & Business Change (post redesignated to People, Policy & Transformation on 29th June 2021)	21,450	-	-	4,547	25,998
Head of People, Policy & Transformation, appointed to Strategic Director - Transformation & Corporate Centre (11th Oct 2021)	24,007	-	-	5,090	29,097
Head of People, Policy & Transformation (appointed 22nd Feb 2022)	8,585	-	-	1,820	10,404
Acting Head of Regeneration, Investment & Housing Services - (post split between Head of Regeneration & Economic Development and Head of Housing & Communities 13th Feb 2022)	74,518	-	-	15,798	90,316
Head of Regeneration & Economic Development (appointed 14th Feb 2022)	7,610	-	-	1,613	9,223
Head of Housing & Communities (no appointment made during remainder of 21-22)	-	-	-	-	-
Head of Environment & Public Protection (appointed on 21st Feb 2022)	8,585	-	-	1,820	10,404
Head of Adult & Community Services * (post redesignated to Head of Adult Services on 29th June 2021)	23,527	-	-	4,988	28,515
Head of Adult Services * # (left Authority of 31st Oct 2021)	34,110	-	-	6,884	40,994
Head of Adult Services (appointed on 1st Nov 2021)	33,384	-	-	7,077	40,462
Head of Children & Young People Services # (post redesignated to Head of Children Services on 29th June 2021)	21,450	-	-	4,547	25,998
Head of Children Services (appointed to Strategic Director - Social Services 11th Oct 2021)	24,007	-	-	5,090	29,097
Head of Children Services (appointed on 21st Feb 2022)	8,585	-	-	1,820	10,404
Head of Prevention & Inclusion (appointed on 28th Feb 2022)	6,915	-	-	1,466	8,381
Head of City Services ** (appointed to Strategic Director - Environment & Sustainability 11th Oct 2021)	45,458	-	-	8,221	53,679
Head of City Services - No appointment made during remainder of 21-22	-	-	-	-	-
TOTAL	888,915	-	-	185,415	1,074,330

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2020 / 21 Post Holder Information	Salary / Payment*	Car Allowances & Mileage	Termination benefits	Pensions contributions	Total
	£	£	£	£	£
Chief Executive - (Appointed 29 July 2020)	86,068	525	-	18,246	104,839
Strategic Director - Place - (appointed to Chief Executive 29th July 2020)	37,809	300	-	8,016	46,125
Chief Education Officer	85,001	605	-	18,020	103,626
Head of Law and Regulation (Monitoring Officer)	85,001	403	-	18,020	103,424
Head of Finance (Section 151 Officer)	85,001	-	-	18,020	103,021
Head of People & Business Change	85,001	605	-	18,020	103,626
Head of Regeneration, Investment & Housing Services - (left Authority 7th September 2020)	37,070	471	37,407	7,859	82,807
Acting Head of Regeneration, Investment & Housing Services - (appointed 11th May 2020)	69,710	-	-	14,779	84,489
Head of Adult & Community Services *	92,001	605	-	19,504	112,110
Head of Children & Young People Services #	85,001	968	-	18,020	103,989
Head of City Services **	85,001	605	-	16,453	102,059
TOTAL	832,664	5,087	37,407	174,957	1,050,115

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

Note** Social Care staff have been provided with additional payment by Welsh Government during 2021-22. For clarity and consistency, these amounts have been excluded from the calculation to complete the above table.

Note*** The Head of Adult & Community Service / Head of Adult Services was paid additional sums (£6,414 Salary and £1,360 Pension Contribution) for undertaking the additional Statutory role of Director of Social Services (£7,000 salary and £1,484 Pension Contribution during 2020-21). The Statutory role of Director of Social Services is ordinarily undertaken by the current vacant post of Strategic Director - People.

Note**** Salary for the Strategic Director - Environment & Sustainability are recorded Gross. Included within these figures are the effective salary sacrifice for the purchase of a car (Salary £12,675.24) during 2021/22, (in 2020/21 salary of £7,393.89).

In addition to the above the Chief Executive acts as the Returning Officer. During 2021/22 the Chief Executive received £9,529.48 for their role as the Authorities Returning Officer. (In 2020/21, the position received £0.00).

The ratio between the Council's highest paid employee and the median position for 2021/22 was 1:5.5 (2020/21 was 1:5.3). The median position for the Council for 2021/22 is £24,920 (2020/21 was £24,012). 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, these exclude those posts mentioned in the previous table, receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts, the figures below include amounts that are paid to employees on redundancy.

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	31-Mar-21		31-Mar-22	
	Teaching	Other	Teaching	Other
£110,000 - £114,999			1	-
£105,000 - £109,999	2	-	2	-
£100,000 - £104,999	1	-	2	-
£95,000 - £99,999	3	-	2	-
£90,000 - £94,999	1	-	1	-
£85,000 - £89,999	3	-	3	-
£80,000 - £84,999	5	-	9	-
£75,000 - £79,999	10	1	12	1
£70,000 - £74,999	11	-	13	1
£65,000 - £69,999	20	4	17	2
£60,000 - £64,999	14	2	18	6
Total	70	7	80	10

Note: Social Care staff have been provided with additional payment by Welsh Government during 2021-22. For clarity and consistency, these amounts have been excluded from the calculation to complete the above table.

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 table below shows the cost of redundancies that took place during the 2021/22 financial year.

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22
£0 - £20,000	6	49	55	£ 376,406
£20,001 - £40,000	4	17	21	559,198
£40,001 - £60,000	1	3	4	185,771
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
Total	11	69	80	1,121,375

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-21	31-Mar-21	31-Mar-21	31-Mar-21
£0 - £20,000	1	26	27	£ 229,767
£20,001 - £40,000	-	12	12	369,281
£40,001 - £60,000	1	5	6	275,598
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
Total	2	43	45	874,646

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32 TERMINATION BENEFITS

The Council completed redundancies of 80 employees in 2021/22, incurring liabilities of £1.1m (45 employees at £0.9m in 2020/21). See Note 31 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.

33 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-21	31-Mar-22
	£'000	£'000
Fees payable with regard to external audit of accounts	192	198
Fees payable in respect of local government measure	103	106
Fees payable for the certification of grant claims and returns for the year	56	56
Fees payable for other financial audit work	1	1
Total	352	361

34 GRANTS INCOME

The Council credited the following grants, contributions and donations to the Revenue Comprehensive Income and Expenditure Statement in 2021/22:

	31-Mar-21	31-Mar-22
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	181,641	194,380
Other Non-ring fenced government grants	3,876	740
Contribution from Non-Domestic Rate	46,436	49,472
Total	231,953	244,592
Credited to Services		
Education Grants		
COVID19 Related Grants	6,523	5,250
Education Improvement Grant	5,989	6,498
Post 16	6,481	8,154
Pupil Deprivation	5,697	5,687
LA Education Grant	3,804	9,672
Teachers' Pensions Grant	109	-
Maintenance Grant	2,387	2,446
Accelerated Learning Programme	1,967	-
Other	1,181	1,375
Education Contributions		
Gwent Music	1	327
Other	2,289	3,809
Education Donations	205	200

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Social Services

COVID19 Related Grants	9,233	9,247
Supporting People	6,464	8,003
Substance Misuse	6,184	5,225
Children & Communities Grant - Families First Preventions	575	615
Children & Communities Grant - Families First	909	1,032
Youth Offending Service	395	435
Regional Domestic Violence	636	804
Home First	1,101	1,799
Sustainable Social Services	2,008	4,538
Training	375	389
Other	2,180	2,978

Social Services Contributions

Section 28A funding	2,095	2,095
Intermediate care fund	2,497	2,802
Substance Misuse	1,728	1,784
Other	2,957	3,065

Regeneration, Investment & Housing Grants

COVID19 Related Grants	1,685	3,429
Children & Communities Grant - Communities First Grants	534	459
Childcare Offer Delivery	8,805	8,320
Children & Communities Grant - Flying Start	5,691	5,851
Children & Communities Grant - Families First Youth	303	308
Communities for Work	1,214	1,357
Inspire to Achieve	859	1,646
Inspire to Work	238	493
Adult Education	398	361
Other	2,678	3,298

Regeneration, Investment & Housing Contributions

Regeneration, Investment & Housing Donations	649	2,518
	5	-

City Services Grants

COVID19 Related Grants	4,336	4,209
Housing Benefit Subsidy	652	666
Sustainable Waste	911	995
Concessionary Fares	2,518	2,614
Other	2,719	2,958

City Services Contributions

	63	145
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Corporate Services Grants

COVID19 Related Grants	2,017	2,801
Housing Benefit Subsidy	41,352	38,287
NNDR	331	317
Other	4,751	3,651

Corporate Service Contributions

Other	1,419	3,497
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160,098

176,409

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.

Notes to the Statement of Accounts

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35 AGENCY EXPENDITURE AND INCOME

The Council acted as an agent on behalf of the following in the provision of goods and services:

Non Domestic Rates collection.

A net debtor of £1.532m at 31 March 2022 (£2.875m at 31 March 2021) is included in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.

Covid 19 Hardship Support Grants

The Council received a Covid hardship grant payment from Welsh Government totalling £19.75million, the majority of which is reported in note 34. However, there are 3 items in below table that have been separated out of that holistic sum as being agency arrangements where the Council is not providing services directly but instead is being used by Welsh Government as a means of distributing its support to recipients. Where an admin fee has been provided for this service by Welsh Government that income is shown as grant under note 34. There were no specific awards agreed in respect of these 3 aspects, and grant is paid in arrears based on claim expenditure. As at 31st March the final claims of the year hadn't been settled and the debtor balance is reflective of the level of funding accrued and not yet paid.

The below table details the financial extent of each grant based agency scheme operated on behalf of Welsh Government.

Grant scheme	Narrative	Amount Received in 2021/22 £'000	Amount Spent in 2021/22 £'000	Debtor 2021/22 £'000	Creditor 2021/22 £'000
Social Care					
Social care bonus scheme (£500 and £735)	Bonus payment for individual care workers.	(3,117)	3,116	-	1
Cost of Living Support Scheme	£150 cost-of-living support payment for households who live in properties in council tax bands A-D; and all households who are recipients of the Council Tax Reduction Scheme in properties in council tax bands A-I.	-	7,343	7,343	-
Non Domestic Rates Reliefs & Business Grants					
NDR rate relief grants	Additional funding given to LAs to provide the relief so essentially a grant to businesses. Relief given to retail, leisure and hospitality sector	(19,158)	18,476	-	682
Business Grants	Grants to support businesses during lockdown closures.	(4,867)	3,707	-	1,160
Freelancer grants culture	Payment available for freelancers in the culture sector of up to £2.5k	(75)	75	-	-
Covid Hardship Grant					
SSP Enhancement	To top up to full salary where employees only receive statutory sick pay when off sick with Covid or having to self isolate as an infection control measure.	(132)	244	111	-
Self isolation payments	£500 for eligible individuals who have to self isolate.	(661)	1,416	754	-
Winter fuel support payment	A payment of up to £200 per eligible households to put towards their on-grid fuel bills.	(623)	1,705	1,082	-

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Grant scheme	Narrative	Amount Received in 2020/21 £'000	Amount Spent in 2020/21 £'000	Debtor 2020/21 £'000	Creditor 2020/21 £'000
Social Care					
Social care bonus scheme (£500 and £735)	Bonus payment for individual care workers.	(1,720)	1,720	-	-
Non Domestic Rates Reliefs & Business Grants					
NDR rate relief grants	Additional funding given to LAs to provide the relief so essentially a grant to businesses. Relief given to retail, leisure and hospitality sector	(20,287)	20,004	-	283
Business Grants	Grants to support businesses during lockdown closures.	(40,653)	40,421	-	231
Freelancer grants culture	Payment available for freelancers in the culture sector of up to £2.5k	(580)	580	-	-
Covid Hardship Grant					
SSP Enhancement	To top up to full salary where employees only receive statutory sick pay when off sick with Covid or having to self isolate as an infection control measure.	(54)	108	54	-
Self isolation payments	£500 for eligible individuals who have to self isolate.	(253)	312	47	-
Winter fuel support payment	A payment of up to £200 per eligible households to put towards their on-grid fuel bills.	-	-	-	-

36 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 34.

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.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2021/22 is shown in Note 30. During 2021/22, works and services to the value of £21.5m were commissioned from or paid to companies in which 20 Members had an interest. This would include

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Wastesavers Ltd, Newport Live, Newport Norse, Newport City Homes and Newport Transport as detailed below. (2020/21: £23.7m where 22 Members had an interest). As at 31st March 2022, the balances outstanding for related parties were debtors of £1.99m (2020/21 £1.96m) and creditors of £3.64m (2020/21 £2.49m).

Newport Norse has invited one Member of the Council on the board in their capacity as an elected Member, not as a private individual. Financial information in relation to Newport Norse is disclosed in the table on the next page

There were payments of £3.8m made to Waste Savers Ltd in 2021/22 (£3.8m in 2020/21). This company is independent from the Council. As at 31st March 2022, the balances outstanding for Wastesavers were debtors of £0 (£10k in 2020/21) and creditors of £270k (2020/21 £110k). 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 £618k excluding the subsidy in 2021/22 (2020/21 £405k), this is a company that has charitable status and is independent from the Council. The company has invited three 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 2022, the balances outstanding for Newport Live were debtors of £236k (£26k in 2020/21) and creditors of £1.70m (2020/21 £364k).

Officers

There are two Senior Officers (Chief Executive and Strategic Director of Corporate Services) who have been elected to the board of Newport Norse and NPS Newport Limited. The Chief Executive was also director of CSC Foundry Ltd until 15th July 2021. No other Senior Officers hold any other positions of seniority within any other Public Sector body.

Entities Controlled or Significantly Influenced by the Council

Entities which are controlled or significantly influenced by the Council include two limited companies. The South East Wales Education Achievement Service Ltd and Newport Norse Ltd. The South East Wales Education Achievement Service Ltd is a company limited by guarantee, with the five Local Authorities in the Gwent area each being a member of the company. The objectives 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.

Newport Norse Ltd 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.

The Council has two pooled budget arrangements in the form of Section 33 Partnership Agreements between the five local authorities in the Gwent area and the Aneurin Bevan Local Health Board. The first of which is The Gwent Wide Integrated Community Equipment Service (GWICES) which is 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 second is The Gwent Frailty Programme 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).

The Council also participates in four joint ventures;

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- Gwent Joint Records Committee which is the official archive service for the local authorities in the Monmouthshire area, the recognised place of deposit for public records and ecclesiastical parish records for the Diocese of Monmouth.

The Greater Gwent Cremation Committee oversees the management of the Gwent Cremation facilities.

The Project Gwyrdd is a partnership between, Caerphilly Borough County Council, The County Council of the City and County of Cardiff, Monmouthshire County Council, Newport Council and Vale of Glamorgan Council. This partnership has been set up to deliver long term, environmental, sustainable and cost effective solution for waste after recycling and composting has been maximised through economy of scale.

The Cardiff Capital Region City Deal was entered into by the Council in 2017. This is a £1.28 billion programme which will aim to achieve a 5% uplift in the region's Gross Value Added (GVA) by delivering a range of programmes which will increase connectivity, improve physical and digital infrastructures, as well as regional business governance.

The table below shows the receipts and the payments that Newport City Council has with each related party throughout the 2021/22 financial year. It also shows any outstanding balances as at 31st March 2022.

	2020/21			2021/22		
	Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
	£'000	£'000	£'000	£'000	£'000	£'000
Limited Companies						
The South East Wales Education Achievement Service Ltd	(370)	991	(370)	-	1,083	-
Newport Norse	(1,486)	11,021	131	(1,756)	11,688	1,472
Pooled Budgets						
The Gwent Wide Integrated Community Equipment Service (GWICES)	-	388	-	-	414	-
The Gwent Frailty Programme	(1,793)	1,846	-	(1,834)	1,824	-
Joint Ventures						
Gwent Joint Records Committee	-	289	-	-	289	-
Greater Gwent Cremation Committee	(518)	536	-	(394)	239	-
Project Gwyrdd	-	2,106	-	-	2,096	-
Cardiff Capital Region City Deal (from 2017/18)	-	411	(303)	(489)	114	-

Subsidiary Company

Newport Transport Ltd is a company wholly owned by the Council. Newport Transport's board includes five Council Members nominated by the Council. As at 31st March 2022, the balances outstanding for Newport Transport Ltd were debtors of £0 and creditors of £213k and expenditure of £3.3m and income of £269k. There was also a bad debt provision balance of £206k.

Trust Funds and Third Party Assets

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

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in 2008/09. The Council acts as sole trustee for the remaining Education trust funds which had a value of £33,434 as at 31 March 2022. (2021: £38,964).

The Council operates 184 (2020/21: 179) appointee bank accounts holding £1,511,483 (2020/21: £1,593,374). 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.

37 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.

	31-Mar-21 £'000	31-Mar-22 £'000
Opening Capital Financing Requirement	277,704	274,278
<u>Capital investment</u>		
Property, Plant and Equipment	20,972	46,096
Heritage Assets	-	8
Short term lease liability		323
Revenue Expenditure Funded from Capital Under Statute	4,681	4,169
Long Term Debtors (Loans to external companies)	2,268	4,688
<u>Sources of finance</u>		
Capital receipts	(25)	(18)
Government grants and other contributions	(19,935)	(49,442)
Sums set aside from revenue	(462)	8,932
Direct revenue contributions	(37)	(600)
Minimum Revenue Provision	(10,888)	(10,008)
Closing Capital Financing Requirement	274,278	278,426
Explanation of movements in year		
Increase in underlying need to borrow:		
Supported by government financial assistance	4,097	4,072
Un-supported by government financial assistance	1,729	8,330
Assets acquired under finance leases	447	251
Bullet Repayment of PFI Liability	-	-
Assets acquired under PFI contracts	1,196	1,504
Minimum Revenue Provision	(10,888)	(10,008)
Increase/ (Decrease) in Capital Financing Requirement	(3,419)	4,149

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38 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-21 £'000	31-Mar-22 £'000
Vehicle, Plant, Furniture	725	725
Equipment		245
	725	970

The Council is committed to making minimum payments under these leases, comprising settlement of the long-term liability for the interest in the asset acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The outstanding minimum lease payments are made up of the following amounts:

	31-Mar-21 £'000	31-Mar-22 £'000
Finance lease liabilities (net present value of minimum lease payments)		
-current	320	134
-non current	81	136
Finance costs payable in future years	5	19
Minimum lease payments	406	289

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

	31-Mar-21 £'000	31-Mar-22 £'000
Not later than one year	321	141
Later than one year and not later than five years	85	148
	406	289

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-21 £'000	31-Mar-22 £'000
Not later than one year	1,260	1,198
Later than one year and not later than five years	3,536	3,585
Later than five years	8,210	7,591
	13,006	12,374

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NB. These figures have not been adjusted for future inflation or any anticipation of the outcome of a future rent review.

Council as Lessor

Finance Leases

The Council has finance leases with the Kingsway Shopping Centre with a remaining term of 238 years and for Chartist Tower with remaining life of 246 years. The Council has a gross investment in these leases, 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-21 £'000	31-Mar-22 £'000
Finance lease debtor (net present value of minimum lease payments)		
- current	-	-
- non-current	5,824	5,824
Unearned finance income	122,719	122,190
Unguaranteed residual value of property	-	-
Gross Investment in the lease	128,543	128,014

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

	Minimum Lease Payment 31-Mar-21 £'000	Gross Investment in the Lease 31-Mar-21 £'000	Minimum Lease Payment 31-Mar-22 £'000	Gross Investment in the Lease 31-Mar-22 £'000
Not later than one year	-	529	-	529
Later than one year and not later than five years	-	2,116	-	2,116
Later than five years	5,824	125,898	5,824	125,369
	5,824	128,543	5,824	128,014

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:

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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.

	31-Mar-21 £'000	31-Mar-22 £'000
Not later than one year	900	876
Later than one year and not later than five years	2,898	2,751
Later than five years	12,039	11,556
	<u>15,837</u>	<u>15,183</u>

Tredegar House Lease

Tredegar House is managed by National Trust under a lease arrangement from the Council. This results in the Council making periodic contributions to assist with the repairing responsibilities. The payments due to the National Trust over the remaining life of the lease are as follows:

	31-Mar-21 £'000	31-Mar-22 £'000
Not later than one year	2,005	-
Later than one year and not later than five years	-	-
Later than five years	472	472
	<u>2,477</u>	<u>472</u>

39 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 2022 (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 2022/23	808	1,632	4,884	7,323
Payable within two to five years	3,444	7,255	19,715	30,414
Payable within six to ten years	5,004	10,677	24,948	40,629
Payable within eleven to fifteen years	5,477	12,203	25,494	43,173
Payable within sixteen to twenty years	6,338	13,107	24,118	43,562
Total	21,071	44,874	99,159	165,101

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-21	31-Mar-22
	£'000	£'000
Balance outstanding at start of year	33,761	33,351
Net payments during the year	(410)	(1)
Balance outstanding at year-end	33,351	33,350

Glan Usk Primary School

2021/22 was the thirteenth 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 2022 (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 2022/23	742	625	751	2,119
Payable within two to five years	4,030	2,015	2,699	8,744
Payable within six to ten years	5,164	2,870	3,558	11,591
Payable within eleven to fifteen years	2,606	1,843	2,066	6,516
Total	12,542	7,353	9,074	28,970

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-21	31-Mar-22
	£'000	£'000
Balance outstanding at start of year	8,540	7,971
Net payments during the year	(569)	(619)
Balance outstanding at year-end	7,971	7,352

40 CAPITALISATION OF BORROWING COSTS

There was no capitalisation of borrowing costs in 2020/21 or 2021/22

41 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 2021/22 the Council paid £14.1m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.67% of pensionable pay. The figures for 2020/21 were £13.5m and 23.68% of pensionable pay. As at the 31 March 2022 contributions of £1.2m were payable (31 March 2021: £1.1m).

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42 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 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 over the long term.
- 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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	Local Government Pension Scheme 31-Mar-21	Unfunded Teachers Discretionary Benefits 31-Mar-21	Local Government Pension Scheme 31-Mar-22	Unfunded Teachers Discretionary Benefits 31-Mar-22
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	27,081	-	44,061	-
Past service cost (including curtailments)	75	-	247	-
Effect of settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Interest income on plan assets	(10,411)	-	(12,123)	-
Interest cost on defined benefit obligation	18,284	211	21,683	189
Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services	35,029	211	53,868	189
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
Changes in Demographic Assumptions	14,232	134	(5,641)	(83)
Return on assets excluding amounts included in net interest	(128,078)	-	(24,017)	-
Changes in financial assumptions	230,387	817	(78,628)	(217)
Other experience	(8,298)	(46)	1,742	(331)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	108,243	905	(106,544)	(631)
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	35,029	211	53,868	189
Actual amount charged against the Council Fund Balance for pensions in the year				
Employer contributions	16,616	-	17,554	-
Contributions in respect of unfunded benefits	1,345	(916)	1,241	(840)
Effect of business combinations and disposals	(1,538)	-	-	-
	16,423	(916)	18,795	(840)

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Assets and Liabilities in Relation to Retirement Benefits

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

	Funded liabilities: Local Government Pension Scheme 31-Mar-21 £'000	Unfunded liabilities: Teachers Discretionary Benefits 31-Mar-21 £'000	Funded liabilities: Local Government Pension Scheme 31-Mar-22 £'000	Unfunded liabilities: Teachers Discretionary Benefits 31-Mar-22 £'000
Opening balance at 1 April	(806,996)	(9,647)	(1,071,254)	(9,847)
Current service cost	(27,081)	-	(44,061)	-
Interest cost on defined benefit obligation	(18,284)	(211)	(21,683)	(189)
Plan participants contributions	(4,800)	-	(5,031)	-
Actuarial gains and losses arising on changes in financial assumptions	(230,387)	(817)	78,628	217
Changes in Demographics Assumptions	(14,232)	(134)	5,641	83
Other experience	8,298	46	(1,742)	331
Benefits paid	21,657	916	21,862	840
Past service cost (including curtailments)	(75)	-	(247)	-
Effect of business combinations and disposals	646	-	-	-
Closing balance at 31 March	(1,071,254)	(9,847)	(1,037,887)	(8,565)

Reconciliation of fair value of scheme assets

Local Government Pension Scheme

	31-Mar-21 £'000	31-Mar-22 £'000
Opening balance at 1 April	464,815	605,986
Interest income on plan assets	10,411	12,123
Return on assets excluding amounts included in net interest	128,078	24,017
Employer contributions	17,961	18,795
Contributions by scheme participants	4,800	5,031
Benefits paid	(22,573)	(22,702)
Effect of business combinations and disposals	2,494	-
Closing balance at 31 March	605,986	643,250

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. The Actuary will periodically review its assumptions about how long fund beneficiaries will live to be able to predict scheme

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obligations. Simplistically this equates to benefit obligations being provided until 87.65 years on average. 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 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits	
	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men (years)	20.7	20.5	20.7	20.5
- Women (years)	23.4	23.2	23.4	23.2
Longevity at 65 for future pensioners:				
- Men (years)	22.1	21.8	22.1	21.8
- Women (years)	25.4	25.1	25.4	25.1
Other Assumptions:				
Rate of CPI Inflation	2.85%	3.20%	2.85%	3.20%
Rate of increase in salaries	3.15%	3.50%	N / A	N / A
Rate of increase in pensions	2.85%	3.20%	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%	2.00%	2.70%
Take-up of option to convert annual pension	50.00%	50.00%	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-21	31-Mar-22
	£'000	£'000
Equity Securities	89,632	-
Real Estate	15,252	14,721
Investment Funds & Unit Trusts	495,777	625,120
Cash	5,326	3,409
	605,986	643,250

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43 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 economic impact of the Covid-19 pandemic presents challenges to the financial services industry and its institutions. The main risk to the Council is credit risk, its ability to raise finance and to a limited degree the interest rate payable and receivable on new loans and investments. However, these risks are mitigated as described in this note.

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

The assessment of credit losses is based on information about past events, current conditions but also future forecasts. The economic outlook for the Councils' financial assets (investments and debtors) as a result of the COVID-19 pandemic must be taken into account when making this assessment, based on the available information. The Council needs to consider the risk of default of its financial assets, the exposure to that default risk and the estimated loss as a result of the default. This will be dependent on the nature of the financial assets held at amortised cost and the impact of the pandemic in its local area (as well as national economic events). Note 18 indicates that majority of financial assets are short term in nature such that their carrying value and fair value remain aligned.

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:

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	Estimated Exposure at 31 Mar 2021	Amount at 31 Mar 2022	Historic experience of default	Estimated Exposure to non- repayment Mar 2022
	£'000	£'000	%	£'000
Council tax debts	213	9,877	2.30	227
Trade debtors	75	9,515	0.80	76
	288			303

The Council expects repayment of its general debt within 30 days. However, £4m (42%) of £9.5m trade debt is past this due date. The equivalent 2020/21 comparison indicated 40% of debts exceeded 30 day period. Reasonable forbearance in recovery action has been applied whilst the electorate cope with the economic effects of Covid 19 pandemic. The trade debt is analysed as:

	31-Mar-21	31-Mar-22
	£'000	£'000
Less than thirty days	5,476	5,491
Less than three months	803	801
Three months to one year	1,192	1,414
More than one year	1,966	1,809
	9,437	9,515

Additionally, the Council has also provided loan agreements to third party organisations who are undertaking city regeneration, currently this amounts to £10.6m. These 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, but in mitigating against longer term credit/investment risk the Council also has access to a general risk reserve for investments, totalling £2,567k.

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-21	31-Mar-22
<u>Loan maturity</u>	£'000	£'000
Less than one year	12,401	4,406
Between one and two years	4,102	4,250
Between two and five years	32,495	35,155
More than five years	102,316	96,685
	151,314	140,497

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

Market Risk

Market risk comprises interest rate, price and foreign exchange considerations.

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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.

In terms of the financial impact of the Covid-19 situation it has been recognised that it will have a significant impact upon ongoing operations and the finances associated with providing services. The Council will continue to work closely with partnering organisations such as Welsh Government, other councils and bodies which help it to deliver the services.

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.

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.

44 CONTINGENT LIABILITIES

There are a number of contingent liabilities identified as at 31 March 2022:

- **MMI Insurances** - The Council manages the residual insurance fund of the former Gwent County Council on behalf of Torfaen, Blaenau Gwent, Caerphilly and Monmouth Councils. 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 each 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 15% of the Council's claim value. In 2013/14 a levy of £463k was paid (based on claims value of £3.1m). In 2016/17 an additional levy of £347k (10% levy) was required by the scheme administrators, making the total levy paid to date (£810k) 25%. There is a risk that a further levy could be applied, the Council holds an earmarked reserve to mitigate this risk. No transactional activity was evident against that reserve in 2021/22.

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- **Insurance Claims** - The Council manages current insurance claims made against it on an on-going basis. There are a number of claims against the Council that are not included within its general insurance cover. These relate to discrimination, employment tribunals, copyright claims and civil litigation. As at 31 March 2022 the total claims outstanding particular to NCC is estimated at £3.7m. A provision has been made for claims totalling £2.3m as detailed in Note 24, as these have been assessed as being probable in terms of likely settlement.

The Council also has an insurance reserve to mitigate against a percentage of the balance of claims as 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.
- **Council Investments** – The Council have made loans to a small number of external developers. Despite the financial uncertainty which surrounds the impact of Covid-19, repayment of any outstanding debt is still expected. However, due to the fact that it is difficult to quantify the long term impact of Covid-19, there is a risk attached to the repayment of this debt. The council will closely monitor the situation over the next 12 months.
- **Landfill Tax (WRA)** - In July 2019, the Welsh Revenue Authority (WRA) opened an enquiry into the 2018/19 financial year in relation to Landfill Tax and the Loss of Ignition (LOI) tests required as part of the return. Newport City Council have worked with WRA to provide all information requested and have been issued with an assessment in relation to unpaid tax, part of which has been settled. The balance of the assessment remains subject to an ongoing legal process and, therefore, there is still uncertainty as to whether any further payments will be required and to what value those payments may amount. In addition to the WRA enquiry, HMRC have also opened their own enquiry and have issued the Council with an assessment of Landfill Tax to be repaid in relation to the 2017/18 financial year. As with the WRA assessment, until the legal process has been concluded, it will not be known whether any repayment will be made and to what value it could amount.

45 CONTINGENT ASSETS

No Contingent Assets were identified at 31 March 2022

INTRODUCTION

The group accounts that follow comply with the requirement of the 2021/22 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.

For 2020/21, the group accounts have been restated. This is due to the fact that the final audited set of Newport Transport accounts were not published until after the deadline for Local Authorities final 2020/21 accounts. All notes have been restated where necessary to correspond to the final 2020/21 Newport Transport Accounts.

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.

Group Accounts

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Newport City Council

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

Gross Expenditure	Restated Group Total 2020/21	Net Expenditure Restated		Gross Expenditure	Group Total 2021/22	Net Expenditure
	Gross Income				Gross Income	
£'000	£'000	£'000		£'000	£'000	£'000
35,243	(7,223)	28,020	Children's and Young People Services	39,467	(9,582)	29,885
89,327	(40,931)	48,396	Adults and Community Services	95,987	(47,315)	48,672
30,290	(12,365)	17,925	Education	33,666	(14,211)	19,455
155,238	(30,279)	124,959	Schools	157,030	(35,443)	121,587
37,471	(23,903)	13,568	Regeneration, Investment and Housing	45,512	(29,017)	16,495
54,159	(24,177)	29,982	City Services	63,446	(28,582)	34,864
26,457	(6,437)	20,020	Corporate Services	32,497	(8,853)	23,644
48,363	(45,120)	3,243	Other Non Department Costs	41,260	(42,559)	(1,298)
5,947	-	5,947	Newport Transport Operating Expenditure	5,575	-	5,575
482,495	(190,435)	292,060	Cost of services	514,440	(215,562)	298,879
25,032	(1,126)	23,906	Other operating expenditure	26,813	-	26,813
19,477	(1,055)	18,422	Financing and investment income and expenditure	20,838	(1,055)	19,783
-	-	-	(Surplus) / deficit on discontinued operations	-	-	-
-	(326,087)	(326,087)	Taxation and non-specific grant income	-	(372,866)	(372,866)
527,004	(518,703)	8,301	(Surplus) / Deficit on Provision of services	562,091	(589,483)	(27,391)
		(33,989)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets			(11,656)
		104,470	Actuarial (gains) / losses on pensions assets / liabilities			(107,175)
		-	Other gains / losses required to be included in the Comprehensive Income and Expenditure Statement			-
		-	Share of other comprehensive income and Expenditure of Subsidiaries			-
		70,481	Other Comprehensive Income and Expenditure			(118,831)
		78,782	Total Comprehensive Income and Expenditure			(146,222)

GROUP BALANCE SHEET AS AT 31 MARCH 2022

Restated

Total 2020/21		Notes	Total 2021/22
£'000			£'000
368,724	Property, Plant and Equipment	5	401,223
147,597	Property, Plant and Equipment - Infrastructure	5	151,210
17,354	Heritage Assets		17,362
12,945	Investment Property		12,530
196	Long Term Investments		196
19,514	Long Term Debtors		27,216
566,330	Long Term Assets		609,737
15,294	Short Term Investments		56,294
3,046	Assets Held for Sale		742
476	Inventories		1,305
65,200	Short Term Debtors	8	76,054
141	Deferred Tax Asset		131
11,462	Cash and Cash Equivalents	10	7,293
95,619	Current Assets		141,819
(5,648)	Short Term Borrowing		(5,049)
(46,603)	Short Term Creditors	9	(71,896)
(6,001)	Provisions		(6,514)
(7,331)	Other Short Term Liabilities		(4,125)
(65,583)	Current Liabilities		(87,585)
(19,479)	Long Term Creditors	7	(17,251)
(6,076)	Long Term Provisions		(6,862)
(145,725)	Long Term Borrowing		(136,058)
(475,116)	Pension Liability		(403,203)
(39,320)	Other Long Term Liabilities		(43,783)
-	Deferred tax liability		-
(685,716)	Long Term Liabilities		(607,158)
(89,350)	Net Assets		56,814
(108,271)	Usable Reserves		(151,852)
197,622	Unusable Reserves	16	95,036
89,351	Total Reserves		(56,814)

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Newport City Council

GROUP MOVEMENTS IN RESERVE STATEMENT FOR YEAR ENDING 31 MARCH 2022

GROUP	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
Restated	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the 31 Mar 2020 carried forward	(6,500)	(72,306)	(8,259)	(87,065)	98,864	11,799
Movement in reserves during 2020/21 (Surplus) / deficit on the provision of services	8,838	-	-	8,838	(538)	8,300
Other comprehensive Income and Expenditure	-	-	-	-	69,250	69,250
Total Comprehensive Income and Expenditure	8,838	-	-	8,838	68,712	77,550
Adjustments between accounting basis and funding basis under regulations	(31,550)	-	1,506	(30,044)	30,044	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(22,712)	-	1,506	(21,206)	98,756	77,550
Transfer to/ from Earmarked Reserves	22,712	(22,712)	-	-	-	-
(Increase) / Decrease in 2020/21	-	(22,712)	1,506	(21,206)	98,756	77,550
Balance at the 31 Mar 2021 carried forward	(6,500)	(95,018)	(6,753)	(108,271)	197,620	89,349
Balance at the 31 Mar 2021 carried forward	(6,500)	(95,018)	(6,753)	(108,271)	197,620	89,349
Movement in reserves during 2021/22						
(Surplus) / deficit on the provision of services	(26,540)	-	-	(26,540)	(851)	(27,391)
Other comprehensive Income and Expenditure	-	-	-	-	(118,831)	(118,831)
Total Comprehensive Income and Expenditure	(26,540)	-	-	(26,540)	(119,682)	(146,222)
Adjustments between accounting basis and funding basis under regulations	(14,401)	-	(2,637)	(17,038)	17,097	59
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(40,945)	-	(2,637)	(43,579)	(102,585)	(146,163)
Transfer to/ from Earmarked Reserves	40,945	(40,945)	-	-	-	-
(Increase) / Decrease in 2021/22	-	(40,945)	(2,637)	(43,579)	(102,585)	(146,163)
Balance at the 31 Mar 2022 carried forward	(6,500)	(135,963)	(9,390)	(151,852)	95,036	(56,814)

GROUP CASH FLOW STATEMENT FOR YEAR ENDING 31 MARCH 2022

Total 2020/21 £'000		Note	Total 2021/22 £'000
8,301	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		(27,391)
(57,335)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	12	(70,549)
19,697	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	12	40,886
(29,337)	Net cash flows from Operating Activities		(57,054)
6,427	Investing Activities	13	54,437
4,906	Financing Activities	14	6,785
(18,004)	Net (increase) or decrease in cash and cash equivalents		4,168
(6,541)	Cash and cash equivalents at the beginning of the reporting period	10	11,462
11,463	Cash and cash equivalents at the end of the reporting period	10	7,293

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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 whose remuneration is over £60,000 per annum is shown below.

	31-Mar-21	31-Mar-22
£135,000 - £139,999	-	-
£130,000 - £134,999	-	1
£125,000 - £129,999	-	-
£120,000 - £124,999	-	-
£115,000 - £119,999	1	-
£110,000 - £114,999	-	1
£105,000 - £109,999	2	3
£100,000 - £104,999	1	2
£95,000 - £99,999	3	2
£90,000 - £94,999	2	1
£85,000 - £89,999	3	3
£80,000 - £84,999	5	10
£75,000 - £79,999	12	13
£70,000 - £74,999	11	14
£65,000 - £69,999	24	20
£60,000 - £64,999	17	24
Total	81	94

Further information regarding the remuneration of the employees of Newport Transport is contained within the company's 2021/22 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 36 to the single entity financial statements.

3 EXTERNAL AUDIT COSTS

In 2021/22 the following fees were paid by the council and its subsidiary in respect of audit and inspection.

	31-Mar-21 £'000	31-Mar-22 £'000
Fees payable with regard to external audit of accounts	207	213
Fees payable in respect of local government measure	103	106
Fees payable for the certification of grant claims and returns for the year	57	57
Fees payable for other financial audit work	1	1
Total	368	377

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Newport City Council

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-21 £'000	31-Mar-22 £'000
Not later than one year	1,875	1,797
Later than one year and not later than five years	5,716	5,634
Later than five years	12,109	11,188
	19,700	18,619

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-21 £'000	31-Mar-22 £'000
Vehicle, Plant, Furniture	766	725
Equipment	-	245
	766	970

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-21 £'000	31-Mar-22 £'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	361	134
- non-current	81	136
Finance costs payable in future years	5	19
Minimum lease payments	447	289

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-21 £'000	31-Mar-22 £'000	31-Mar-21 £'000	31-Mar-22 £'000
Not later than one year	366	153	361	134
Later than one year and not later than five years	81	136	81	136
	447	289	442	270

Group Accounts

Statement of Accounts 2021/22

Newport City Council

5 PROPERTY, PLANT & EQUIPMENT

2021/22	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2021	352,417	58,508	179	2,636	4,826	418,566	67,720
Additions	5,714	5,021	222	0	28,891	39,849	1,504
Donations	-	-	-	-	-	-	-
Re-classification	993	275	9	1,851	(3,470)	(341)	-
Revaluations	7,821	-	-	1,936	-	9,757	-
Impairments	(3,590)	(54)	(158)	(0)	-	(3,802)	-
Disposals	(320)	(14,867)	-	-	-	(15,187)	-
At 31 March 2022	363,035	48,883	252	6,424	30,247	448,841	69,224
Accumulated Depreciation and Impairment							
At 1 April 2021	(8,346)	(41,495)	-	-	-	(49,841)	(22,802)
Depreciation Charge in Year	(12,851)	(3,991)	-	-	-	(16,842)	(1,709)
Re-classification	418	-	-	-	(14)	404	-
Revaluation Impact	3,817	-	-	-	-	3,817	-
Disposals	73	14,772	-	-	-	14,845	-
At 31 March 2022	(16,889)	(30,714)	-	-	(14)	(47,617)	(24,511)
Net Book Value							
At 1 April 2021	344,071	17,013	179	2,636	4,826	368,725	44,918
At 31 March 2022	346,146	18,169	252	6,424	30,233	401,224	44,713

Total - Restated

2020/21	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2020	372,362	53,037	179	2,636	1,792	430,006	72,880
Additions	9,291	6,580	31	-	2,092	17,994	1,196
Donations	-	-	-	-	-	-	-
Re-classification	(4,177)	154	-	-	942	(3,081)	-
Revaluations	(23,374)	-	-	-	-	(23,374)	(6,356)
Impairments	(1,125)	-	(31)	-	-	(1,156)	-
Disposals	(560)	(1,263)	-	-	-	(1,823)	-
At 31 March 2021	352,417	58,508	179	2,636	4,826	418,566	67,720
Accumulated Depreciation and Impairment							
At 1 April 2020	(35,898)	(38,653)	-	-	-	(74,551)	(23,867)
Depreciation Charge in Year	(12,256)	(4,095)	-	-	-	(16,351)	1,065
Re-classification	280	-	-	-	-	280	-
Revaluation Impact	39,417	-	-	-	-	39,417	-
Disposals	111	1,253	-	-	-	1,364	-
At 31 March 2021	(8,346)	(41,495)	-	-	-	(49,841)	(22,802)
Net Book Value							
At 1 April 2020	336,464	14,384	179	2,636	1,792	355,455	49,013
At 31 March 2021	344,071	17,013	179	2,636	4,826	368,725	44,918

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Newport City Council

5 PROPERTY, PLANT & EQUIPMENT - INFRASTRUCTURE

	2020-21	2021-22
Net Book Value at 1 April	149,029	147,597
Additions	6,045	10,004
Disposals	-	(87)
Depreciation	(7,015)	(7,115)
Impairment	(513)	(104)
Other movements in Cost	51	915
Net Book Value at 31 March	147,597	151,210

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 24L Wales of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

6 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.

7 LONG TERM CREDITORS

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Other long term creditors	(14,477)	(17,251)
	(14,477)	(17,251)

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 in the fair value is eliminated in the consolidation process.

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8 DEBTORS

	Restated 31-Mar-21			31-Mar-22		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	14,882	(4,543)	10,339	19,895	(6,401)	13,494
Council tax payers	9,272	(5,482)	3,790	9,877	(6,365)	3,512
NHS bodies	2,862	-	2,862	2,444	-	2,444
Central government bodies *	42,098	-	42,098	53,407	-	53,407
Other local authorities	6,111	-	6,111	3,197	-	3,197
	75,225	(10,025)	65,200	88,820	(12,766)	76,054

9 CREDITORS

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
General	(22,202)	(43,913)
Central government bodies	(13,577)	(13,940)
Prepayments of council tax	(1,397)	(1,449)
NHS bodies	(358)	(583)
Other local authorities	(9,069)	(12,011)
	(46,603)	(71,896)

10 CASH AND CASH EQUIVALENTS

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

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Cash held by the authority	14,759	9,760
	14,759	9,760
Bank Current accounts	(3,297)	(2,467)
Total Cash and Cash Equivalents	11,462	7,293

11 PROVISIONS

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

Group Accounts

Statement of Accounts 2021/22

Newport City Council

12 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Interest received	(56)	(21)
Interest paid	10,326	10,974
Loss on disposal of tangible assets	(10)	(13)
	10,260	10,940

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

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Depreciation	(23,366)	(23,626)
Impairment and downward valuations	(19,157)	(1,872)
(Increase) / Decrease in creditors	(5,489)	(20,545)
Increase / (Decrease) in debtors	2,040	9,458
Increase / (Decrease) in stock	126	829
Pensions liability	(18,817)	(35,262)
Carrying amount of non-current assets sold	(324)	(2,922)
Other non cash adjustments	7,652	3,392
	(57,335)	(70,548)

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

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	548	2,655
Any other items for which the cash effects are investing or financing cash flows	19,149	38,231
Net cash flows from Operating activities	19,697	40,886

13 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	22,806	46,209
Purchase of short-term and long-term investments	3,040	41,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(548)	(2,655)
Other receipts from investing activities	(18,871)	(30,117)
Net cash flows from investing activities	6,427	54,437

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14 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Cash receipts of short- and long-term borrowing	(27,866)	545
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,739	1,079
Repayments of short- and long-term borrowing	40,035	10,456
Government Grant Income	(9,002)	(5,295)
Net cash flows from financing activities	4,907	6,785

15 TAXATION

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	Restated 31-Mar-21	31-Mar-22
	£'000	£'000
Profit / (Loss) on Ordinary Activities before Tax	538	851
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	102	162
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7	11
Capital allowances for year in excess of depreciation	15	13
Changes in deferred tax rate	-	-
Adjustments to tax charge in respect of prior periods	-	-
Rate difference regarding other comprehensive income	-	-
Deferred tax not recognised	(124)	(186)
Other timing differences leading to an increase (decrease) in taxation	-	-
Changes in provisions leading to an increase (decrease) in the tax charge	-	-
Total tax charge for the year	-	-

Group Accounts

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16 UN-USABLE RESERVES

	31-Mar-21	31-Mar-22
	£'000	£'000
Profit and loss - Newport Transport	(1,478)	(2,334)
Revaluation Reserve - Newport Transport	(1,232)	(1,227)
Revaluation Reserve - Newport City Council	(197,843)	(208,222)
Capital Adjustment Account	(76,880)	(95,993)
Financial Instruments Adjustment Account	1,150	1,045
Deferred Capital Receipt Reserve	(21)	(21)
Pensions Reserve	475,114	403,202
Accumulated Absence Account	2,834	2,958
Cardiff City Region Aggregated Un-useable Reserves (NCC share)	(4,022)	(4,371)
	197,622	95,037

Glossary of Accounting Related Terminology

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Newport City Council

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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- **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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- **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

Statement of Accounts 2021/22

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- **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 a 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.

Glossary of Accounting Related Terminology

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Newport City Council

- **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 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

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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
ERV	Estimated Rental Value
FRS	Financial Reporting Standards
GAAP	Generally Accepted Accounting Practice
GAVO	Gwent Association of Voluntary Organisations
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LMS	Local Management of Schools
LOBO	Lender Option Borrower Option
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 Institute of Chartered Surveyors
RSG	Revenue Support Grant
SERCOP	Service Reporting Code of Practice
SEWREC	South East Wales Racial Equality Council
TTF	Treasury Task Force
WIP	Work In Progress
WRA	Welsh Revenue Authority

Further Information

Statement of Accounts 2021/22

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.