

# Report & Accounts 2008/2009



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# *Explanatory Foreword*

The accounts on the following pages show the financial performance for the year for all activities undertaken by Newport City Council. They comprise the following core statements:

**a) Income & Expenditure Account**

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

**b) Statement of the Movement on the Council Fund Balance**

This statement reconciles the financial performance of the Authority as stated in the Income & Expenditure Account to the actual change in the Council Fund balance for the year. The reconciling amounts within this statement reflect items that either have been included in the Income & Expenditure Account and now need to be reversed, or those that were omitted from the Income & Expenditure Account but now need to be included when calculating the statutory basis for raising council tax.

**c) Statement of Total Recognised Gains and Losses**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus or deficit generated on the Income & Expenditure Account, it includes gains and losses relating to both the revaluation of fixed assets and the actuarial assessment of the net liability to cover the cost of retirement benefits.

**d) Balance Sheet**

This statement shows all the Council's balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

**e) Cash Flow Statement**

The cash flow summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

These core statements are followed by explanatory notes which set out the accounting policies that have been used in the accounts and provide more detail to the summarised figures.

Details of the Housing Revenue Account are given in the following supplementary financial statements:

**f) Housing Revenue Account Income & Expenditure Account**

This account shows in more detail the income and expenditure on HRA services included in the whole authority Income & Expenditure Account and the HRA share of amounts included in the whole authority Net Service Cost but not allocated to individual services. It also shows the HRA share of operating income and expenditure such as pension interest costs and expected return on pension assets.

**g) Statement of Movement on the Housing Revenue Account Balance**

This statement shows how the HRA Income & Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

These HRA statements are also followed by explanatory notes.

## Introduction

The statement of accounts for 2008/2009 incorporates entries relating to the Large Scale Voluntary Transfer (LSVT) of the council housing stock to a new landlord, Newport City Homes. This transfer has generated some significant accounting entries with over £500million being removed from the Authority's asset base and charged as an impairment cost through the Income & Expenditure account but reversed through the Statement of Movement on the Council Fund Balance. The transfer has affected various balances and this is explained in more detail in the relevant notes to the accounts.

There have also been some changes to the reporting requirements for Local Authority accounts although not as widespread as in recent years. These new requirements are explained in further detail within the accounting policies and specific notes to the accounts. Following changes introduced last year it remains that the revenue position of the Authority for the year can only be understood by reference to the Statement of Movement in Council Fund balances which adjusts the outcome reported in the Income & Expenditure Account. This is particularly pertinent this year with the effect of the housing stock transfer showing a misleading deficit of £541.6million before £539.7million is credited from the Statement of Movement. This secondary statement is necessary due to the requirement for local authorities to raise council tax on a different accounting basis to the UK GAAP (generally accepted accounting practice) compliant format applied in the Income & Expenditure Account.

The Income & Expenditure Account differs from the internal management accounts which are used for budgetary control purposes. To help appreciate the Authority's position relative to the approved budget an extract is given below which illustrates the performance during 2008/2009.

## Income & Expenditure Account

In 2008/2009 the Authority's revenue account showed a deficit of £1.9million of which £0.4million related to schools balances. At the close of the financial year the General Fund balances stood at £15.6million which included £3.6million held by schools.

Although net expenditure, excluding schools, exceeded available funding and required £1.5million to be drawn from balances, this was a significantly better position than forecast at the revised estimate stage. A carefully managed restriction on all non-essential expenditure throughout the year and a number of one-off savings helped to achieve this positive variance. In total the outturn for 2008/2009 showed a positive variance of £3.0million when compared to the revised estimate.

The restrictions on spending meant most services reported positive variances although the fall-off in planning & building control fees and waste disposal income as a result of the economic climate and additional expenditure in highways, partly due to a severe winter, ran counter to this general trend. The revised estimate for capital financing proved overly cautious together with saving due to less capital expenditure than envisaged. The commitments to pay shares of the gross interest earned were lower than estimated and there was also a surplus of £0.3million on Council tax collection.

Schools expenditure was £0.4million greater than budget and this resulted in total schools balances being reduced to £3.6million at 31 March 2009.

The Housing Revenue Account recorded a surplus of £1.6million. This was broadly in line with expectations other than for a provision of £0.7million being made at the year-end in respect of outstanding commitments at the date of stock transfer. The Housing Revenue Account balance increased to £9.0million at 31 March 2009.

A summary of the revised estimate, actual net expenditure and resulting variances for General Fund services, excluding schools, is shown in the table below:

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	Revised Estimate £'000	Actual Net Expenditure £'000	Variance To Revised £'000
Corporate	12,854	12,329	(525)
Cultural And Related	15,472	15,229	(243)
Education	105,729	105,221	(508)
Environmental	11,308	11,174	(134)
Highways, Roads & Transport	7,070	7,920	850
Housing General Fund	1,991	1,403	(588)
Planning & Development	3,349	3,778	429
Social Services	60,699	60,005	(694)
<b>Total Expenditure On Services</b>	<b>218,472</b>	<b>217,059</b>	<b>(1,413)</b>
Capital Financing Costs	17,989	17,519	(470)
Asset Rental Reversal	(11,462)	(11,462)	-
Interest / Dividends	(1,600)	(2,274)	(674)
Transfers To / (From) Reserves	3,057	2,920	(137)
<b>Net Council Fund</b>	<b>226,456</b>	<b>223,762</b>	<b>(2,694)</b>
Government Grants	(184,701)	(184,701)	-
Council Tax	(37,295)	(37,595)	(300)
<b>Transfer from Balances</b>	<b>4,460</b>	<b>1,466</b>	<b>(2,994)</b>

## Capital Programme

During the year the Council spent £51.0million on capital works and services including city centre infrastructure developments £0.8m; housing capitalised repairs and improvement grants £8.8m; grant-aided infrastructure works in connection with the Ryder Cup £2.3m; preparatory works and building of new schools £13.2m; infrastructure works at the Waste Disposal Site £3.1m; works in car parks £1.5m; works to schools funded by School Building Improvement Grant £1.5m; works on the advice of Newport Unlimited £1.9m and land compensation settlements for the Southern Distributor Road of £2.6m.

This expenditure was financed from borrowing (£11.5m), use of capital receipts (£1.8m) and capital grants (£37.7m). Further details of capital expenditure and its financing are given in notes 31 and 32. Capital receipts raised from asset sales during the year amounted to £2.6million.

The Council's long-term borrowing decreased by £42.6m to £146.1m largely as a result of Public Works Loan Board debt being redeemed at the time of the housing stock transfer. The borrowing comprised stock (£41.1m), loans from the Public Works Loan Board (£68.6m), European Investment Bank (£0.7m) and other loans (£35.7m). The Council's long-term assets were valued at £556million at 31 March 2009.

## Balance Sheet

Net assets of the Authority have reduced markedly from £636m to £152m following the transfer of the housing stock to Newport City Homes in March 2009. Pension liabilities reduced slightly during the year but still amounted to £170m at the year-end. Earmarked reserves and provisions aggregate to £32.3m and the combined Council Fund & HRA reserves total £24.6million. Capital receipts usable for new capital investment amount to £1.8million. Debtors increased by £7.0million during the year which was accounted for predominantly by an increase in amounts owing from government departments (£6.8m - see note 18 for further analysis). The Council continued to monitor overall debt and increased the bad debt provision by £0.9m to an overall figure of £7.9m.

# Head of Finance's Report

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In total, creditors decreased by £6.2m which was mainly through a reduction in general creditors (£5.7m including the former HRA total - see note 26 for further analysis).

As reported in note 8, the Council's net liability to provide retirement benefits was £170million as at 31 March 2009. This calculation is provided by an independent actuary based on current market values of the Authority's share of the pension fund assets and liabilities.

## Future Developments

The Council produces a medium term financial plan which includes a three-year revenue and capital programme. The existing plan produced in February 2009, implied that, with an assumed level of central government funding, existing services could be protected and investment in Council assets could be maintained, while still maintaining a relatively low level of council tax.

Following the "credit crunch", the Council will be faced with very significant financial challenges in the years ahead. Indications from the Welsh Assembly Government are that funding for local authorities will be substantially curtailed, both for revenue and capital spending. The Council is embarking on a review of its medium term plan and devising a budget strategy aimed at responding to these challenges through a series of measures aimed at increasing efficiency and making better use of resources.

The capital programme has been reviewed in the light of the temporary unavailability of capital receipts from land sales. Aside from projects funded from grants and supported borrowing, the Council has approved several major projects to be funded from "prudential borrowing". The decision to undertake these projects has been made in the light of revenue budget savings that can be delivered across existing Council Services.

## Conclusion

The Council continues to manage its finances in a prudent manner with the combined Council Fund and HRA balances reducing slightly to £24.6million during 2008/2009 and net worth standing at £151.9million.

*Chris Barton*

Chris Barton

Head of Finance

Date 29 September 2009

# *Statement of Responsibility for the Statement of Accounts*

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## **The Authority's responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, 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 authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

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

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority SORP.

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 accounts set out in pages 10 to 41 present fairly the financial position of Newport City Council at 31 March 2009 and the income and expenditure for the year ended 31 March 2009.

*Chris Barton*

Chris Barton  
Head of Finance

Date 29 September 2009

I confirm that these accounts were approved by Council on

Signed on behalf of Newport City Council

*Glyn Jarvis*

Councillor Glyn Jarvis  
Chair of Council

Date 29 September 2009

## 1 Scope of Responsibility

Newport City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise for the Council's functions and which includes arrangements for the management of risk.

## 2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 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.

The system of internal control outlined in this document has been in place at Newport City Council for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

## 3 The internal control environment

The key elements of Newport City Council's internal control environment are as follows:

### 3.1 Establishment and monitoring the achievement of the Authority's objectives

The Council's priorities and objectives are reviewed on an annual basis as part of the corporate planning cycle. Priorities are established by Cabinet in consultation with Chief Officers, taking into account the Council's performance improvement priorities, inspection findings and public consultation.

The Community Strategy presents the vision for the future which has been shaped with the help of local partners. The

corporate plan identifies actions and resources over a three year period; the improvement plan establishes specific targets to measure progress. Performance is monitored by Overview and Scrutiny fora, service plans and the Performance Board. Performance information has become more widely available throughout the Council through the 'Views' information system.

### 3.2 Facilitation of policy and decision making

Newport City Council has adopted a Constitution which came into effect on May 2002, further revised in November 2007. This sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

The Cabinet is the part of the Council responsible for most day to day decisions. The Council publishes a quarterly work programme of major ongoing decisions and in addition ensures that every agenda is publicly available for at least three working days; views of all elected Members are sought before decisions are taken. The Council also operates a call-in procedure for elected Members before decisions become valid.

The Cabinet can only make decisions that are in line with the Council's overall policies and budget; decisions outside the budget or policy must be referred to Council.

In 2008/09 there were 6 Overview and Scrutiny Fora which support the work of the Cabinet and the Council as a whole. Within Newport City Council these:

- Hold the Cabinet and Cabinet Members to account for their decisions
- Review and help develop Council policies to ensure that they have a positive impact on the people of Newport
- Monitor the performance of the Cabinet and Council services by challenging Cabinet Members and chief officers
- Provide advice to Cabinet and Cabinet Members on amendments to methods of service delivery, policies or changes to budget allocations
- To intervene and to report to Cabinet in cases of serious or repeated failure

The Council has also established a Citizen's Panel comprising a representative cross section of local citizens who have a greater say in Council affairs; this provides a forum to discuss local issues and helps to shape the priorities and objectives of the Council, as do the neighbourhood committees.

### 3.3 Ensuring compliance with established policies, procedures, laws and regulations

The Council has designated the Head of Law and Standards as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. Heads of Service also ensure compliance within their respective areas of responsibility. Internal Audit verifies compliance with

policies and procedures when auditing the services provided by the Council.

### 3.4 Identifying, assessing and managing risks to the Authority's objectives

The council has robust systems in place for identifying and evaluating significant business risks.

The Council has developed an overarching risk strategy through a robust monitoring process via Cabinet which incorporates the joint risk assessment and the improvement plan. The joint risk assessment and the improvement plan are also reflected in the service plans which are delivered by all Heads of Service, reported to Cabinet Members and reviewed by Overview and Scrutiny Fora.

The Council has established roles and responsibilities and reporting lines within the Council for risk management, incorporating risk management into all new projects and reviews, the decision making process, business planning and performance management processes. The Council is ultimately responsible for risk management which is being championed by the Managing Director, Corporate Directors and Heads of Service.

The Council agrees a joint risk assessment with its external auditors annually. This is reported through the Cabinet.

### 3.5 Ensuring the economical, effective and efficient use of resources and ensuring continuous improvement

The Council has a programme of continual improvement within the agreed Improvement Plan. Particular examples of this are:

- The Procurement Policy
- Contract Standing Orders
- Corporate Project Management procedures
- Internal Audit programme of reviews and coverage
- The award winning Contact Centre
- Continual efficiency reviews in line with the 'Making the Connections' agenda

### 3.6 Financial management of the Authority and reporting of financial management

The Council has continued to improve its financial management at an operational level through the continued development of financial reporting, profiling of budgets and strategically through its medium term planning of financial commitments. This is underpinned by:

- A professional finance function
- Regular revenue and capital monitoring reports to Cabinet

- The role of the Overview and Scrutiny Resources Forum (Audit Committee)
- Comprehensive budgeting and closedown procedures
- The Council's Treasury Management Strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services
- Budget planning generally takes place over a 3 year cycle, with indicative budgets being approved for the second and third years of the cycle. This enables the Council to ensure that its plans are affordable over the medium term and to consider early action in the context of any pressures that may be emerging
- Consultation with all elected Members is a key element of the budget process
- General budget risks are highlighted and managed
- Prioritisation within financial planning is closely aligned with the Council's wider corporate planning processes, the aim being to ensure that where funds become available they are applied to ensure that developments can be prioritised as planned
- Maintaining general reserves at no less than an agreed minimum
- Overspends on and delays in capital projects are referred to the relevant Overview and Scrutiny Forum.

### 3.7 Performance management of the Authority and reporting of performance management

The Council has an agreed performance management strategy, to deliver an effective and fully integrated performance management framework, underpinned by an embedded performance management culture. Key elements of this strategy are the collection and dissemination of performance information through the 'Views' system, which establishes ownership and accountability for performance among responsible officers, and the regular reporting of performance and improvement actions both corporately and per service area.

Performance is reported against all national (statutory and core) and local Welsh Assembly Government targets to the Corporate Directors' team and the Performance Board by Heads of Service via 'Views' and service plans.

The effectiveness of the performance management strategy and implementation of 'Views' has been accredited by the Council's Relationship Manager. Newport was the first Authority in Wales to take a lead on fully implementing such a system.

## 4 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed, in part, by the work undertaken by internal audit and the senior managers within the Council, and also by comments made by the external regulators and other review agencies and inspectorates in their annual audit letter and other reports. Managers have the responsibility for the development and maintenance of the internal control environment.

The Council identified areas of priority as part of a corporate risk assessment. These priorities represented risks faced by the Council in meeting its strategic objectives if they were not adequately addressed. These risks have been recorded in the Council's Improvement Plan and Joint Risk Assessment (with the external regulator) along with actions to mitigate the risk.

- Only three areas were identified in the Improvement Plan as needing high level action to ensure they are managed effectively:
- Impact of demand-led services on budget (2006/07, high level)
- Recruitment, retention and skills (2006/07, high level)
- Connecting South East Wales and Making the Connections (2006/07, high level)
- Of the 16 areas of risk identified within the joint risk assessment for 2008/09, three were regarded as high, post mitigating controls:
- Economic slow down and the impact that this has on the council's aspirations for regeneration of the city and also service improvements that rely upon the capital programme
- The right people with the right skills to enable the council to deliver effective customer focused services
- Skills and Inactivity – failure to develop the appropriate partnerships and to ensure that the necessary conditions exist so that people are able to access employment opportunities or suitable high quality education and training

Monitoring reports have been presented to Cabinet and the Performance Board throughout the year to ensure appropriate action is being taken by officers to mitigate the risks identified in achieving the Council's strategic objectives during the 2008/09 year.

The risks have been assessed within these monitoring reports which detail achievements to date in mitigating the risks, an action plan designed to ensure risks continued to be mitigated, and an indication, through a traffic light system of reporting, of the status of the risk to the Council. The action plans presented to Cabinet during 2008/09 indicate that all corporate risks are being appropriately addressed. The Council has an effective Internal Audit function that

operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

The Council operates an effective Audit Committee (Overview and Scrutiny Forum for Resources) which holds Cabinet Members and Heads of Service accountable for service provision, focuses the Council's internal and external audit resources by agreeing audit plans and monitoring the provision, performance and adequacy of audit.

## 5 Significant internal control issues and proposed action

The assurance gathering process highlighted no significant internal control issues during 2008/09. None of the fundamental financial systems reviewed by Internal Audit in 2008/09 were given an unsatisfactory or unsound audit opinion; they were rated as either 'Reasonable' or 'Good'. The overall internal audit opinion on the effectiveness of the internal control environment for the Authority was rated as 'Reasonable'.

The Asset Management procedures were one area of concern where two systems are operated (Estates and Finance) and they have become out of sync with each other. The internal audit opinion was 'Unsatisfactory'. Significant inconsistencies were identified between the two databases. Both the Head of Finance and the Head of Law and Standards are aware of this situation and are working to resolve the matter. Both areas are undertaking a review of their own databases and the outcomes will be co-ordinated to ensure consistency of the assets recorded.

## 6 Development of best practice

As with any well performing organisation there is still a need to implement a programme of continuous improvement. Part of the assurance gathering process was to highlight areas where further enhancements may benefit the Council's systems of internal control and management of risk, thus further contributing to effective corporate governance arrangements. The following areas will feature in the Council's Improvement Plan:

- Consider a local code of corporate governance
- Increase the level of awareness training on key issues eg risk, fraud, financial matters
- Strengthen the communication of new / revised policies to staff
- Implementation of business continuity plans
- Review strengths and weaknesses of the current risk management process

Introduce a formal programme for the review of key strategies and policies.

Signed

*Matthew Evans*

Leader of the Council

*Tracey Lee*

Managing Director

Date 29 September 2009

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

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I have audited the accounting statements and related notes of Newport City Council for the year ended 31 March 2009 under the Public Audit (Wales) Act 2004. Newport City Council's accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Newport City Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 46 of the Statement of the responsibilities of the auditors appointed by the Auditor General for Wales and his inspectors, and of the bodies that they audit and inspect (2008) prepared by the Auditor General for Wales.

## **Respective responsibilities of the responsible financial officer and the independent auditor**

The responsible financial officer's responsibilities for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - a Statement of Recommended Practice, the financial position of the local government body and its income and expenditure for the year.

I review whether the Statement on Internal Control reflects compliance with 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the

audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's circumstances, consistently applied and adequately disclosed.

I planned and performed our audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

## **Opinion on the accounting statements of Newport City Council**

In my opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of Newport City Council as at 31 March 2009 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

My conclusion on Newport City Council arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Relationship Manager's Annual Letter.

## **Certificate of completion**

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

Anthony Barrett  
Appointed Auditor

*Anthony Barrett*

Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ

Date 29 September 2009

# Remuneration Report

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## Employees' Remuneration

Senior employees received remuneration falling within the following ranges

	2008/2009		2007/2008	
	Teaching	Other	Teaching	Other
£130,000 - £139,999	-	1	-	-
£120,000 - £129,999	-	-	-	1
£110,000 - £119,999	-	-	-	-
£100,000 - £109,999	-	-	-	1
£90,000 - £99,999	2	-	2	1
£80,000 - £89,999	5	2	3	-
£70,000 - £79,999	1	4	3	3
£60,000 - £69,999	19	8	11	12

## Members' Allowances

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.

During the year, all members were entitled to the same basic allowance of £13,030 per annum (2007/2008 - £12,718). Also additional responsibility allowances were payable to members holding the following positions:

	2008/2009 £	2007/2008 £
Leader of the Council	30,791	33,423
Cabinet Member	15,396	16,716
Chair of Scrutiny Forum	9,236	10,029
Chair of Planning	9,236	10,029
Chair of Licensing	9,236	10,029
Vice Chair of Planning	6,157	6,685
Vice Chair of Licensing	6,157	6,685
Opposition Leader (first)	9,236	10,029
Opposition Leader (second)	3,079	3,343

The total paid in the financial year was £863,954 (2007/2008 - £960,749).

## Local Government Pension Scheme

During the year, the Council paid an employer's contribution of £15.012million (2007/2008 £13.833m) representing 20.7% (19.8%) of pensionable pay to the Greater Gwent (Torfaen) Pension Fund, which provides members with defined benefits related to pay and service. In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. These amounted to

£0.520million in 2008/09 (2007/2008 £0.509m) representing 0.7% (0.7%) of pensionable pay.

During the year, the total amount calculated as due to the pension fund in respect of employees who retired early was £0.606million (2007/2008 £0.125m). The Authority is required to indicate that the capital value included within this figure is £0.236million (2007/2008 - £0.028m) and is in respect of early retirement decisions made in 2008/2009.

Additional disclosures relating to this Authority's share of assets and liabilities held by the pension fund are given in note 8 to the accounts. These disclosures are in line with FRS17 - Retirement Benefits that requires the Authority to account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Further information about the scheme can be found in the Greater Gwent (Torfaen) Pension Fund's Annual Report which is available upon request from Torfaen County Borough Council, Civic Centre, Pontypool, South Wales NP4 6YB.

## Teachers' Pension Scheme

During the year, the Council paid an employer's contribution of £6.715million (2007/2008 £6.637m), representing 14.1% (14.0%) of pensionable pay to the Teachers' Pension Scheme.

In addition, the Council is responsible for all pension payments relating to discretionary enhanced benefits it has awarded, together with the related increases. These amounted to £1.079million (2007/2008 £1.060m), representing 2.3% (2.2%) of pensionable pay. Included in this figure is the cost of benefits awarded to employees of the colleges of further and higher education in respect of the period when the former Gwent County Council was responsible for their operation.

# Statement of Accounts

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Newport City Council

<b>Income &amp; Expenditure Account for the year ended 31 March 2009</b>					
	Notes	Income 2008/2009 £000	Expenditure 2008/2009 £000	Net 2008/2009 £000	Net 2007/08 as restated £000
<b>SERVICES</b>					
Central Services to the Public		(2,332)	4,122	1,790	1,147
Cultural Environmental & Planning Services		(16,919)	58,122	41,203	34,289
Children's and Education Services		(35,875)	194,062	158,187	119,833
Highways, Roads & Transport Services		(19,360)	28,423	9,063	26,991
Other Housing Services		(48,557)	50,007	1,450	2,167
Adult Social Care Services		(16,132)	56,650	40,518	40,312
Corporate & Democratic Core		-	4,989	4,989	4,546
Non distributed costs		(95)	2,116	2,021	4,326
<b>Discontinued operations</b>					
Services transferred to Newport City Homes		(37,323)	553,349	516,026	4,969
<b>Net Cost of Services</b>		<b>(176,593)</b>	<b>951,840</b>	<b>775,247</b>	<b>238,580</b>
Loss on the disposal of fixed assets				1,620	-
Precepts and levies:					
Community Councils	2			180	176
South Wales Fire Authority				6,874	6,711
Drainage Board				866	834
Home Office				293	274
Gwent Police	2			8,718	8,288
Interest payable and similar charges (includes exceptional item)	47			25,028	12,462
Interest, dividend & investment income				(3,004)	(3,810)
Pensions interest cost and expected return on pensions asset	8 & 46			8,905	2,828
<b>Net Operating Expenditure</b>				<b>824,727</b>	<b>266,343</b>
Council tax	2,3 & 4			(46,493)	(44,285)
General government grants (includes exceptional item)	7 & 47			(200,669)	(149,494)
Non-domestic rates distribution	5 & 7			(35,937)	(32,658)
<b>Deficit for the year</b>				<b>541,628</b>	<b>39,906</b>

<b>Statement of the Movement on the Council Fund Balance</b>			
	Notes	2008/2009 £000	2007/08 as restated £000
Deficit for the year from Income & Expenditure Account		541,628	39,906
Net additional amounts to be credited	13	(539,729)	(43,796)
<b>Decrease / (Increase) in Council Fund balance for the year</b>		<b>1,899</b>	<b>(3,890)</b>
Council Fund Balance brought forward at 1 April		(17,496)	(13,606)
<b>Council Fund Balance carried forward at 31 March</b>		<b>(15,597)</b>	<b>(17,496)</b>
Amount of Council Fund balance held by schools under local management schemes	27	(3,550)	(3,984)
Amount of Council Fund balance generally available for new expenditure	27	(12,047)	(13,512)
		<b>(15,597)</b>	<b>(17,496)</b>

<b>Statement of Total Recognised Gains and Losses</b>			
	Notes	2008/2009 £000	2007/08 as restated £000
Deficit for the year from Income & Expenditure Account		541,628	39,906
Surplus on revaluation of assets	16	(44,251)	(48,376)
Actuarial (gains) / losses on pension fund	8 & 46	(13,030)	51,290
Differences arising from SORP changes to re-measurement of financial instruments	35	-	3,036
Any other (gains) / losses – prior year figure includes £520,000 loss on restatement	8 & 46	(10)	620
<b>Total recognised losses for the year</b>		<b>484,337</b>	<b>46,476</b>

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<b>Balance Sheet as at 31 March 2009</b>			
	Notes	2009 £000	Restated 2008 £000
<b>FIXED ASSETS</b>			
Operational assets:			
Council dwellings		-	519,113
Other land and buildings		357,705	349,662
Vehicles, plant, furniture and equipment		9,530	10,449
Infrastructure assets		65,135	57,913
Community assets		11,970	13,299
Non-operational assets			
Investment properties		57,846	72,204
Assets under construction		21,375	8,733
<b>TOTAL FIXED ASSETS</b>	<b>16</b>	<b>523,561</b>	<b>1,031,373</b>
Long-term investments	20	251	301
Long-term debtors	19	1,026	1,169
<b>TOTAL LONG-TERM ASSETS</b>		<b>524,838</b>	<b>1,032,843</b>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	22	500	500
Debtors (net of provisions)	18	46,780	39,781
Temporary investments	23	36,845	46,050
Cash in hand	24	270	152
		<b>84,395</b>	<b>86,483</b>
<b>TOTAL ASSETS</b>		<b>609,233</b>	<b>1,119,326</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowing	25	(6)	(23)
Creditors: amounts falling due within one year	26	(42,113)	(48,330)
Bank overdraft	24	(10,060)	(1,269)
		<b>(52,179)</b>	<b>(49,622)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>557,054</b>	<b>1,069,704</b>
<b>LONG-TERM LIABILITIES</b>			
Finance leases	11	(405)	(987)
Long-term borrowing	25	(146,059)	(188,739)
Provisions	40	(6,338)	(5,061)
Government grants deferred		(81,516)	(59,506)
Capital grants unapplied		(889)	(1,754)
Pension scheme liabilities *	8	(169,909)	(177,382)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>151,938</b>	<b>636,275</b>
<b>FINANCED BY</b>			
Capital adjustment account	33	(205,526)	(724,809)
Revaluation reserve	34	(66,164)	(41,258)
Deferred capital receipts	19	(185)	(236)
Financial instruments adjustment account	35	2,877	3,078
Usable capital receipts	36	(1,752)	(1,222)
Transport Company realisation account	43	(251)	(251)
Gwent County Council realisation account	42	(303)	(292)
Pension reserves *	8	169,909	177,382
Council Fund balance	27	(15,597)	(17,496)
Housing Revenue Account balance	27	(8,977)	(7,381)
Earmarked reserves	41	(25,969)	(23,790)
<b>TOTAL NET WORTH</b>		<b>(151,938)</b>	<b>(636,275)</b>

\* the pension scheme liabilities and reserves for the prior year have both been restated following a change in accounting policy. The effect of this has increased both figures by £524,000.

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<b>Cash Flow Statement for the year ended 31 March 2009</b>					
	Notes	2008/2009 £000	2008/2009 £000	2007/2008 £000	2007/2008 £000
<b>REVENUE ACTIVITIES</b>					
<b>Expenditure</b>					
Cash paid to and on behalf of employees		-		165,667	
Housing benefits		-		17,103	
Payments to NNDR pool		-		47,645	
Payments of precepts		-		8,464	
Other operating costs		-		168,435	
			-		<b>407,314</b>
<b>Income</b>					
Council tax income		-		(37,186)	
NNDR pool income		-		(32,658)	
NNDR income from ratepayers		-		(47,566)	
Revenue support grant		-		(147,067)	
Other government grants		-		(71,226)	
Housing benefit subsidy		-		(15,418)	
Council house rents		-		(9,000)	
Cash received for goods and services		-		(70,913)	
			-		<b>(431,034)</b>
<b>Net Revenue Activities Cash Flow *</b>	44		<b>(43,593)</b>		<b>(23,720)</b>
<b>SERVICING OF FINANCE</b>					
Interest paid		11,923		12,462	
Interest paid on finance leases		74		65	
Interest received		(3,004)		(3,810)	
<b>Cash Flow from Servicing of Finance</b>			<b>8,993</b>		<b>8,717</b>
<b>CAPITAL ACTIVITIES</b>					
Purchase of fixed assets	31	45,260		52,116	
Other capital expenditure	31	5,763		12,473	
Movement in long-term investments	20 & 23	-		(8,000)	
Sale of fixed assets	16	(2,587)		(9,880)	
Grants received		(38,420)		(26,833)	
<b>Cash Flow from Capital Activities</b>			<b>10,016</b>		<b>19,876</b>
<b>Net Cash Movement Before Financing</b>			<b>(24,584)</b>		<b>4,873</b>
<b>Management of Liquid Resources</b>	23		<b>(9,205)</b>		<b>(7,725)</b>
<b>FINANCING</b>					
Repayment of loans	25 & 44	42,012		10,192	
New loans raised	25 & 44	-		(10,000)	
Finance lease principal payments		433		386	
Temporary loans		16		(4)	
			<b>42,461</b>		<b>574</b>
<b>Net (increase) / decrease in Cash</b>			<b>8,672</b>		<b>(2,278)</b>

\* In accordance with the 2008/09 SORP net revenue activities is disclosed as a single figure.

## I Statement of Accounting Policies

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of recommended Practice 2008 (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The code constitutes a “proper accounting practice” under the terms of section 21(2) of the Local Government Act 2003 prepared in accordance with the statutory framework established by the Accounts and Audit (Wales) Regulations 2005 and by sections 41 and 42 of the Local Government and Housing Act 1989.

### Income & Expenditure

Revenue transactions have been accounted for in the year they took place not when actual cash payments are made or received. Fees, charges and rents are accounted for as income at the date the council provided the relevant goods or services. Supplies are recorded as expenditure when they are consumed and where there is a gap between supply and consumption they will generally be carried as stocks in the Balance Sheet. Provision has been made on an actual or estimated basis for debtors and creditors as at 31 March 2009.

### Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are made in settlement of the obligation, these are charged to the provision in the balance sheet.

### Reserves

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the Council Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the net cost of services within the Income & Expenditure Account. The reserve is then appropriated back from the balance sheet to the Statement of Movement on the Council Fund Balance so that there is no net charge against council tax for the expenditure.

The most significant reserve is the Southern Distributor Road PFI which will meet future liabilities over the lifetime of the PFI scheme.

### Support Service Costs

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006. Support service costs have been fully allocated to services with the exception of the cost of the Democratic Process and some Corporate Costs. The basis of allocation used for the main costs of management and administration are as follows:

COST	ALLOCATION BASIS
Central departments	Time allocation or usage
Administration buildings	Floor area
Computing costs	Usage

### Pension Costs

The City Council participates in two different pension schemes:

- The Teachers’ Pension Scheme, administered by Capita Teachers’ Pension on behalf of the Department for Children Schools and Families through an unfunded scheme. The Council is unable to identify its share of the liabilities of the scheme other than those arising from discretionary increases. The pension cost charged to the accounts is the contribution rate set by the Department on the basis of a notional fund except for liabilities to pay pensions in respect of discretionary increases which are recognised in full when granted and
- The Local Government Pension Scheme, administered by Torfaen County Borough Council. Pension costs are included in the accounts based on the requirements of FRS 17 Retirement Benefits. The accounting policy requires each authority to account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

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Further detail regarding the pension movements during the year and balances as at 31 March 2009 is provided in note 8 to the statement of accounts.

## Loan Interest

Under the Capital Controls introduced in 2005/06 (Local Government Act 2003 and subsequent regulations) the Council must charge the Housing Revenue Account with interest at a prescribed rate known as the Consolidated Rate with the remaining interest costs falling on the Council Fund.

## Capital Accounting

Capital expenditure is accounted for on an accruals basis and income has been accrued for where it is due.

When fixed asset are revalued upwards the matching credits are taken to the Revaluation Reserve to recognise unrealised gains. 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.

## Financial Liabilities

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

However, the £40million stock issued by the Council in April 1995 is carried at a higher amortised cost than the outstanding principal and interest is charged at a higher effective rate of interest than the rate payable to stockholders as a material amount of premium and costs (£0.9million) incurred in its issue is being financed over the 24-year life of the stock.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited in the Income & Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the

premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income & Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the Council Fund Balance to be spread over future years. Where there has been an early repayment and no new loans taken up then the Council policy is to spread the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. However where a new loan has replaced the early repayment, the gain or loss is spread over the term of the new loan. Where the gain or loss was attributable to the HRA proportion of the loan the gain or loss is spread over 10 years or the life of the new loan, whichever is the shorter. The reconciliation of amounts charged to the Income & Expenditure Account to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the Council Fund Balance.

## Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income & Expenditure Account is the amount receivable for the year in the loan agreement.

## Leasing

Where assets are available for use under operating leases, the leasing rentals payable are charged to the appropriate service in the Income & Expenditure Account. The Council does not own these assets and therefore they do not appear in the Balance Sheet. The Council uses finance leases for acquiring some of its vehicles, plant and equipment and, in accordance with the SORP, these assets are shown as fixed assets in the Balance Sheet and the liabilities for future principal rental payments are disclosed as long-term liabilities.

## Fixed Assets

Expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the Authority for a period of

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more than one year. Assets are valued 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). They are classified into groups required by the 2008 SORP. The valuations were undertaken by the Authority's estates team under the supervision of the Council's Corporate Property Officer, Mr D J Waters FRICS. Land, operational properties and other operational assets are included in the Balance Sheet at open market value for existing use or, where this cannot be assessed, depreciated replacement cost. Investment properties are included in the Balance Sheet at the lower of net current replacement cost or net realisable value. Infrastructure assets and community assets are included in the Balance Sheet at depreciated historical cost where this can be established or nominal value if it cannot. Assets that have been identified as surplus to requirements are included in the accounts at market value. Revaluations of fixed assets are planned at five-yearly intervals although material changes to asset valuations are adjusted as they occur.

## Charges to Revenue for Fixed Assets

Service revenue accounts and central support services incur a capital charge for all fixed assets used during the year to recognise the real cost of holding fixed assets. Such charges cover the annual provision for depreciation, impairment losses and amortisation of intangible fixed assets where appropriate. 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 minimum revenue provision (MRP) must be at least 4% of the underlying borrowing requirement measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed 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 Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

## Depreciation

Depreciation has been applied as follows:

ASSET	POLICY
Land & Surface Car Parks	No depreciation charged
Housing Revenue Account property	Straight line depreciation on estimated remaining life
Buildings	Straight line depreciation on estimated remaining life
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
Computer Equipment	Straight line depreciation on estimated remaining life, usually 5 years

## Government Grants Deferred

The capital accounting arrangements require the establishment of a government grants deferred account. The balance on this account represents the value to which capital expenditure on assets has been financed by the use of government grants. The balance on the account is written down in line with the annual depreciation charges of the assets concerned.

## Capital Receipts

Income from the disposal of fixed assets is accounted for on an accruals basis. The Local Government Act 2003 and subsequent regulations determined that receipts relating to sales of HRA assets could, from 1 April 2004, only be used to finance HRA capital expenditure. In addition, it removed the requirement for the setting aside of specific proportions of HRA capital receipts. However, as the Housing Subsidy claim still assumed that set aside of the previously set proportion would still occur, the Authority decided to make a voluntary set aside of receipts to match in order not to lose subsidy. In addition, the above regulations introduced a mandatory de minimis for capital receipts of £10,000 whereby, if the total proceeds of any receipt were less than that amount, the income would be

classed as revenue. The Authority has complied with this requirement.

## Stocks & Work in Progress

The value of these stocks at the year end is recorded in the accounts at historical cost. This valuation is not in accordance with SSAP9, 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. Work in progress is included in the accounts at cost.

## Treasury Management Strategy

The Council has adopted the CIPFA Code of Practice for Treasury Management. The Council restricts investments to an approved list of Banks and Building Societies which must have a minimum rating of A1 or P1 or, where there is no rated debt outstanding, is of equivalent quality. The Council places other surplus cash on temporary deposit with organisations of similar credit rating. All investments are shown in the Balance Sheet at original cost.

## PFI

The Council seeks to balance its available funding for, and commitments to, PFI projects over the life of the relevant contract. Annual payments made under such contracts are charged to the Revenue Account in the appropriate year. Reserve funds are maintained to accumulate excess revenue support grant (RSG) received in the early years of such contracts together with any additional revenue provision deemed necessary. The reserve funds are released in the later years of the contract when payments exceed available revenue support.

Where the Council has entered into contracts for services under the PFI, and the services include the provision of assets in order to provide contracted services, in accounting for such contracts the Council considers:

- Firstly, whether the contract consists of separate elements. If this is the case then each element will be accounted for separately and
- Secondly, for each element of the contract (or the whole contract if it is not separable) whether or not the Council has acquired an asset with a corresponding liability to pay the operator for it, or, alternately, has a contract for services.

For elements of such contracts that include an asset, this is recorded within deferred liabilities. For elements that do not, no such asset liability is recorded in the Balance Sheet and the ongoing charge for the asset and related services is accounted for within the net cost of services.

In carrying out the assessment of risks and rewards for elements of contracts that involve property, the substance of the transaction is assessed and whether the Council or the operator is exposed to the majority of the risks and rewards of ownership. In carrying out this assessment, the Council has applied the Treasury Task Force (TTF) Guidance note 1 'Accounting for PFI Transactions'. The SORP requires the Council to apply Application Note F to FRS5 'Private Finance Initiative and Similar Contracts'. CIPFA's Guidance Notes for Practitioners state that the TTF Guidance Note is influential but not mandatory in applying FRS5, and accordingly where the two appear to conflict, the principles of FRS5 should take precedence. The Council believes that it is more appropriate to account for these transactions by applying the TTF Guidance directly, which in this case leads to a different answer, as this reflects accepted practice in other local authorities with PFI contracts and enables comparability.

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## 2 Precepts

Certain authorities have the power to issue precepts for council tax. Precepts were received as follows:

	2008/2009 £	2007/2008 £
Newport City Council *	37,294,895	35,797,947
Community Councils (various)	179,566	175,810
Gwent Police Authority	8,718,357	8,288,251
	<b>46,192,818</b>	<b>44,262,008</b>
Surplus on collection (note 3)	299,799	22,609
Council Tax per Income & Expenditure Account	<b>46,492,617</b>	<b>44,284,617</b>

\* Whilst not technically a precept, Newport City Council's own Council Tax requirement is shown for information purposes.

## 3 Council Tax Collection

	2008/2009 £000	2007/2008 £000
<b>INCOME</b>		
Council taxes (net of council tax benefits)	(39,320)	(37,510)
Council tax benefits	(7,699)	(7,310)
<b>Total income</b>	<b>(47,019)</b>	<b>(44,820)</b>
<b>EXPENDITURE</b>		
Precepts payable		
- Gwent Police Authority	8,718	8,288
- Community Councils	180	176
Newport Council Fund requirement	37,295	35,798
Council tax written off and provided for	526	535
<b>Total expenditure</b>	<b>46,719</b>	<b>44,797</b>
<b>Net surplus for the year</b>	<b>(300)</b>	<b>(23)</b>

The surplus on council tax collection is credited to the Council Fund.

## 4 Council Tax Requirement

Council tax is billed to individual households on the basis of the precept from each authority divided by the tax base of the relevant area. The tax base is arrived at by taking the total number of properties in each council tax band and expressing that as a band D equivalent. This band D equivalent is then adjusted for various allowances and losses on collection. The calculation for Newport for 2008/2009 and the prior period was as follows:

	2008/2009		2007/2008	
	Dwellings	Tax Base	Dwellings	Tax Base
Total number of properties on valuation list	61,608	61,608	61,000	61,000
<b>Adjusted as follows</b>				
Less exempt properties @ 100%	1,587	(1,587)	1,350	(1,350)
Less single discounts @ 25%	22,879	(5,720)	22,470	(5,617)
Less multiple discounts @ 50%	816	(408)	811	(406)
Band D conversion		(117)		(203)
Losses on collection @ 3%		(1,614)		(1,603)
<b>Tax Base</b>		<b>52,162</b>		<b>51,821</b>
		£		£
Council tax requirement		46,192,818		44,262,008
Less payable to Gwent Police		(8,718,357)		(8,288,251)
Less payable to Community Councils		(179,566)		(175,810)
Net requirement Newport City Council		37,294,895		35,797,947
<b>Band D tax for the year</b>		<b>714.98</b>		<b>690.80</b>

This basic amount of £714.98 for a band D property (£690.80 in 2007/2008) 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	1	11/9	13/9	15/9	18/9	21/9

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## 5 National Non-Domestic Rates (NNDR)

The total rateable value for non-domestic rates was £127,630,667 at 31 March 2009 (£127,240,722 at 31 March 2008). The rate poundage for occupied properties was 46.8p per £ of rateable value (44.8p in 2007/2008) with empty properties being charged at 46.6p (22.4p in 2007/2008).

	2008/2009 £000	2007/2008 £000
NNDR income	(55,372)	(51,018)
Payments to NNDR pool	54,533	49,781
NNDR bad debts written off and/or provided for	565	963
NNDR cost of collection allowance	274	274
	-	-

In 2008/2009, Newport received £35.937million from the Welsh NNDR pool in support of its services (£32.658m – 2007/2008).

## 6 Publicity and Advertising

The Council is required to keep a separate account of expenditure incurred on publicity and advertising as required by s5(1) of the Local Government Act 1986. During the year, the Council spent the following amounts.

	2008/2009 £	2007/2008 £
Publicity & advertising within the Act	391,933	357,349
Advertising for recruitment	461,360	353,573
Publicity & advertising (exempt)	353,966	357,072
	<b>1,207,259</b>	<b>1,067,994</b>

## 7 Revenue Grants

The list below shows the revenue grants due to the Authority from the Welsh Assembly Government which are not included within the net cost of services:

	2008/2009 £000	2007/2008 £000
Revenue Support Grant	148,764	147,067
Performance Incentive/ Deprivation Grant	2,224	2,227
Local Authority Business Growth Incentive	-	200
Exceptional item - Grant received from the Wales Assembly Government to redeem PWLB debt	49,681	-
<b>General Government Grants</b>	<b>200,669</b>	<b>149,494</b>
National Non-domestic Rates	35,937	32,658

The following are a list of other significant revenue grants from the Welsh Assembly Government and other bodies which are included as income within the net cost of services:

	2008/2009	2007/2008
Housing Benefit Subsidy	47,475	43,993
Southern Distributor Road PFI	8,589	8,769
Post 16 Education	6,062	6,613
Urban Regeneration	10	2,854
Supporting People	3,002	2,966
Better Schools Fund	1,025	1,126
Drug Intervention Programme	1,362	1,191
Substance Misuse Action	2,047	1,305
Cymorth	3,259	3,303
Wales Waste Strategy	1,963	1,394
GEMSS/EMAG	1,702	1,232
Foundation Phase Funding	1,575	296
Flying Start – 2 Year olds	1,696	2,093
Primary ISB Funding	2,686	-

A list of the significant capital grants is shown in note 32.

## 8 Pension Funds

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and to disclose these at the time that employees earn their future entitlement. The Authority participates in two pension schemes.

### Teachers' Pension Scheme

This is an unfunded scheme which is administered by the Department for Children Schools & Families. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008/09 the council paid £6.7m to Teachers' Pension in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£6.6m representing 14.0% in 2007/08).

The scheme is a defined benefit one and, although it is unfunded, Teachers' Pension use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. It is therefore accounted for on the same basis as a defined contribution scheme for the purposes of this Statement of Accounts.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the following pension liability disclosures under the heading of "Unfunded Teachers' Discretionary Benefits".

### The Local Government Pension Scheme

This scheme is for all other employees and is administered by Torfaen County Borough Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. In 2008/2009, pension costs have been charged to the Income & Expenditure Account in accordance with FRS17 – Retirement Benefits. The Authority also has liabilities in respect of former teachers who have been awarded unfunded discretionary benefits. At 31 March, the Authority had the following overall assets and liabilities.

### Change of accounting policy

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £267.775m to £267.251m, a decrease of £524,000, giving a consequential increase in the pension deficit of this amount (restated from £162.912m from £163.436m).

### Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services when it is earned by employees, rather than when the benefit is eventually paid as a pension. However, the charge against council tax is required to be the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income & Expenditure Account and Statement of Movement in the General Fund Balance during the year:

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	Local Government Pension Scheme		Unfunded Teachers' Discretionary Benefits		Total	
	2008/09 £000	2007/08 as restated £000	2008/09 £000	2007/08 as restated £000	2008/09 £000	2007/08 as restated £000
Net Cost of Services:						
• current service cost	12,911	11,369	-	-	12,911	11,369
• past service costs	584	3,516	-	-	584	3,516
Net Operating Expenditure						
• interest cost	26,260	20,968	818	584	27,078	21,552
• expected return on scheme assets	(18,173)	(18,724)	-	-	(18,173)	(18,724)
Net charge to the Income & Expenditure Account	21,582	17,129	818	584	22,400	17,713

	Local Government Pension Scheme		Unfunded Teachers' Discretionary Benefits		Total	
	2008/09 £000	2007/08 as restated £000	2008/09 £000	2007/08 as restated £000	2008/09 £000	2007/08 as restated £000
Statement of Movement on the General Fund Balance:						
• reversal of net charges made for retirement benefits in accordance with FRS 17	21,582	17,129	818	584	22,400	17,713
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	15,771	14,356	-	-	15,771	14,356
• retirement benefits payable to pensioners	-	-	1,072	1,053	1,072	1,053

In addition to the recognised gains & losses included in the Income & Expenditure Account, an actuarial gain of £13.030m (£51.290m - 2007/2008 as restated) is included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial loss recognised in the Statement of Total Recognised Gains and Losses is £34.786m.

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## Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Unfunded Teachers' Discretionary Benefits		Total	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08 as restated
	£000	£000	£000	£000	£000	£000
<b>1 April</b>	<b>430,687</b>	<b>386,796</b>	<b>13,946</b>	<b>11,333</b>	<b>444,633</b>	<b>398,129</b>
Current service cost	12,911	11,369	-	-	12,911	11,369
Interest cost	26,260	20,968	818	584	27,078	21,552
Contributions by scheme participants	4,507	4,113	-	-	4,507	4,113
Actuarial (gains) / losses	(92,390)	16,388	(1,354)	3,082	(93,744)	19,470
Settlements	(13,728)	-	-	-	(13,728)	-
Benefits paid	(15,456)	(12,463)	(1,072)	(1,053)	(16,528)	(13,516)
Past service costs	559	3,516	-	-	559	3,516
<b>31 March</b>	<b>353,350</b>	<b>430,687</b>	<b>12,338</b>	<b>13,946</b>	<b>365,688</b>	<b>444,633</b>

Reconciliation of fair value of the scheme assets:

	2008/09	2007/08 as restated
	£000	£000
<b>1 April</b>	<b>267,251</b>	<b>274,341</b>
Expected rate of return	18,173	18,724
Actuarial gains / (losses)	(80,714)	(31,820)
Employer contributions	15,771	14,356
Contributions by scheme participants	4,507	4,113
Settlements	(13,753)	-
Benefits paid	(15,456)	(12,463)
<b>31 March</b>	<b>195,779</b>	<b>267,251</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investment are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £62.541m (2007/2008 - £7.849m).

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## Scheme history

	Local Government Pension Scheme				
	2008/2009	2007/2008	2006/2007	2005/2006 *	2004/2005 *
	£000	£000	£000	£000	£000
Present value of liabilities:					
• Local Government Pension Scheme	(353,350)	(430,687)	(386,796)	(379,846)	(327,673)
• Unfunded Teachers' Discretionary Benefits	(12,338)	(13,946)	(11,333)	(12,057)	(11,890)
Fair value of assets in the Local Government Pension Scheme	195,779	267,251	274,341	-	-
Surplus / (deficit) in the scheme:					
• Local Government Pension Scheme	(157,571)	(163,436)	(111,905)	(131,751)	(135,605)
• Unfunded Teachers' Discretionary Benefits	(12,338)	(13,946)	(11,333)	(12,057)	(11,890)
• Total	(169,909)	(177,382)	(123,238)	(143,808)	(147,495)

\* The council has elected not to restate fair value of scheme assets for 2004/2005 and 2005/2006 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £169.9m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall positive balance of £183.7m.

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

- the deficit on the local government scheme will be made good by maintaining contributions at an appropriate rate over the remaining working life of employees, as assessed by the scheme actuary
- finance is only required to be raised to cover the teachers' pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £15.2m. Expected contributions to the Teachers' Pension Scheme in the year to 31 March 2010 are £6.9m.

## 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. Both the Teachers' Discretionary Benefits and Greater Gwent (Torfaen) Pension Fund liabilities have been assessed by Mercer Human Resource Consulting, 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 2007. The principal assumptions used by the actuary have been:

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	Local Government Pension Scheme		Unfunded Teachers' Discretionary Benefits	
	2008/2009	2007/2008	2008/2009	2007/2008
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.5%	N/A	N/A
Government Bonds	4.6%	4.6%	N/A	N/A
Other Bonds	6.1%	6.1%	N/A	N/A
Property	6.5%	6.5%	N/A	N/A
Cash / Liquidity	5.25%	5.25%	N/A	N/A
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	21.2 years	21.1 years	21.2 years	21.1 years
• Women	24.0 years	24.0 years	24.0 years	24.0 years
Longevity at 65 for future pensioners:				
• Men	22.2 years	22.2 years	N/A	N/A
• Women	25.0 years	25.0 years		
Rate of Inflation	3.3%	3.6%	3.3%	3.6%
Rate of increase in salaries	4.8%	5.1%	N/A	N/A
Rate of increase in pensions	3.3%	3.6%	3.3%	3.6%
Rate for discounting scheme liabilities	7.1%	6.1%	7.1%	6.1%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	N/A	N/A

The Teachers' Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2009 % £000	31 March 2008 % £000
Equity investments	72.8	79.3
Bonds	18.9	14.7
Other assets	8.3	6.0
	<b>100</b>	<b>100</b>

## History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserves in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	Local Government Pension Scheme									
	2008/2009		2007/2008		2006/2007		2005/2006		2004/2005	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	(80,714)	(41.2)	(31,820)	(11.9)	5,744	2.1	39,796	16.0	10,326	5.4
Experience gains and losses on liabilities	-	-	3,168	0.7	-	-	(7,953)	(2.1)	5,467	1.7

	Unfunded Teachers' Discretionary Benefits									
	2008/2009		2007/2008		2006/2007		2005/2006		2004/2005	
	£000	%	£000	%	£000	%	£000	%	£000	%
Experience gains and losses on liabilities	-	-	782	(5.6)	-	-	(105)	(0.9)	348	2.9

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## 9 LA Goods and Services Act

Under the provisions of the above Act, the Council is able to carry out works and services for other public bodies. The Council acts as lead authority for a number of joint committees and provides professional services in relation to those bodies. The Council also provides maintenance and associated services for some housing associations. Income derived from these services was as follows:

	2008/2009 £000	2007/2008 £000
Probation Committee	24	23
Gwent Cremation Committee	31	25
	<b>55</b>	<b>48</b>

## 10 Section 137 Expenditure

Under Section 137 of the Local Government Act 1972, an annual limit was placed on local authorities when incurring expenditure for which there was no specific statutory power. This statutory restraint on expenditure has been replaced by Section 8 of the Local Government Act 2000 which allows authorities to promote the economic, social or environmental well-being of their area.

Section 137(3) of the 1972 Act still applies and this allows, with certain provisos, any authority to contribute to the funds of charities. This Council spent the following sums under the provisions of this Act.

	2008/2009 £	2007/2008 £
<b>Grants to voluntary sector</b>		
GAVO	14,200	55,700
Citizen's Advice Bureau	139,819	94,600
SEWREC	44,800	43,900
Shopmobility	54,200	52,900
Other	33,062	32,606
	<b>286,081</b>	<b>279,706</b>

## 11 Leasing

Finance and operating lease payments made during the year amounted to £876,961 (2007/2008 £1,037,313).

In previous years, the Council used operating leases to acquire some capital equipment such as vehicles. Assets and liabilities are not reflected in the Council's Balance Sheet for these leases. As at 31 March 2009, the obligation under such arrangements amounted to £98,654 (31 March 2008 £338,849) and this will be repaid during 2009/2010.

During the year, the only new leases undertaken were finance leases and these transactions, together with commitments for hire purchase and finance leases for prior years, are shown in the Balance Sheet. Finance and hire purchase payments made during the year amounted to £510,045 (2007/2008 £453,619). As at 31 March 2009, obligations under the finance leases and hire purchase amounted to £404,799 (31 March 2008 £986,695). These obligations are due to be paid as follows: within one year £233,963 and between two years and five years £170,836.

## 12 Building Control Statement

Under the Building (Local Authority Charges) Regulations 1998, the Authority has to plan to fully recover the costs of its building control operations over a three-year period. In 2008/2009, the service made a deficit of £37,074 on turnover of £281,312 (2007/2008 – surplus of £14,658 on turnover of £335,799). During the three year period ended 31 March 2009, the service made a cumulative surplus of £25,663.

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## 13 Reconciling items for the Statement of Movement on the Council Fund Balance

	Notes	2008/2009 £000	2007/2008 restated £000
<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance for the year</b>			
Depreciation and impairment of fixed assets	16	(595,015)	(71,432)
Government Grants Deferred amortisation		13,958	23,073
Revenue expenditure funded from capital under statute	17	(613)	(6,702)
Net loss on sale of fixed assets		(1,620)	-
Differences between amounts debited / credited to the Income & Expenditure Account and amounts payable / receivable under statutory provisions relating to premiums and discounts on the early repayment of debt	36	201	273
Net charges made for retirement benefits in accordance with FRS 17	8	(22,400)	(17,713)
		<b>(605,489)</b>	<b>(72,501)</b>
<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the Council Fund Balance for the year</b>			
Statutory Provision for repayment of debt		8,231	6,333
Capital Expenditure charged in-year to the Council Fund balance	34	7	911
Employer's contribution payable to the Pension Fund	8	16,843	15,409
		<b>25,081</b>	<b>22,653</b>
<b>Transfers to or from the Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the year</b>			
Housing Revenue Account	27	1,596	2,881
Voluntary revenue provision for capital financing		-	1,037
Net transfer to earmarked reserves	42	2,179	2,134
<b>Exceptional Item:</b>			
Redemption of PWLB debt upon transfer of HRA to Newport City Homes	47	36,904	-
		<b>40,679</b>	<b>6,052</b>
<b>Net additional amount to be credited to the Council Fund balance</b>		<b>(539,729)</b>	<b>(43,796)</b>

## 14 Related Party Transactions

The following related party transactions took place during the year.

SEWREC received grants during 2008/2009 totaling £44,800 (2007/2008 £43,900). Mrs J Steven, who was the Council's Head of Finance until March 2009, is Treasurer to the organisation.

Newport Transport Ltd is a company wholly owned by the Council. During the year, the Council received services from Newport Transport to the value of £4.4million (2007/2008 - £4.2m). At 31 March 2009 Newport Transport was owed £0.3million (2007/2008 - £0.8m) in respect of these services. The services principally related to maintenance work on the Council's vehicle fleet. The Council provided services to Newport Transport during the year amounting to £0.3million

(2007/2008 - £0.2m). At 31 March 2009 the Council was owed £0.007million (2007/2008 - £0.036m) in respect of these services.

Newport Transport's board includes four Council members and one Council officer nominated by the Council. The accounts of the company are summarised in note 43 to these accounts.

## 15 Euro

No specific funding has been allocated or expenditure incurred in preparation for the introduction of the Euro as the Council does not believe its current business will generate such a requirement in the foreseeable future. The Council has chosen to open a bank account in Euro denomination to facilitate any transactions which do arise.

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## 16 Fixed Assets

All freehold and leasehold properties have been valued as part of a five-year rolling programme by the Council's Asset Valuation Officers. An independent valuation has not been undertaken. Fixed plant and machinery is included in the valuation of the buildings. Properties regarded by the Authority as operational were valued on the basis of open market value for existing use or, where this could not be assessed because there was no market for the asset, depreciated replacement cost. Properties regarded by the Authority as non-operational have been valued on the basis of open market value.

	HRA Property £000	Other land & buildings £000	Vehicles, plant & equipment £000	Infrastructure assets £000	Community assets £000	Non-operational assets £000	Total £000
Gross value 31 March 2008	519,580	365,308	18,100	69,126	13,389	82,076	1,067,579
Re-classification	(712)	(13,975)	23	-	-	14,664	-
Capital Expenditure	5,362	8,370	2,788	13,013	49	15,678	45,260
Other Additions	-	-	19	1,813	-	-	1,832
Impairment charge in year	(523,524)	(39,978)	(1,092)	(5,858)	(97)	(16,087)	(586,636)
Disposals	(706)	-	(40)	-	-	(3,394)	(4,140)
Revaluations (see note 34)	-	45,994	-	25	(1,215)	(553)	44,251
<b>Gross value 31 March 2009</b>	<b>-</b>	<b>377,959</b>	<b>19,798</b>	<b>78,119</b>	<b>12,126</b>	<b>80,144</b>	<b>568,146</b>
Depreciation at 1 April 2008	(467)	(15,646)	(7,651)	(11,213)	(90)	(1,139)	(36,206)
Depreciation charge in year	467	(4,608)	(2,617)	(1,771)	(66)	216	(8,379)
<b>Net book value 31 March 2009</b>	<b>-</b>	<b>357,705</b>	<b>9,530</b>	<b>65,135</b>	<b>11,970</b>	<b>79,221</b>	<b>523,561</b>

Included in the totals for vehicles, plant and equipment are assets purchased through finance leasing and hire purchase. The gross value of such assets is £2.1 million, cumulative depreciation is £1.5 million and the net book value is £0.6 million (the liability associated with these leases is disclosed in the Balance Sheet as part of the Council's long-term liabilities). Depreciation in 2008/09 amounted to £0.379 million with no expenditure incurred during the year (£0.385m and £0.039m respectively in 2007/08).

### Fixed assets owned by the Council include the following

Council houses & other HRA property	The stock of council houses and other HRA property was transferred to Newport City Homes on 9 March 2009.
Other land & buildings	58 schools/educational sites, 9 libraries, 9 sports/leisure centres, 22 community centres, 24 allotment sites, 21 small holdings, the Civic Centre, the Mansion House, 19 other operational offices and depots, 30 social services premises, 164 commercial/industrial premises, 1 bus station, 3 multi-storey and 10 surface car parks, 1 landfill site, 1 provision market, 20 public conveniences, 3 cemeteries, 1 golf course, 1 museum and art gallery, and 1 visitor centre at Transporter bridge.
Infrastructure assets	620 kms of road, 8 pumping stations and 2 sewage treatment plants.
Community assets	Tredegar House and Country Park and 86 acres of public parks/recreation areas
Non-operational assets	Approximately 7,000 acres of land holdings together with works in progress.

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## 17 Revenue Expenditure Funded from Capital under Statute

The SORP states that “legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s council tax. Details of such expenditure and funding is as follows:

	2008/2009			2007/2008
	Improvement Grants £000	Miscellaneous £000	Total £000	Total £000
Expenditure in year	2,255	3,508	5,763	12,473
Amounts financed other than from borrowing	(2,255)	(2,895)	(5,150)	(5,873)
Amounts written off to revenue account	-	(613)	(613)	(6,600)

This expenditure was financed as follows:

	2008/2009 £000	2007/2008 £000
Specific grants	5,150	5,771
Capital receipts	197	102
Borrowing	409	6,600
Reserves	7	-
	<b>5,763</b>	<b>12,473</b>

## 18 Debtors and Bad Debt Provisions

Debtors are shown in the Balance Sheet net of provisions for bad and doubtful debts:

	31 March 2009			31 March 2008		
	Gross £000	Provision £000	Net £000	Gross £000	Provision £000	Net £000
General *	18,736	(6,106)	12,630	16,019	(3,357)	12,662
Housing Revenue Account	-	-	-	2,437	(1,944)	493
Council tax payers	3,575	(1,403)	2,172	3,134	(1,311)	1,823
NNDR ratepayers	2,263	(359)	1,904	1,968	(342)	1,626
Government departments	28,477	-	28,477	21,675	-	21,675
Local authorities	1,597	-	1,597	1,502	-	1,502
	<b>54,648</b>	<b>(7,868)</b>	<b>46,780</b>	<b>46,735</b>	<b>(6,954)</b>	<b>39,781</b>

\* General debtors at 31 March 2009 includes £0.2m of debt relating to the former Housing Revenue Account (including gross debt of £2.4m and a provision of £2.2m).

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## 19 Long-Term Debtors

Long-term debtors are amounts outstanding from sales of council houses, advances for house purchase/repair, and the officers' car loan scheme. It also includes debt in relation to the Police Authority which did not transfer when that function was removed from local authority control.

	31 March 2009 £000	31 March 2008 £000
Council house mortgages *	185	236
House purchase/repair loans	105	120
Deferred debt - Gwent Police	540	589
Officers' car loan scheme	196	224
	<b>1,026</b>	<b>1,169</b>

\* Council House Mortgages are shown in the Balance Sheet as Deferred Capital Receipts.

## 20 Long-Term Investments

The investments held by the Council (at cost) consist of:

	31 March 2009 £000	31 March 2008 £000
Association of District Councils (Properties) Ltd (debenture stock redeemable 2011)	-	50
Newport Transport Ltd (see note 43)	251	251
	<b>251</b>	<b>301</b>

## 21 Newport Unlimited

Newport Unlimited is a private company limited by guarantee with financial backing and Board member support from the Welsh Assembly Government and Newport City Council.

The objects of the company are to develop and secure the regeneration in the physical environment and to strengthen the economy of specific areas of the city and other locations in Newport. The company sets a strategic policy for the regeneration of Newport but does not enter into transactions on its own behalf.

Instead, contributions to both revenue and capital programmes will be expended by the relevant stakeholders.

Newport's contributions included within these accounts amounted to £305,000 and this expenditure is shown in the net cost of services total.

## 22 Stocks and Work in Progress

Stock is included in the accounts at historical cost. Work in progress is included at cost. An analysis is as follows:

	31 March 2009 £000	31 March 2008 £000
<b>Work in progress</b>		
Building Services	-	3
<b>Stocks</b>		
Building Services	270	276
Leisure & Catering	87	65
Museum Shop	11	14
Printing/Stationery	11	8
Monwel Hankinson	86	109
Other	35	25
	<b>500</b>	<b>500</b>

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## 23 Temporary Investments

Temporary investments of £36.845million shown in the Balance Sheet represent the short-term external investment of surplus funds. Temporary investments are limited to a maximum of 364 days. The following is an analysis of the investments included in the Balance Sheet.

Period of original investment	31 March 2009		31 March 2008
	Average % rate	£000	£000
Over 364 days		-	8,000
364 days	6.04	7,400	11,000
9 months - 363 days		-	-
6 months - 9 months		-	11,000
3 months - 6 months	1.68	7,000	8,500
1 month - 3 months	1.63	4,500	-
Call - 1 month	0.68	17,945	7,550
		<b>36,845</b>	<b>46,050</b>

All deposits are made in accordance with the Council's approved Treasury Management Strategy and there is no historical experience of default.

## 24 Cash in Hand and Bank Overdraft

The cash in hand total 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 Alliance & Leicester.

The bank overdraft shown in the balance sheet (£10.060million) 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 2009 was an overdrawn balance of £4.235m (31 March 2008 – a credit of £7,215). This resulted from an administrative oversight within another institution which was due to return £4.25m on 31 March 2009 but actually repaid the borrowing on 1 April 2009. All charges relating to this overdrawn balance were recovered from the institution.

## 25 Borrowing

Temporary loans are those borrowed for up to 364 days and these are included within the Balance Sheet as current liabilities. At 31 March 2009 the total of temporary loans was £6,500 (31 March 2008 - £23,000). The average rate of interest at 31 March 2009 was 0.00% (31 March 2008 - 4.25%). The following is an analysis of long-term borrowing included in the Balance Sheet.

	31 March 2009		31 March 2008
	% rates	£000	£000
<b>Outstanding debt and interest rate spread</b>			
Public Works Loans Board (fixed)	4.05-10.0	68,673	105,745
Stock	8.875	41,098	41,066
European Investment Bank	8.20	705	815
Market loans	3.77-5.05	35,701	41,222
		<b>146,177</b>	<b>188,848</b>

### Maturity Analysis

Less than one year (included in creditors in Balance Sheet)	118	109
More than 1 and less than 2 years	127	118
More than 2 and less than 5 years	1,053	1,327
More than 5 and less than 10 years	13,983	15,674
More than 10 years	130,896	171,620
	<b>146,177</b>	<b>188,848</b>

The principal value of the outstanding debt relating to the stock issue is £40million and for the market loans it is £35million. The respective debt of £41.1million and £35.7million shown in the Balance Sheet and the table above results from the SORP requirement to re-measure loans and disclose liabilities at amortised cost (see note 1 for further details).

There is also a requirement to calculate and disclose the fair values associated with the Council's long-term borrowing and these are as follows:

	31 March 2009		31 March 2008	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB	68,673	91,305	105,745	134,760
Market loans	35,701	36,531	41,222	43,141
Stock	41,098	61,322	41,066	57,316
EIB	705	815	815	993

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The PWLB fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2009 and 31 March 2008 for the prior year. In the absence of fair values being provided by the lenders for the Council's market loans the equivalent PWLB interest rates have been used to estimate these totals.

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

Following the reorganisation of local government in Wales, Newport became responsible for managing Gwent County Council debt that could not be dis-aggregated. As at 31 March 2009, the Authority was managing £1.6million (31 March 2008 £1.8m) of EIB loans on behalf of the other unitary authorities in the former Gwent area. All costs, interest and principal repayments in respect of these loans are fully recharged to those authorities and are not included in these accounts.

## 26 Creditors

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

	31 March 2009 £000	31 March 2008 £000
General	31,111	35,714
Housing Revenue Account	-	1,104
NNDR ratepayers	1,999	1,018
Government departments	6,384	6,686
Prepayments of council tax	866	1,081
Local authorities	1,635	2,618
Long-term borrowing repayable within one year	118	109
	<b>42,113</b>	<b>48,330</b>

## 27 Council Fund and HRA Balances

The Council Fund and HRA balances of the Authority are as follows:

	31 March 2009 £000	31 March 2008 £000
Council Fund:		
General	12,047	13,512
Schools balances under LMS	3,550	3,984
	<b>15,597</b>	<b>17,496</b>
Housing Revenue Account	8,977	7,381
	<b>24,574</b>	<b>24,877</b>

## 28 Contingent Liabilities

The Council manages the residual insurance fund of the former Gwent County Council and the fund balance is currently assessed as being capable of meeting known liabilities.

The Council has received a large number of backdated Equal Pay claims from Trade Unions acting on behalf of female workers and a number of protective Employment Tribunal claims have been issued. Although these claims, if successful, could have considerable financial implications for the Council, it is not possible at this stage to measure any such obligation with sufficient reliability. The Council does not believe that it is probable that payments will arise as a result of these claims and thus no provision has been made in the financial statements.

As part of the legal agreements associated with the transfer of the housing stock, the Council provided a number of property-related, employment, planning, environmental and other warranties to Newport City Homes and its funders. The environmental warranties will be covered by insurance. The property-related warranties are limited to £9,000 per property. Other warranties and indemnities would only apply after Newport City Homes has committed pre-determined levels of expenditure within its Business Plan.

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## 29 Audit Fees

Newport City Council incurred the following fees relating to external audit and inspection:

	2008/2009 £000	2007/2008 £000
Fees payable to the External Auditor with regard to external audit services	393	230
Fees payable to the Wales Audit Office in respect of statutory inspection	107	63
Fees payable to the External Auditor for the certification of grant claims and returns	191	180
	<b>691</b>	<b>473</b>

The accounting for audit fees has been revised in 2008/09 to comply with the SORP requirements. The figures include payment for fees relating to 2007/08 but charged in 2008/09 (external audit services of £138,640 and statutory inspections of £38,122).

## 30 Capital Commitments

The Council has approved a four-year programme of capital investment totalling £144.5million to improve the infrastructure and facilities in Newport. Of this programme, the Council is contractually committed to carry out works as follows:

	31 March 2009 £000	31 March 2008 £000
Central Services	5,000	5,175
Cultural & Related Services	386	1,498
Education	48,170	28,845
Environmental Services	386	839
Highways, Roads & Transport	642	2,300
Housing (GF)	225	350
Planning & Development Services	-	1,227
	<b>54,809</b>	<b>40,234</b>

## 31 Capital Expenditure

Total expenditure incurred in 2008/2009 amounted to £51.0million (2007/2008 £64.6m) and was expended in the following service areas:

Service	2008/2009			2007/2008		
	Asset related £000	Revenue funded from capital £000	Total £000	Asset related £000	Revenue funded from capital £000	Total £000
Central Services	1,455	-	1,455	2,059	6	2,065
Cultural & Related Services	951	-	951	3,060		3,060
Education	16,442	219	16,661	8,273	394	8,667
Environmental Services	5,852	224	6,076	4,304		4,304
Highways, Road & Transport	12,018	874	12,892	19,216	5,236	24,452
Housing HRA	5,362	-	5,362	8,787		8,787
Housing (GF)	996	2,405	3,401	714	2,437	3,151
Planning & Development	327	1,291	1,618	4,671	2,588	7,259
Social Services	424	285	709	385	1,359	1,744
Urban Regeneration	1,433	465	1,898	647	453	1,100
	<b>45,260</b>	<b>5,763</b>	<b>51,023</b>	<b>52,116</b>	<b>12,473</b>	<b>64,589</b>

Further details of revenue expenditure funded from capital are given in note 17.

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## 32 Capital Financing

Capital expenditure was financed from the following sources:

	31 March 2009 £000	31 March 2008 £000
Supported/unsupported borrowing	11,478	23,970
Capital receipts	1,818	4,935
Grants	37,720	34,773
Revenue contributions	7	911
	<b>51,023</b>	<b>64,589</b>

Significant capital grants received during 2008/2009 were: Housing Major Repairs Allowance £5.3million; Transport Grant £4.8million; School Building Improvement £7.5million; Strategic Capital Investment Fund £8.5million and General Capital Grant £2.4million.

## 33 Capital Adjustment Account

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

	2008/2009 £000	2007/2008 £000
<b>Balance at 1 April</b>	<b>724,809</b>	<b>764,963</b>
Capital receipts used	1,819	7,255
Capital receipts set aside	237	2,142
Revenue Reserves used	7	911
Provision for repayment of loans	8,231	7,370
Government Grants Deferred	13,958	23,073
Revaluations on Disposed Assets	24,758	7,118
Less Asset Disposals	(4,140)	(9,880)
Other revaluations	(5,413)	-
Less Depreciation Charge	(8,379)	(9,706)
Less Impairment Charges	(586,636)	(61,726)
Less Revenue Expenditure Funded from Capital under Statute	(613)	(6,702)
Less Housing Advances repaid	(16)	(9)
Redemption of PWLB debt upon transfer of HRA	36,904	
<b>Balance at 31 March</b>	<b>205,526</b>	<b>724,809</b>

## 34 Revaluation Reserve

The requirement to maintain a Revaluation Reserve commenced in April 2007 as a requirement of the 2007 SORP.

The Account represents a store of gains from the revaluation of fixed assets.

	2008/2009 £000	2007/2008 £000
<b>Balance at 1 April</b>	<b>41,258</b>	-
Asset revaluations	49,664	48,376
Less Revaluations on disposal	(24,758)	(7,118)
<b>Balance at 31 March</b>	<b>66,164</b>	<b>41,258</b>

The total of asset revaluations shown in the fixed asset note is £44.251m. Of this total £49.664m is credited to the revaluation reserve and £5.413m is charged to the Capital Adjustment Account and disclosed as 'other revaluations'.

## 35 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is required to balance the differences between the statutory charges on investments and borrowing required to be made and those that would have been made according to proper accounting practice.

	2008/2009 £000	2007/2008 £000
<b>Balance at 31 March</b>	<b>3,078</b>	-
Re-measurement of loans	-	825
Transfer of unamortised premiums	-	2,655
Transfer of unamortised discounts	-	(129)
<b>Balance at 1 April</b>	<b>3,078</b>	<b>3,351</b>
Amounts transferred from the Statement of Movement on the Council Fund Balance		
Amortisation of premiums	(192)	(287)
Amortisation of discounts	110	19
Loan repaid	(106)	
Interest adjustment from re-measurement of loans	(13)	(5)
<b>Balance at 31 March</b>	<b>2,877</b>	<b>3,078</b>

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## 36 Capital Receipts

The usable capital receipts reserve represents the receipts available to finance capital expenditure, after voluntarily setting aside a portion of HRA capital receipts for the repayment of external loans.

	2008/2009 £000	2007/2008 £000
<b>Balance at 1 April</b>	<b>1,222</b>	<b>739</b>
Capital receipts in year	2,587	9,880
Less capital receipts set aside	(238)	(2,142)
Less capital receipts used for financing	(1,819)	(7,255)
<b>Balance at 31 March</b>	<b>1,752</b>	<b>1,222</b>

## 37 Capital Grants

The capital accounting arrangements require the establishment of a government grants deferred account. The balance on this account represents the value to which capital expenditure on assets has been financed by government grant. The balance on the account is written down either in accordance with the depreciation of the assets concerned or in the same financial year where no asset results from the expenditure. Such capital grants that are not utilised to finance capital expenditure during the year of receipt are shown in the Balance Sheet as capital grants unapplied. A listing of the more significant grants received during 2008/2009 is provided in note 32.

## 38 Trust Funds

Details of trusts are as follows:

	31 March 2009 £	31 March 2008 £
Dr Nelis Trust Fund (Social Services)	-	37,839
AA Davies Trust Fund (Social Services)	-	11,412
Miscellaneous Education Funds	35,742	125,644
	<b>35,742</b>	<b>174,895</b>

During 2008/2009 the Council passed £98,000 of its trust fund holdings to the Community Foundation in Wales to launch a Newport Community Fund. Following agreement with the Charities Commission a number of other dormant funds have been passed to schools to manage. The Council acts as sole trustee for the remaining Education trust funds.

## 39 Joint Arrangements That Are Not Entities

The 2008 SORP and FRS 9 introduced this new category of investment. A joint arrangement is defined as “a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity”.

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

A review of shared practices within the council indicate that the Greater Gwent Cremation Committee and the Gwent Joint Records Committee should be regarded as joint arrangements. Newport's share of the Income & Expenditure Account and Balance Sheet of these two Committees is given overleaf:

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Gwent Joint Records Committee	2008/2009		2007/2008	
	Total £000	NCC share £000	Total £000	NCC share £000
Expenditure				
Expenditure	701	203	677	196
Income	(697)	(201)	(621)	(180)
<b>Net Cost of Service</b>	<b>4</b>	<b>1</b>	<b>56</b>	<b>16</b>
Pension interest cost / expected return on assets	(7)	(2)	(27)	(8)
<b>Net Operating Cost</b>	<b>(3)</b>	<b>(1)</b>	<b>29</b>	<b>8</b>
Contributions	(11)	(3)	(8)	(2)
<b>(Surplus) / Deficit for the Year</b>	<b>(14)</b>	<b>(4)</b>	<b>21</b>	<b>6</b>
<b>Balance Sheet</b>				
Current assets	33	9	257	75
Current liabilities	(7)	(2)	(245)	(71)
Pension liability	(135)	(39)	(30)	(9)
<b>Total Assets less Liabilities</b>	<b>(109)</b>	<b>(32)</b>	<b>(18)</b>	<b>(5)</b>
Pension Reserve	135	39	30	9
General Reserve	(26)	(7)	(12)	(4)
	<b>109</b>	<b>32</b>	<b>18</b>	<b>5</b>

Greater Gwent Cremation Committee	2008/2009		2007/2008	
	Total £000	NCC share £000	Total £000	NCC share £000
<b>Income &amp; Expenditure Account</b>				
Expenditure	846	232	668	183
Income	(1,028)	(282)	(922)	(253)
<b>Net Cost of Service</b>	<b>(182)</b>	<b>(50)</b>	<b>(254)</b>	<b>(70)</b>
Pension interest cost / expected return on assets	4	1	(12)	(3)
<b>Net Operating Cost</b>	<b>(178)</b>	<b>(49)</b>	<b>(266)</b>	<b>(73)</b>
Distributions	150	41	130	36
Statement of Movement	(40)	(11)	(32)	(9)
<b>(Surplus) / Deficit for the Year</b>	<b>(68)</b>	<b>(19)</b>	<b>(168)</b>	<b>(46)</b>
<b>Balance Sheet</b>				
Fixed Assets	405	111	438	120
Current assets	467	129	409	112
Current liabilities	(39)	(11)	(52)	(14)
Pension liability	(214)	(59)	(143)	(39)
<b>Total Assets less Liabilities</b>	<b>619</b>	<b>170</b>	<b>652</b>	<b>179</b>
Pension Reserve	214	59	143	39
Capital Adjustment Account	(405)	(111)	(438)	(120)
General Reserve	(428)	(118)	(357)	(98)
	<b>(619)</b>	<b>(170)</b>	<b>(652)</b>	<b>(179)</b>

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## 40 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 both uncertain.

	31 March 2009	Further provisions	Expenditure	31 March 2008
	£000	£000	£000	£000
Greater Gwent Central Supplies Organisation	(246)	(26)	159	(379)
GCC Insurance Fund (see note 42)	(783)	(27)	-	(756)
Insurance Fund	(4,609)	(1,856)	1,173	(3,926)
Statutory Inspections	(700)	(700)	-	-
	<b>(6,338)</b>	<b>(2,609)</b>	<b>1,332</b>	<b>(5,061)</b>

A brief description of the movement in each provision during the year is given below:

1 Greater Gwent Central Supplies Organisation	To meet Newport's share of the trading losses incurred by the Greater Gwent Central Supplies Organisation up to 31 March 2008 and to further provide for future anticipated losses and costs of dissolution.
2 GCC Insurance Fund	This provision is explained in more detail in note 42.
3 Insurance Fund	To meet claims and to provide for future liabilities falling on the Authority in respect of self-insured interests.
4 Statutory Inspections	To meet residual commitments in respect of housing properties transferred to Newport City Homes as agreed at the date of the stock transfer.

## 41 Earmarked Reserves

Earmarked reserves have accumulated where amounts raised to finance specific expenditure have not been expended during the financial year.

	31 March 2009	Transfers in	Transfers out	31 March 2008
	£000	£000	£000	£000
Museum exhibitions	(21)	-	-	(21)
Works of art	(21)	-	-	(21)
Music service equipment	(83)	(36)	-	(47)
City centre works	-	-	56	(56)
Theatre & Arts Centre	(250)	-	-	(250)
Neighbourhood allowances	(18)	(16)	-	(2)
Southern Distributor Road PFI	(19,676)	(3,168)	-	(16,508)
General Capital reserve (GF)	(500)	-	-	(500)
Usk riverfront reserve	(471)	-	-	(471)
Estate Rangers Reserve	-	-	1,501	(1,501)
Cymorth Income	(173)	-	127	(300)
Legal Claims	(405)	-	-	(405)
Southern Distributor Road Part I Claims	(2,330)	-	51	(2,381)
Newport Festival 2010	(1,000)	(1,000)	-	-
Newport Unlimited	(1,021)	-	306	(1,327)
	<b>(25,969)</b>	<b>(4,220)</b>	<b>2,041</b>	<b>(23,790)</b>

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## 42 Gwent County Council

At 31 March 1996, following the reorganisation of local government in Wales, Gwent County Council was abolished. The fixed assets and loan debt of the County Council were transferred to the successor unitary authorities in the area. The balance of the County Council's assets and liabilities was passed to Newport City Council for realisation on behalf of the other unitary authorities in the Gwent area. Following realisation, any remaining assets and liabilities are distributable to these authorities on the basis of population.

The only remaining balance is now the county fund and this is shown as the realisation account in Newport's Balance Sheet. It is intended that the remaining balance will be distributed during 2009/2010.

A summary of the balances in relation to the County Council which have been consolidated within Newport's accounts is shown below:

	31 March 2009 £000	31 March 2008 £000
Cash	303	292
County Fund (realisation account)	(303)	(292)

Following reorganisation, Newport took over management of the Gwent County Council insurance fund and its liabilities. The level of the fund (£783,000) is maintained to meet all known claims at their currently estimated settlement values although the timing and value of these settlements is by their nature uncertain.

The "Section 56" agreement signed by all the constituent unitary authorities in the Gwent area provides for contributions to Newport in the event that the fund proves insufficient to meet the liabilities.

## 43 Newport Transport Ltd

This is a wholly owned "arms length" company of the Council set up under the Transport Act 1985 to run a passenger bus service. An extract of the key figures from the audited accounts of the company for the year-ending 31 March 2009:

	2008/2009 £000	2007/2008 £000
<b>Profit and Loss Account</b>		
Turnover	(10,150)	(9,172)
Cost of sales	8,690	7,972
<b>Gross profit</b>	<b>(1,460)</b>	<b>(1,200)</b>
Expenses, interest and taxation	1,384	1,156
<b>Retained profit for the year</b>	<b>(76)</b>	<b>(44)</b>
<b>Balance Sheet</b>		
Fixed assets	5,216	5,886
Current assets	2,492	2,599
Creditors: due within 1 year	(1,163)	(1,747)
Creditors: due after 1 year	(1,593)	(1,914)
Provisions for liabilities/charges	(354)	(362)
Pension liability	(4,395)	(3,842)
<b>Net Assets</b>	<b>203</b>	<b>620</b>
Share capital	(251)	(251)
Profit & loss account*	48	(369)
<b>Shareholders' Funds</b>	<b>(203)</b>	<b>(620)</b>

\* The cumulative profit and loss account balance for 2008/2009 includes an actuarial loss of £685,000 (loss of £2,129,000 – 2007/2008) in respect of the defined benefit pension scheme offset by a deferred tax asset of £168,000 (asset of £596,000 – 2007/2008).

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

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## 44 Cash Flow Statement

### Reconciliation of Revenue Cash Flow

	2008/2009 £000
Deficit on Income & Expenditure Account	22,741
Deficit on HRA Income & Expenditure Account	518,887
Movement on Gwent Realisation Account	(10)
<b>Net movement</b>	<b>541,618</b>
Interest paid	(11,997)
Non cash adjustments	(585,845)
Movement in reserves/provisions	(3,455)
(Increase)/decrease in creditors *	6,226
(excluding movement in loans repayable within 1 year)	
Increase/(decrease) in stocks	-
Interest received	3,004
Increase/(decrease) in long-term debtors (excluding mortgage and repair loans)	(143)
Increase/(decrease) in debtors	6,999
<b>Revenue activities net cash flow</b>	<b>(43,593)</b>

	31 March 2009 £000	31 March 2008 £000	Movement £000
<b>Net movement in other current items</b>			
Debtors	46,780	39,781	6,999
Creditors *	(42,113)	(48,330)	6,217
Stocks & WIP	500	500	-
	<b>5,167</b>	<b>(8,049)</b>	<b>13,216</b>
<b>Net movement in long-term borrowing *</b>			
PWLB	(68,673)	(105,745)	37,072
Other	(75,597)	(80,537)	4,940
<b>Nominal Value</b>	<b>(144,270)</b>	<b>(186,282)</b>	<b>42,012</b>
Adjustment to Fair Value	(1,907)	(2,566)	659
Included in Creditors *	118	109	9
<b>Balance at 31 March</b>	<b>(146,059)</b>	<b>(188,739)</b>	<b>42,680</b>

\* Long-Term Borrowing repayable under 1 year is shown in the Balance Sheet as creditors.

The Council's liquid resources are temporary investments made to those institutions which are included in the Council's list of authorised counterparties. Investments range from short-term deposits to periods up to 364 days.

## 45 Private Finance Initiative

### PFI operational schemes deemed to be off Balance Sheet

Expenditure of £6.3million is included within the 2008/2009 Income and Expenditure Account in respect of PFI transactions deemed to be off Balance Sheet. The Authority estimates that the maximum payment it is committed to make under such schemes is as follows:

Newport Southern Distributor Road	£000
Within 1 year	7,218
Years 2 - 5 inc.	29,578
Years 6 - 10 inc.	36,382
Years 11 - 15 inc.	38,717
Years 16 - 20 inc.	41,649
Years 21 - 25 inc.	44,810
Years 26 - 30 inc.	47,094
Years 31 - 35 inc.	38,882
<b>Maximum total payment due</b>	<b>284,330</b>

NB: The values quoted are nominal and based on the following assumptions:

- a 2.5% inflation forecast
- a three-year construction period
- 100% performance against the payment mechanism
- maximum traffic flow forecasts

The estimated capital value of the scheme is £64million (NPV) and is supported by a notional credit approval (NCA) of £95.5million from the Welsh Assembly Government. The contract start date was 28 March 2002 and the contract end date is 27 March 2042.

The scheme comprises the design, building, financing and operation of a dual carriageway urban distributor road South of Newport between Junctions 24 and 28 of the M4 motorway. It also includes a new crossing over the river Usk.

### Glan Usk Primary School

Replacement of the existing Durham Road Schools with the new Glan Usk Primary School is a 25-year contract which has a notional credit approval of £9million. The project was signed in March 2008 and commencement of the build phase of the project is now underway with the school due to open in January 2010.

## 46 Prior Period Adjustment

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £267.775m to £267.251m, a decrease of £524,000. The effect of this change has meant the restated figures for the pension liabilities and reserves in the Balance Sheet are increased from £176.798m to £177.382m.

The pension interest cost and expected return on pensions asset disclosed in the Income & Expenditure Account for the prior year has increased by £37,000. The actuarial loss relating to the pension fund and other losses disclosed in the Statement of Total Recognised Gains and Losses have reduced by £63,000 and increased by £550,000 respectively.

## 47 Housing Revenue Account Transfer

The statement of accounts for 2008/2009 incorporates entries relating to the Large Scale Voluntary Transfer (LSVT) of the council housing stock to a new landlord, Newport City Homes. This transfer has generated some significant accounting entries with the opening balance of £520m being removed from the Authority's asset base and charged as an impairment cost through the Income & Expenditure account but reversed out through the Statement of Movement on the Council Fund Balance.

The Council redeemed a total of £36.9m of long-term borrowing with the PWLB relating to the Housing Revenue Account at the time of transfer. A premium of £12.8m also had to be paid and this is disclosed in the Income & Expenditure account under 'Interest payable and similar charges'.

The Council received funding from the Wales Assembly Government of £49.7m to cover the costs of this transaction with the PWLB and this is also shown in the Income & Expenditure account as part of 'General government grants'.

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<b>HRA Income &amp; Expenditure Account for the year ended 31 March 2009</b>			
	Notes	2008/2009 £000	2007/2008 £000
<b>INCOME</b>			
Dwelling Rents		(26,895)	(28,506)
Non-dwelling rents		(717)	(697)
Charges for services and facilities		(3,115)	(3,426)
Contributions towards expenditure		(1,316)	(622)
Other – government grants		(5,280)	(6,500)
<b>Total Service Income</b>		<b>(37,323)</b>	<b>(39,751)</b>
<b>EXPENDITURE</b>			
Management and maintenance		18,120	17,589
Rent, rates, taxes and other charges		303	141
HRA subsidy payable		8,170	8,392
Depreciation and impairment of fixed assets	4	526,183	18,123
Debt management costs		27	24
Increase in provision for bad and doubtful debts		546	451
<b>Total Service Expenditure</b>		<b>553,349</b>	<b>44,720</b>
<b>Net Cost of HRA Services per Authority Income and Expenditure Account</b>		<b>516,026</b>	<b>4,969</b>
HRA Services share of corporate and democratic core		75	78
<b>Net cost of HRA Services</b>		<b>516,101</b>	<b>5,047</b>
Interest payable and similar charges	5	2,377	2,723
Interest and investment income		(97)	(208)
Pensions interest cost and expected return on pension assets		506	143
<b>Deficit for the year</b>		<b>518,887</b>	<b>7,705</b>

<b>Statement of Movement on the HRA Balance</b>		
	2008/2009 £000	2007/2008 £000
Deficit for the year on the HRA Income & Expenditure Account	518,887	7,705
Net additional amounts to be credited	(520,483)	(10,586)
<b>Increase in the Housing Revenue Account Balance</b>	<b>(1,596)</b>	<b>(2,881)</b>
Housing Revenue Account surplus brought forward at 1 April	(7,381)	(4,500)
<b>Housing Revenue Account surplus carried forward at 31 March</b>	<b>(8,977)</b>	<b>(7,381)</b>

<b>Note to the Statement of Movement on the HRA Balance</b>		
	2008/2009 £000	2007/2008 £000
<b>Items included in the HRA Income &amp; Expenditure Account but excluded from the movement on the HRA balance for the year</b>		
Depreciation & impairment of fixed assets	4 (526,183)	(18,123)
Amortisation of premiums and discounts	33	113
Government Grants Deferred amortisation	5,280	6,500
Revenue expenditure funded from capital under statute	(33)	
Net charges made for retirement benefits in accordance with FRS17	6 (1,316)	(879)
	<b>(522,218)</b>	<b>(12,389)</b>
<b>Items not included in the HRA Income &amp; Expenditure Account but included in the movement on the HRA balance for the year</b>		
Statutory Provision for repayment of debt	5 754	837
Voluntary revenue provision for capital financing	5 -	27
Employer's contribution payable to the Pension Fund	6 981	939
	<b>1,735</b>	<b>1,803</b>
<b>Net additional amount required by statute to be credited to the HRA balance for the year</b>	<b>(520,483)</b>	<b>(10,586)</b>

# Statement of Accounts

Report & Accounts 2008/2009

Newport City Council

## Notes to the Housing Revenue Account

Responsibility for the operations previously undertaken by the Housing Revenue Account was transferred to Newport City Homes on 9 March 2009. The HRA and notes refer to income and expenditure for the period from 1 April 2008 up to the date of transfer.

### 1 Number and type of dwellings

At 1 April 2008 the Council owned a stock of 9,181 dwellings for rent consisting of 4,398 houses, 4,303 flats, 452 bungalows and 28 other properties. During the year 2 houses, 17 flats and 18 other properties were disposed of with the remaining stock transferring to Newport City Homes.

### 2 Arrears

Rent arrears were £1.1million as at 31 March 2009 (£1.2m as at 31 March 2008). Of these arrears, £0.4million (£0.4m as at 31 March 2008) was in respect of former tenants. During 2008/2009, £0.2million of bad debts were written off. Newport City Homes purchased the current tenant arrears as at 9 March 2009.

### 3 HRA Capital Expenditure and Funding

Total capital expenditure within the HRA amounted to £5.362million which was all attributable to housing (2007/2008 - £8.672m on housing; £0.115m on other projects). Capital expenditure was financed from the following sources:

Capital Financing	2008/2009 £000	2007/2008 £000
Major Repairs Allowance	5,280	6,500
Capital Receipts	82	2,287
<b>Total</b>	<b>5,362</b>	<b>8,787</b>

Capital Receipts	2008/2009		2007/2008	
	Gross £000	Usable £000	Gross £000	Usable £000
Sale of Council Houses	317	79	2,856	714
Sale of Freeholds	-	-	78	78
Sale of Forecourts	15	15	17	17
Shared Ownership	172	172	268	268
Sale of Land	202	202	573	573
<b>Total</b>	<b>706</b>	<b>468</b>	<b>3,792</b>	<b>1,650</b>

4 Depreciation & Impairment	2008/2009 £000	2007/2008 £000
Dwellings	505,246	17,695
Non-Dwellings	20,937	428
<b>Total</b>	<b>526,183</b>	<b>18,123</b>

5 Revenue Financing		
Interest Payable	2,377	2,723
Minimum Revenue Provision	754	864

6 Pension Reserve	2008/2009 £000	2007/2008 £000
Appropriation from Pension Reserve to HRA	(335)	60

## Glossary of Acronyms

AMRA	Asset Management Revenue Account
BVACOP	Best Value Accounting Code of Practice
CAA	Capital Adjustment Account
CERA	Capital Expenditure charged to Revenue Account
CFA	Capital Financing Account
CIPFA	Chartered Institute of Public Finance & Accountancy
CRA	Consolidated Revenue Account
EIB	European Investment Bank
FARA	Fixed Asset Restatement Account
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
GAVO	Gwent Association of Voluntary Organisations
GCC	Gwent County Council
GEST	Grants for Education Support & Training
HRA	Housing Revenue Account
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LMS	Local Management of Schools
MRP	Minimum Revenue Provision
NCA	Notional Credit Approval
NNDR	National Non-Domestic Rates
NPV	Net Present Value
NRV	Net Realisable Value
PFI	Private Finance Initiative
PWLB	Public Works Loans Board
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
SEWREC	South East Wales Racial Equality Council
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
TTF	Treasury Task Force
WIP	Work in Progress

## Further Information

Further information about the 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 Accounts before the audit is completed. The availability of the Accounts for inspection is advertised in the local press as is the notice of completion of the audit.