Statement of Accounts
2018/19

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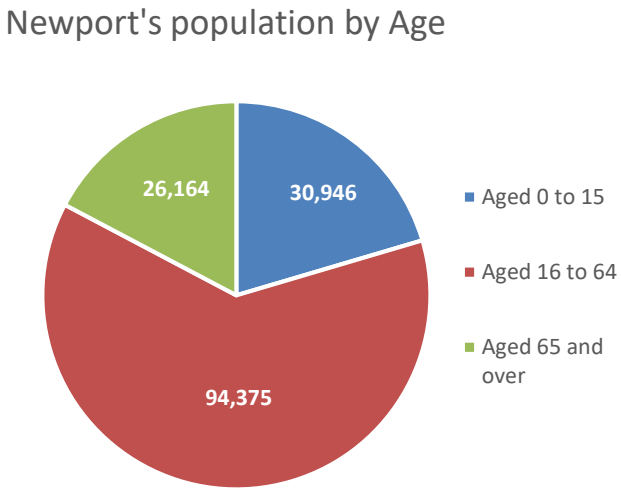
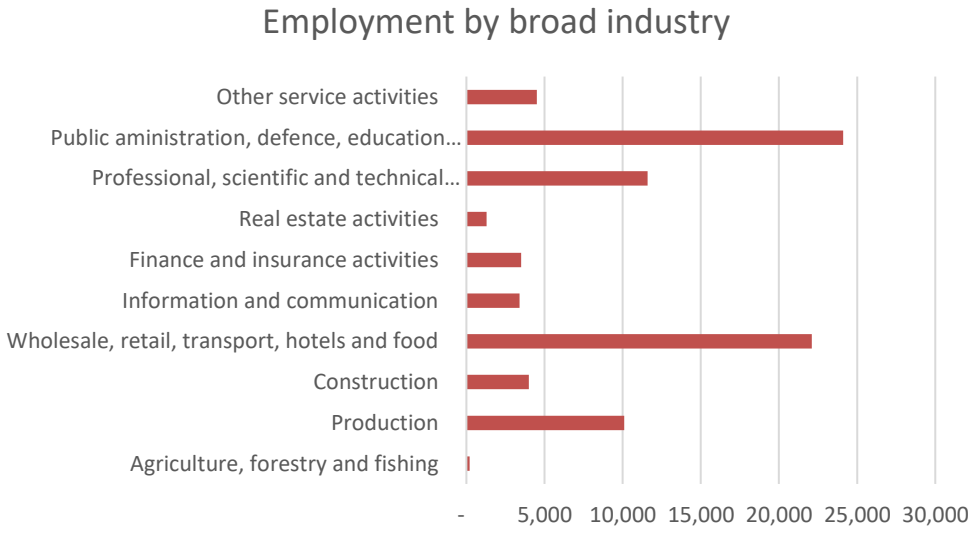
1. About Newport and the Council

Newport is a coastal city, covering a geographical area of just over 84 square miles. It has an urban hub with an extensive rural hinterland and is home to one of Wales' most diverse and multi-cultural populations. The city has a population of over 150,000 and has employment in the city of 84,800 across a broad range of industries.





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

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

The Council employs approximately 5,800 through staff (including teachers and other school based staff), every day the mission is executed through the delivery of around 800 discrete activities in various service delivery methods, ranging from services the council delivers to services delivered in partnerships with a number of other organisations.

2. The Council's Performance and Achievements in 2018/19

Over the last year, the Council made substantial progress towards our well-being objectives.

- ✓ Improvement in pupil attainment at Key Stage 2, 3 and 4 levels and increase in percentage of learners gaining GCSE in English and Mathematics grades A*-C.
- ✓ Continued reduction in the number of days lost to exclusions at secondary schools.
- ✓ Positive inspection of Education Service by ESTYN.
- ✓ Newport has been the first local authority in the region to successfully pilot the Arrow mental health project and the development of local Social and Emotional Behaviour provision has been created in partnership with Newport Live.
- ✓ The Business Development Fund has supported the opening of 12 new businesses in the city, of which 6 are located in the city centre.
- ✓ The first murals recognising and celebrating the role of Newport Women in the First World War were completed in St Paul's Walk.
- ✓ The Development Management Team received over 1,000 planning applications with 87% of all applications being approved and 92% of all householder applications being determined within agreed timescales.
- ✓ Implementation of a new Customer Relationship Management (CRM) system
- ✓ Roll out of Microsoft Office 365 and significant replacement programme to improve phone/IT equipment, as part of commitment towards a Modernised Council.
- ✓ Significant preparation for Civil Parking Enforcement in summer 2019.
- ✓ Opened a new facility to bring children in care back to Newport who currently receiving care out of county.

Murals at St Paul's Walk

Artist Impression of Chartist Tower Hotel

- ✓ There has been commitment to a number of regeneration projects in the city including, Chartist Tower, Newport Market and the IAC building in Mill Street

3. Explanation of Accounting Statements

These Statement of Accounts and notes sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

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

- The **Comprehensive Income and Expenditure Statement (CIES)** - this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.

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

- **The Balance Sheet** - is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

- **The Cash Flow Statement** - shows the movements in cash and cash equivalents of the Council during the reporting period.

The Statement of Accounts also includes consolidated group accounts:

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

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

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

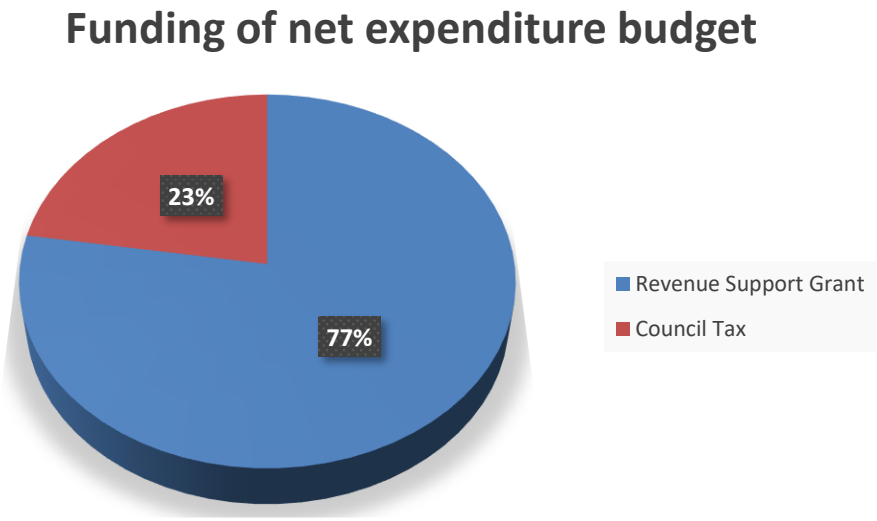
The narrative that follows this now provides some informal commentary on the Councils financial performance, the balance sheet and future financial outlook.

4. Financial Performance 2018/19

The 2018/19 budget and funding

The Council operates within a challenging financial environment and framework. Its net budget for 2018/19 was £275m of which 77% is funded from the Welsh Government Revenue Support Grant and 23% from local Council

Tax. This means every 1% change in the grant we receive from Welsh Government is equivalent to a 3.3% change in Council Tax. In that framework, it is heavily reliant on the Welsh Government Revenue Support Grant, which, for 2018/19, reduced by 0.03%, creating a challenging financial environment.



Grant from Welsh Government funds 77% of the Council's net expenditure budget, with Council Tax funding 23%

Whilst the main funding source remained approximately 'cash-flat', the Council's costs increased, largely due to pay and other inflationary pressures, and also the increasing demand for services. This added estimated pressures of approximately £12m in 2018/19. To bridge the gap in funding and pressures identified, in order to achieve a balanced budget for 2018/19, the Council agreed a Council Tax increase of 4.8% which generated £3m (including increase in estimated council tax receivable from new households) and agreed a package of savings of nearly £9m.

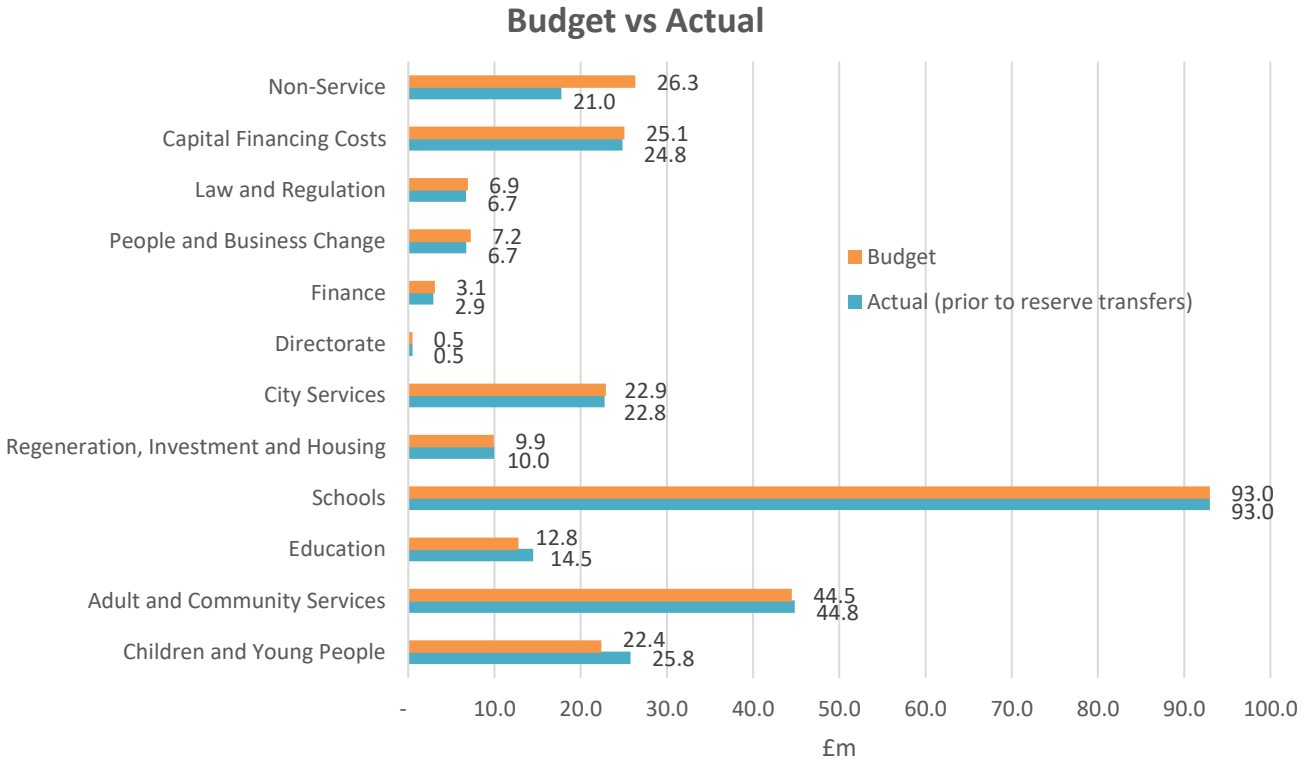
The City Councils element of Council Tax in Newport is the second lowest in Wales and one of the lowest in the UK at £1,057.14 for a Band D property in 2018/19. Most properties within the Council boundary are in Bands C & B and therefore pay less than the average Band D property. This relatively low Council Tax impacts on the Council's overall funding and the City Council spends approximately £8m less than its Standard Spending Assessment (which is a notional calculation done by Welsh Government of what each Council needs to spend to provide a standard level of service); showing the Council's is relatively poorly funded but given its financial performance (next section) and achievements, is efficient and effective.

Financial Performance – "how did we do" – 2018/19

Revenue budget

An underspend of £2.4m was reported to Cabinet at year end, representing 1.3% of its budget, excluding schools. Cabinet agreed that this was transferred to specific earmarked reserves, leaving a balanced budget position on the general fund. The 'Expenditure and Funding analysis', on page 48 of the statement here shows the spending across the main areas of the Council. The graph below shows the main areas of budget under and overspending. In summary, the Social Care and Special Education Needs budgets overspent significantly at nearly £5m due to increased demand for services whilst one-off income, contingencies and underspending in non-service areas at £7m mitigated this and generated the underspend.

The Council was able to invest significantly in the demand led areas for 2019/20 though a significant amount of that was due to one-off specific grant income for Social Care. In going forward therefore, the key issue is what happens to the one-off specific grant income and managing the on-going growing demand in these areas, an issue common to all Councils across the UK.



The position of school finances continued to be challenging in 2018/19, and overall schools reserves reduced by £727k to £3.1m, to fund in-year overspending. The overall school reserves balance of £3.1m is shown in the statement in Note 10, which also confirms the drawing of the in-year overspend.

Capital programme

The Council has an ambitious 5-year capital programme totalling £170.4m as at 31st March 2019, including:

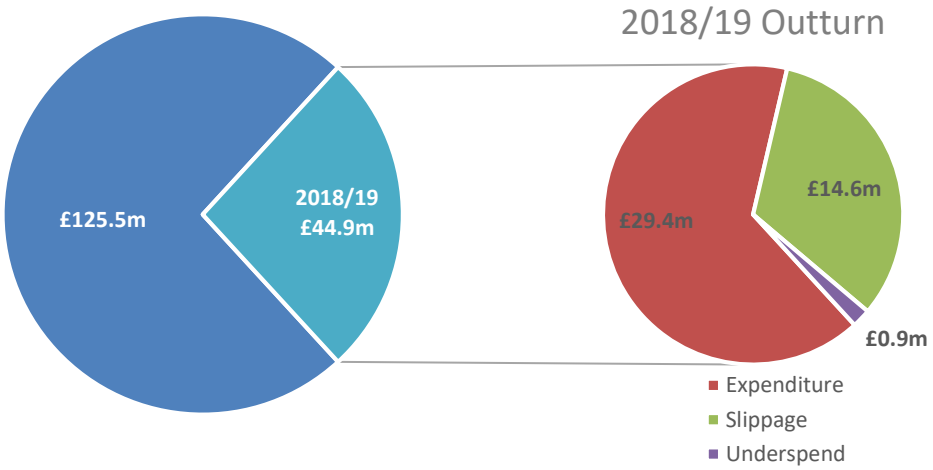
- Investment to ensure the Council is prepared for taking over responsibility for parking enforcement in July 2019
- £70m 21st Century Schools programme
- Neighbourhood Hubs schemes – delivering the first community hub in Ringland
- Investment into new energy efficiency schemes across the Council including LED streetlights
- Commitment to invest in the Transporter Bridge

New Caerleon Lodge Hill School

Artist impression of Transporter Bridge activity centre

- Gypsy & Traveller site development
- £8m fleet replacement programme
- Investment into the Cardiff City Region City Deal

2018/19 was the first year of the new programme in which the Council spent £29.4m on Council assets to maintain and improve service delivery and to support regeneration initiatives. At the beginning of the financial year the 2018/19 budget was £34.4m, with additions and deletions in year this increased to £44.9m. The outturn position for capital in 2018/19 showed a total slippage (budget moved into future years of the programme) in 2018/19 of £14.6m and an underspend of £0.9m.



Capital Expenditure 2018/19	£m	Financed by:	£m
Education & Schools	10.0	Grants	18.0
Regeneration, Investment & Housing	9.7	Borrowing	6.0
People & Business Change	0.5	Capital Receipts	3.1
Social Services	1.9	Contributions & S106	1.1
City Services	7.3	Council Resources	1.2
TOTAL	**29.4**		**29.4**

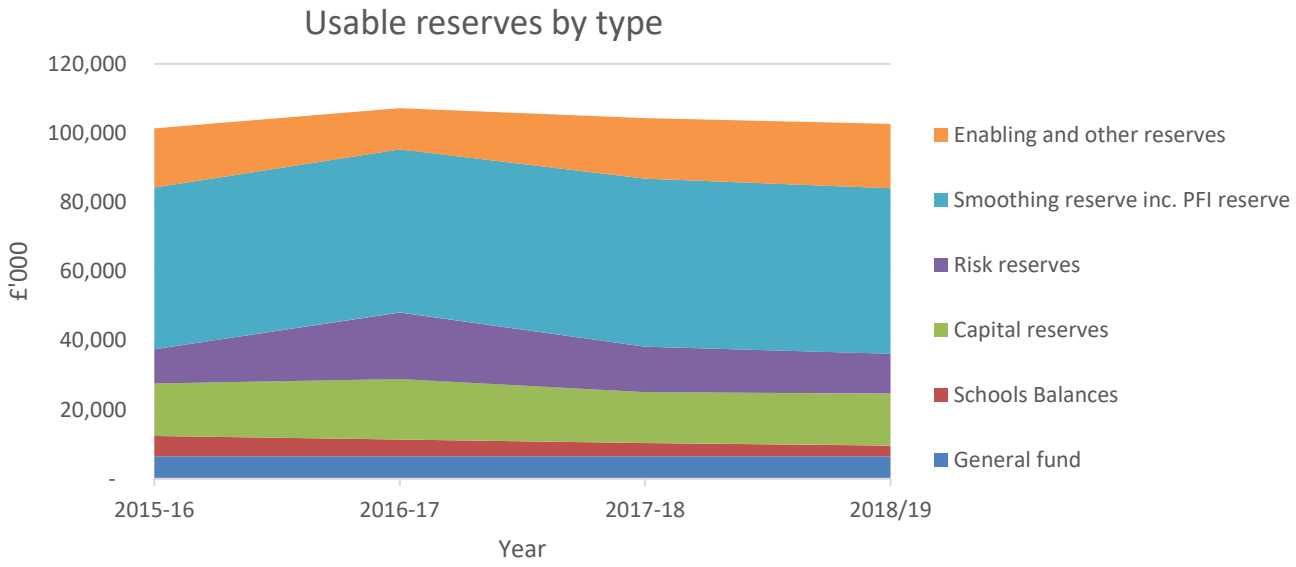
Balance Sheet

The Balance Sheet shows a 'snapshot' of the Council's assets and liabilities as at 31 March 2019, including its reserves. The Council's balance sheet has seen a reduction in value between 2017/18 (net asset £22.1m) and 2018/19 (net liability £49.0m), however, this is largely due to an increase in the pension fund liability by £76.6m from the previous year. The pension fund liability is now £400.6m, which if excluded would leave net assets of £352m.

Usable reserves of £103.0m shows the council as having strong financial resilience, these are described further in this report.

Usable Reserves

The level of Council's usable reserves decreased by £1.3m in year from £104.3m to £103.0m. The general fund reserve remained unchanged at £6.5m (3.6% of net expenditure budget excluding schools). The chart below shows the level of reserves since 2015/16, showing those reserves that cover risk, enabling, smoothing expenditure, the general reserve, schools reserves and other reserves.



The chart above shows that usable reserves have remained relatively steady over the past four years, evidencing good financial management in the delivery of savings and managing within budget, and also part of deliberate strategy to plan for the future to address the known financial challenges facing local government in the future and potential risks the Council faces.

The reserves as at 31st March 2019 provide:

- Adequate cover for the assessed risks identified by the Council – such as pay inflation above planning / funded parameters, self-insurance and residual financial risks related to the Friars Walk scheme. General reserves have been maintained at £6.5m, the minimum required as assessed by the Council's Head of Finance.
- Good level of 'enabling' reserves to fund its strategic/transformational programmes and fund other 'cost to change'/savings projects, city centre development fund and support to the Council's capital programme.

- The funding required for the future costs over and above the available base budget, for the Council's PFI projects. This reserve is a capital financing reserve. This element alone represents nearly 45% of the Council's total reserves and these reserves represent the 'budget' for future PFI costs.

Unusable reserve

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

Impact of pension deficit on reserves

The Council participates in the Local Government Pension Scheme. Employees and employers contribute into the fund and along with investment income and growth generated; the funds are used to pay its pension obligations. The Fund is valued every three years to assess if the assets are sufficient to fund its pension obligations, taking account of actuarial assumptions of members' life expectancy, investment returns, value of pensions paid out etc. A valuation was undertaken in 2016, which identified a need to increase the contribution to the fund, due to an increased deficit valuation of the fund. The Council has built these pressures into the Medium Term Financial Plan (MTFP). A new valuation of the position at 31st March 2019 is being undertaken in 2019, with the results expected to be realised in Autumn 2019 – with any change implemented from April 2020.

On an annual basis, and for providing information to meet pension's costs reporting regulations, the scheme's actuaries provide an interim update. As at 31 March 2019, this assessed the scheme as in deficit at £400.8m (£324.0m in 2017/18).

However, the fund is there for the long term funding of pensions. Therefore, this deficit on the pension scheme and its impact on the Council's overall reserves is also a long-term issue. The deficit and liability would not arise in any single year, and the deficit is being addressed through higher employee and employer contributions, as well as the pension scheme benefits being calculated differently, such as moving to career average salaries as opposed to final salary.

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

Provisions & Contingencies

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

Following our assessment of risks, total short-term provisions decreased by £1.1m to £5.4m, mainly due to reduced provision for accumulated holiday pay and use of the insurance provision. Long-term provisions have increased by £2.2m to £10.7m, due to increase in the provision set aside to pay future income subsidy fees in relation to Friars Walk. This relates to a guaranteed income subsidy to support the rental income of up to a maximum of £0.5m per annum until 2032.

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

Details of the movements of individual provisions and contingent liabilities are shown in Note 23 and 43 respectively.

4. Financial Outlook

Local Government continues to be under significant financial pressure. This comes from increasing demand for essential services and lower funding. As a growing city, Newport has to deal with pressures coming out of new developments and the increasing demand and costs that come with that. Within this context, Newport has continued to manage its finances well, has good financial resilience and performance, although relatively poorly funded due to its relatively low council tax level.

It has a new Corporate Plan and the medium term financial projections include the delivery of an ambitious plan and aspirations within that. The 2019/20 budget and the Council's medium term financial projections were considered by Cabinet on 13 February 2019. The details of which can be found on the following link:

https://democracy.newport.gov.uk/ieListDocuments.aspx?CId=139&MId=7096&Ver=4

2019/20: In setting its budget for 2019/20 the Council approved savings of £6.8m and increased council tax by 5.95%, creating additional funding of £3.8m, to achieve a balanced budget.

Medium term: The medium term financial projections approved by Council detailed a budget gap of £28.0m to 2022/23. This is a challenging position and highlights a number of areas that need to be addressed to achieve a balanced position in future years:

- Inflationary pressures from pay, pension and service contracts.
- Rising demand from services especially in the areas of social care and Special Educational Needs (SEN)
- Significant expansion in number of schools and number of school places
- Level of unhypothecated funding from Welsh Government is assumed to remain constant through the medium term projection.
- Council tax is modelled to be increased by 4% per annum.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts

The Head of Finance's Responsibility

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

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

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

The Head of Finance has also:

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

Head of Finance Certificate

I certify that the Statement of Accounts set out in pages 48-140 give a true and fair view of the financial position of Newport City Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

M Rushworth

Head of Finance
5th September 2019

J Baker

Chair of Audit Committee
5th September 2019

What is Corporate Governance?

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

What does 'Good' Corporate Governance look like?

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

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

What this statement will tell you

The Annual Governance Statement is a requirement of the Accounts and Audit (Wales) Regulations 2014. This Statement demonstrates that Newport City Council is compliant with these Regulations for 2018/19.

It also describes the governance framework in place within the Council, how the effectiveness of the governance arrangements has been monitored and evaluated during the year with evidence and examples and sets out any changes planned for the 2019/20

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

1 Scope of Responsibility

1.1 Newport City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2 The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

1.4 The Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.

1.5 The Council's Code of Corporate Governance sets out its commitment to good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Cabinet and then Council in July 2013 with a further update approved by Cabinet in July 2014. A copy of the Code can be obtained from the Head of Finance.

2 The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council throughout the year 2018/19, and up to the date of approval of the statement of accounts.

3 The Governance Framework

3.1 The Council's Governance arrangements are in line with the following principles:

Overarching requirements for acting in the public interest

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

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

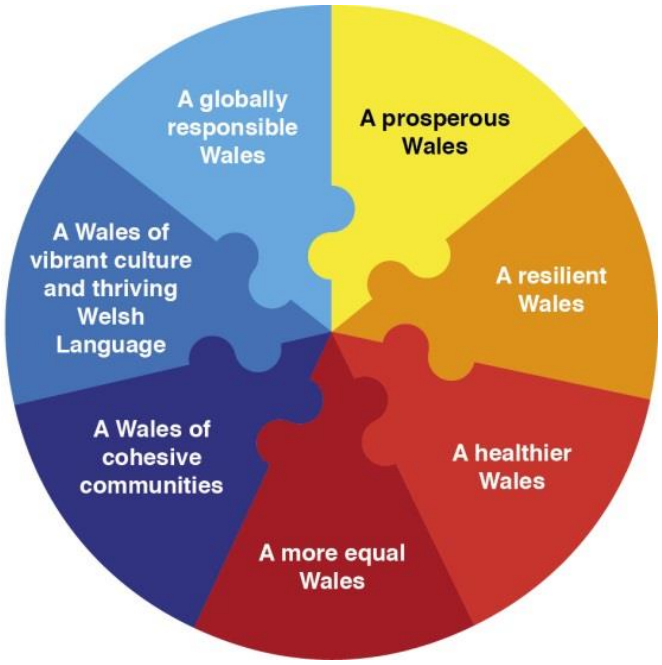
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
D. Determining the interventions necessary to optimise the achievement of the intended outcomes
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
F. Managing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

The Statement will cover these principles in more detail from Section 5 onwards.

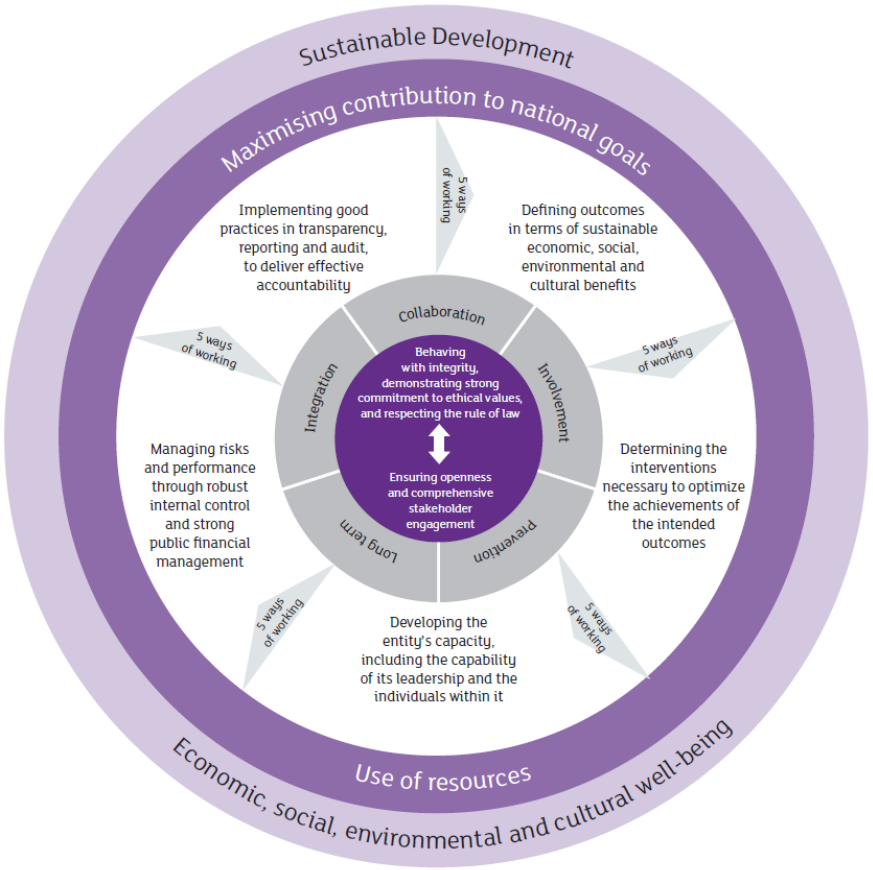
Wellbeing of Future Generations (Wales) Act 2015

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

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



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



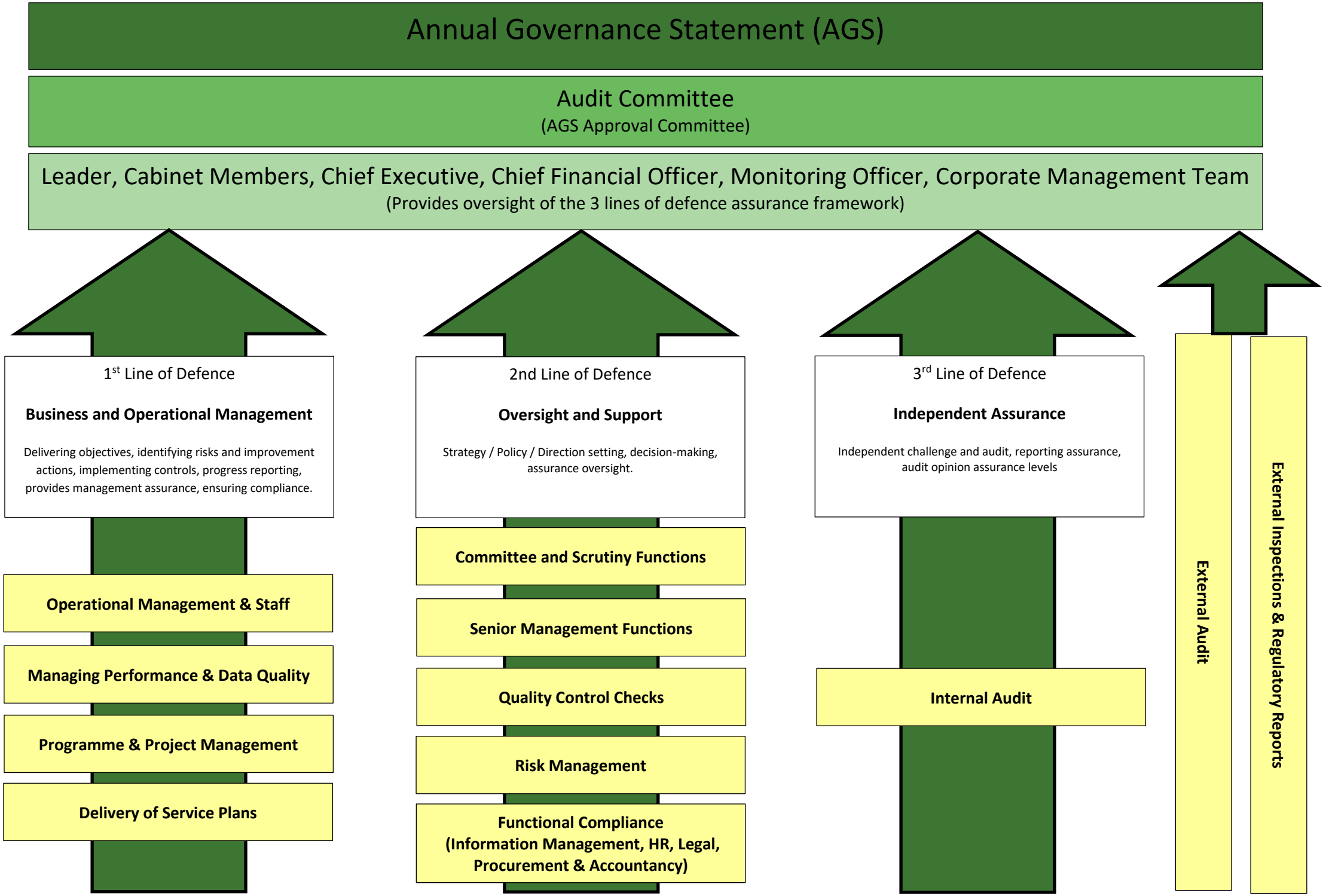
The Three Lines of Defence in effective Risk Management and Control

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

By defining these sources into three categories

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

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


Annual Governance Statement (AGS)
Audit Committee
(AGS Approval Committee)
Leader, Cabinet Members, Chief Executive, Chief Financial Officer, Monitoring Officer, Corporate Management Team
(Provides oversight of the 3 lines of defence assurance framework)
1st Line of Defence
Business and Operational Management
Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance, ensuring compliance.
Operational Management & Staff
Managing Performance & Data Quality
Programme & Project Management
Delivery of Service Plans
2nd Line of Defence
Oversight and Support
Strategy / Policy / Direction setting, decision-making, assurance oversight.
Committee and Scrutiny Functions
Senior Management Functions
Quality Control Checks
Risk Management
Functional Compliance (Information Management, HR, Legal, Procurement & Accountancy)
3rd Line of Defence
Independent Assurance
Independent challenge and audit, reporting assurance, audit opinion assurance levels
Internal Audit
External Audit
External Inspections & Regulatory Reports

Corporate Plan

3.4 The Council's Corporate Plan for 2017 to 2022 "Building on Success – Building a Better Newport" sets out the 5 year vision and direction for the Council.

3.5 The Corporate Plan forms part of the Council's policy framework, and prior to agreement had been through the necessary consultation with scrutiny and members of staff.

3.6 Within the Corporate Plan twenty commitments for change, relating to the following four areas have been outlined:

- Resilient communities,
- Thriving city,
- Aspirational people,
- Modernised Council.

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

3.7 Newport City Council's Well-being Objectives are:

- To improve skills, educational outcomes and employment opportunities
- To promote economic growth and regeneration while protecting the environment
- To enable people to be healthy, independent and resilient
- To build cohesive and sustainable communities

Newport's Mission is: Improving people's lives (why we do what we do)

3.8 Newport is forward-thinking in its aspirations for the City and how it can improve outcomes for its citizens). Our mission and values are not a quick fix or knee-jerk reaction to the financial context. Rather, they seek to tackle deep seated challenges and allow us to make the most of the strength of our communities and our staff and build on the improvements and transformations that are already underway.

3.9 In summary, 'Improving People's Lives' means:

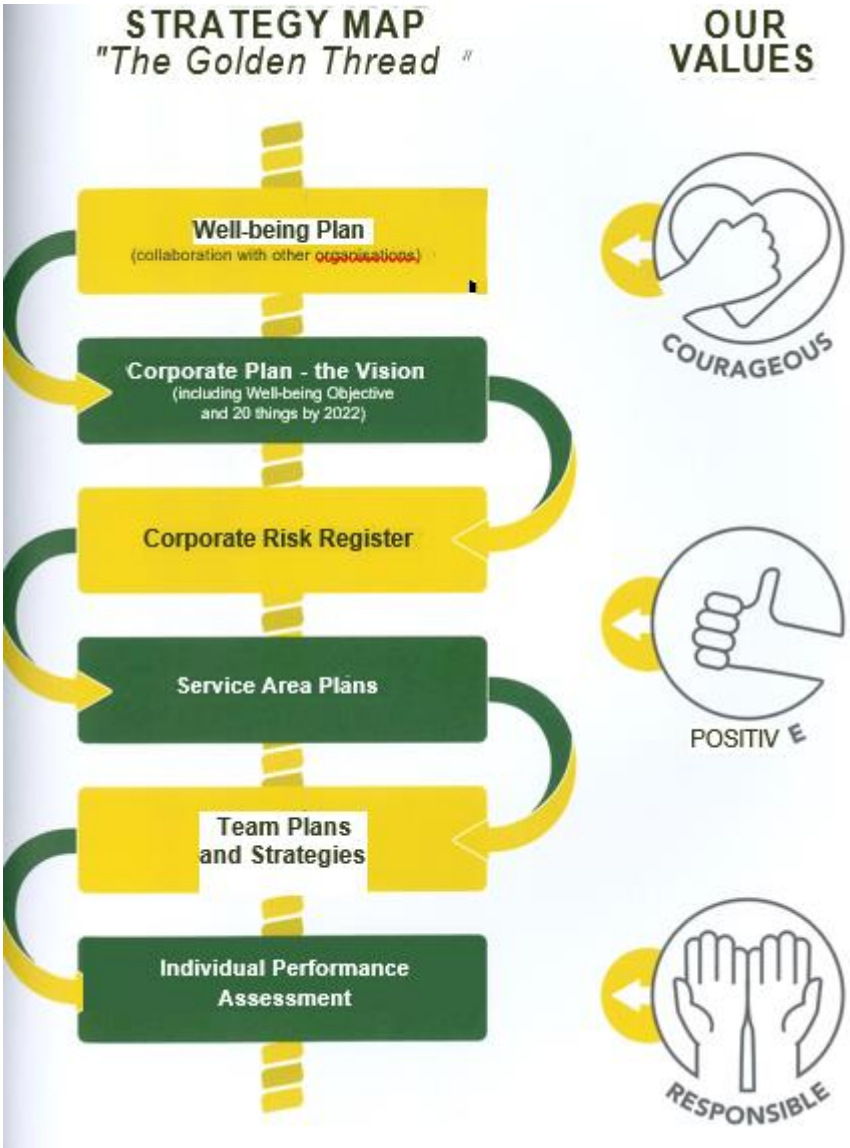
- Our communities are strong and can look after themselves.
- We have a strong local economy and local people have the skills they need to find work.
- Our city and surrounding communities feel safe and they are places where people want to make their lives.
- For citizens that need tailored specialist support we intervene early and work together with people to help stabilise, maintain and improve their lives as quickly as possible.
- Our City Council's key role is a facilitator and enabler, with a focus on prevention.

Our Organisational Framework
VALUES
PRINCIPLES
TAILORED APPROACH
THEMES
THRIVING CITY
RESILIENT COMMUNITIES
MISSION
IMPROVING PEOPLE'S LIVES
CITIZEN ROLE
INTEGRATED TECHNOLOGY
MODERNISED COUNCIL
ASPIRATIONAL PEOPLE
EARLY INTERVENTION AND PREVENTION
EVIDENCE BASED
ENABLING AND CAPACITY BUILDING
POSITIVE
COURAGEOUS
RESPONSIBLE

Delivering the Corporate Plan

3.10 The intended outcomes agreed in the Plan set the key priorities for the Council. To give current and future generations a good quality of life we need to think about the long term impact of the decisions we make. The Council has set its Wellbeing Objectives and they are included in this Plan because they form part of the Council's vision for the future.

3.11 The Corporate Plan should not be viewed in isolation; it makes up part of the strategic planning map or 'golden thread' that integrates the plans and strategies of the Council. The Corporate Plan sets the vision and direction for the Council and sits below the Wellbeing Plan which is agreed in collaboration with partners. The strategic direction flows down from the Corporate Plan; the actions to deliver the vision flow up from individuals whose every day work contributes to the performance and delivery of the vision.



3.12 The Corporate Plan was produced at a time of significant financial challenge within the public sector, the workforce and budgets must be carefully planned and managed to ensure that we can deliver what we have set out to do; this is done within each service area in their service plans. The Corporate Plan is underpinned by the change programme. The actions planned by service areas will contribute to the delivery of the Corporate Plan.

3.13 The Council's Improvement Plan ran up to 2018 and has subsequently been incorporated within the Corporate Plan. The final stages of the Improvement Plan were reported through Cabinet during 2018/19.

3.14 It is important that through risk management and well thought out strategic planning the work of the Council continues to provide improved outcomes for citizens and communities. The Council also works to ensure compliance with the current legislation and any changes that may occur, in order to do this the Council works closely with the Wales Audit Office who are the Council's external auditors.

3.15 The Plan sets out clearly the Council's priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and developing plans through the five ways of working – long term, integration, collaboration, involvement and prevention.

Monitoring the Corporate Plan

3.16 A annual report of progress is presented to members and senior officers and published so that it can be shared with all employees and members of the public to present an open and transparent view of how the Council is working towards its vision and objectives and how further work will be focused to ensure further improvement.

3.17 Actions set out in services plans and the Corporate Plan will contribute to the delivery of the objectives, and these will also be presented to members for challenge and appraisal.

3.18 Specific Boards have been set up around the Themes identified in the Corporate Plan to monitor the progress of the "20 by 2020" commitments. These meet on a regular basis and comprise of senior managers of the Council.

ONE Newport Public Service Board

3.19 The One Newport Public Service Board (PSB) Newport's Well-being Plan (2018-23) which represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the economic, social, cultural and environmental well-being of Newport. This Plan was approved by the Board May 2018.

3.20 PSBs were established by the Well-being of Future Generations (Wales) Act 2015 and must work in accordance with the sustainable development principle and achievement of the seven wellbeing goals by:

- assessing the state of the city's economic, social, environmental and cultural wellbeing;
- setting local objectives that are designed to maximise their contribution within the city to achieving those goals;
- taking all reasonable steps to meet those objectives.

3.21 The well-being objectives of the Plan are linked to the Well-being Objectives and are:

- People feel good about living, working, visiting and investing in Newport;
- People have the right skills and opportunities to find suitable work and contribute to sustainable economic growth;
- People and communities are friendly, confident and empowered to improve their well-being;
- Newport has healthy, safe and resilient environments.

3.22 The Plan identifies 13 priorities in the 4 areas of Economic, Social, Cultural and Environmental, and incorporates the following interventions:

a. The Newport "Offer"
b. Strong Resilient Communities
c. Right Skills
d. Green & Safe Spaces
e. Sustainable Travel

The interventions are led by PSB members and progress is monitored by the Board

3.23 Performance of the Well-being Plan was reported through the Strategy & Performance Board (as a sub group of the PSB) throughout 2018/19 and is also reported to Scrutiny through the published Annual Report process.

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

Risk Management Strategy

3.25 The Council's Risk Management Strategy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing significant risks to the Council's priorities, services and major projects. The risks and the controls necessary to manage them are recorded in the respective service plans, and the Council's performance management system; any required improvements to controls are monitored to ensure implementation. One of the requirements of the WFG Act is to use the wellbeing goals and five ways of working to frame risks in short, medium and long term; and implement steps to manage them.

3.26 Processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised. This is supported by reviews undertaken by the external auditors and inspectors, and co-operating with the Welsh Government and as part of the wider collaborative agenda.

3.27 The Chief Executive and the Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework.

3.28 The Corporate Risk Management Strategy has been reviewed and revised to strengthen existing arrangements and support the delivery of the Corporate Plan. The sustainable development principle of the Wellbeing of Future Generations Act (Wales) 2015 has also been embedded in the process and frames each risk identified in the Corporate Risk Register. Anticipating and preparing for future challenges, trends, threats and opportunities is an essential part of the Councils risk strategy and allows for better preparedness and the incorporation of mitigation into planned activities and policies. This helps the Council to take a longer-term strategic approach, and makes present policy more resilient to future uncertainty.

3.29 The Corporate Risk Strategy and Corporate Risk Register are approved and monitored on a regular basis by the Council's Audit Committee.

Decision Making Process

3.30 The Constitution (link), which can be found on the Council's website, sets out:

- how the Council operates and makes decisions;
- the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;

- the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers;
- a scheme of delegated powers for decision-taking;
- responsibilities for reviewing and agreeing the Council's corporate governance arrangements;
- arrangements for ensuring it is regularly reviewed and updated;
- its related codes and protocols.

3.31 The Council takes its decisions by way of full Council or the Executive (Cabinet). Decisions are also taken by individual Cabinet Members and Chief Officers. The Scheme of Delegation and the Terms of Reference which are included in the Constitution, make it clear at which level decisions are taken. Agendas, reports, decision schedules and minutes of all meetings of the Council, Cabinet or Cabinet Member are available to the public by way of the Council's website except in exceptional circumstances where they may contain exempt or confidential matters.

3.32 Every report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer, the Section 151 Officer and the Head of People and Business Change. The report template ensures report authors consider potential risks, equalities, WFG and financial implications of their proposals.

3.33 The Head of Law and Regulation is the designated 'Monitoring Officer' in accordance with the Local Government and Housing Act 1989, and ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman investigation resulting in a finding of maladministration.

3.34 The Head of Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972.

Scrutiny Committees

3.35 Members of the scrutiny committees review policies and question key decisions made by the Council's Cabinet to ensure they are open, accountable, transparent and in the best interests of the local area and its residents.

3.36 Scrutiny committees also review the Council's achievements against planned targets, issues of local concern and services provided by the Council and other public organisations. In Newport City Council there are four scrutiny committees:

- Overview and Scrutiny Management Committee
- Performance Scrutiny Committee - Partnerships
- Performance Scrutiny Committee - People
- Performance Scrutiny Committee - Place and Corporate

3.37 In line with the Local Government Measure a separate **Democratic Services Committee** was established during 2012/13; this committee meets quarterly dealing with national consultation exercises, national policy and Members codes and development. The Democracy and Communications Manager is designated as the Council's statutory Head of Democratic Services.

3.38 The **Standards Committee**, which includes a majority of independent representatives, advises on and monitors the Member Code of Conduct, the Protocol for Member/Officer Relations, and any other codes relating to the conduct of Members.

3.39 The Education Service is responsible for three statutory committees which challenge, monitor and support the delivery of statutory functions. The committees are made up of Council officers, representative Headteachers and external partners. These committees are the Schools' Forum, the School Admission Forum and the Early Years Development & Childcare Partnership.

Audit Committee

3.40 The Audit Committee considers the work of internal and external auditors and the responses to audit recommendations. It also has responsibility for approving the Annual Statement of Accounts and its associated reports (which include this statement). This responsibility has been delegated by Council where the Chair of the Audit Committee signs the Accounts on behalf of the Audit Committee.

3.41 The Audit Committee is politically balanced and has appointed an independent chairman; he is not part of the political structure of the Council.

Internal Audit

3.42 Internal Audit operate to the standards set out in the Public Sector Internal Audit Standards (PSIAS) and its role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor is accountable to the Head of Finance and the Audit Committee.

3.43 As required under the PSIAS the Newport City Council Internal Audit team underwent an external quality assessment during 2017/18. The report (issued March 2018) stated that Internal Audit were 'generally compliant' with the PSIAS which was the top grading.

3.44 The Chief Internal Auditor reports, in his own name, to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes. The overall opinion for 2018/19 was **'Reasonable'**.

External Audit & Regulatory Bodies

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

The Ethical Governance Framework

3.46 The ethical governance framework includes:

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

3.47 Established anti-fraud, bribery and corruption arrangements provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. These include procedures

designed to combat money-laundering, the anti-fraud, bribery and corruption policy and the whistleblowing policy.

3.48 A revised anti-fraud, bribery and corruption policy statement was considered by the Audit Committee in January 2018.

Information Management & Data Protection

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

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

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

3.51 The Council is required to meet statutory obligations regarding the handling of data; the Digital Strategy incorporates an Information Risk Management Policy which outlines roles and responsibilities for information risk management. This ensures that the requirements of legislation, including the Data Protection Act 2018 (GDPR), Environmental Information Regulations 2004 and the Freedom of Information Act 2000 are met and that the risks around information are managed appropriately. The Information Risk Management Policy also formalised the requirement for an Annual Information Risk Report which was reviewed by Scrutiny Management Committee in July 2019 following discussion with the Cabinet Member for Community & Resources.

3.52 The Annual Information Risk Report provides an annual assessment of the Council's information governance arrangements and key risks, supported by an action plan. The highest level information risks are escalated in the Corporate Risk Register as appropriate.

3.53 General Data Protection Regulation (GDPR) is regulation by which the European Parliament, the European Council and the European Commission strengthens and unifies data protection for individuals within the European Union. GDPR came into force in the UK on 25 May 2018 as a result of the UK Data Protection Act 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR. Good progress has been made by the Council in relation to GDPR

Human Resources

3.54 The Council's recruitment procedures provide equality of employment opportunities. An equality-assessed pay structure to meet the requirements of the Single Status Agreement of 1997 was implemented in April 2015.

3.55 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures. Information on our workforce can be found in the Strategic Equalities annual report.

Safeguarding

3.56 We all share a responsibility, both corporately and individually, to ensure that all children and adults are treated with respect and protected from others who may abuse them. There is a separate Safeguarding page on the Council's intranet site and each service area has its own Safeguarding Champion.

3.57 All Newport City Council employees including voluntary staff members, elected members and contractors, who come into contact with children or vulnerable adults in the course of their work must understand their employee responsibilities and whenever necessary take action to safeguard and promote the welfare of a child or vulnerable adult.

3.58 The Council has a Safeguarding Policy Statement which was updated in February 2018; supporting policies and procedures have been reviewed and updated during 2018/19, and approved by Cabinet in February 2019. Safeguarding is also considered in the published Director of Social Services Annual Report.

3.59 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help to ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.

4 Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Council which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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

i. periodic reviews of the Constitution and ethical governance arrangements by the Monitoring Officer;
ii. periodic reviews of the financial controls by the Chief Finance Officer;
iii. formal risk management and regular on-going review of the processes involved;
iv. the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems and establishments in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that Heads of Service implement agreed management actions;
v. the work of the Performance Scrutiny Committees, Overview & Scrutiny Management Committee, Democratic Services Committee, Standards Committee and Audit Committee;
vi. the opinions and recommendations of the Council's external auditors and other inspection and regulatory agencies;
vii. regular monitoring of performance against service plans and key targets, and reporting of this to senior management and members, through the Management Information Hub;

viii. the outcomes of the Annual Information Risk Report are monitored quarterly by the Information Governance Group;

ix. progress against the Newport Well-being Plan is monitored by scrutiny and the PSB throughout the year.

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

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

5.1 The Protocol for Member/Officer relations was considered by the Standards Committee in January 2018 approved by Council July 2018.

5.2 Following the Local Government elections in May 2017 mandatory training was provided to new Members of the Council along with other training sessions for existing members. The full list is available from the Democracy and Communications Manager.

5.3 In order to monitor all key Council decisions for fairness a 'Fairness Commission' was established which was the first Fairness Commission in Wales. Members of the Fairness Commission were chosen to represent a range of interests, experiences and backgrounds from across the city, including education, trade unions, equality groups, faith communities and the two main political parties in the Council. The Fairness Commission is chaired by an academic from the University of South Wales.

5.4 Reviews of the Council budget proposals have been undertaken by the Fairness Commission.

5.5 Induction training for employees covers code of conduct, expected standards of behaviour and the importance of the whistleblowing policy. These documents are also available on the staff intranet.

5.6 A revised Whistleblowing Policy was commended in March 2015, updated in 2017, and a confidential helpline set up. In 2018/19 2 disclosures were made under the policy. These were both appropriately investigated and acted upon in accordance with the agreed policy.

5.7 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.

5.8 There were 2 complaints of Member misconduct made to the Public Services Ombudsman for Wales (PSOW) in 2018/19 involving City Councillors but neither were accepted for investigation. There were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.

5.9 The PSOW had issued the Council with his Annual letter for 2017/18 (Standards Committee November 2018) which set out information relating to the numbers of complaints of maladministration and misconduct which were referred to his office during this period relating to Newport City Council and its Councillors.

5.10 The number of complaints received concerning Newport increased from 26 to 37. Most of the complaints received by the PSOW were discontinued or resolved. There were no findings of maladministration or misconduct during 2018/19. In Newport's case, whilst the volume of complaints increased this mostly lead to a satisfactory outcome. There were no public interest reports.

5.11 Ahead of the implementation of the General Data Protection Regulations in May 2018, a GDPR Task and Finish group was established with representation from each service area. With the assistance of the group, the Council made progress to ensure compliance.

5.12 All waivers of the Contract Standing Orders and urgent decisions are reported through the Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Standing Orders.

5.13 The Audit Committee has the power to call in a Head of Service and Cabinet Member to hold them to account for addressing required improvements to the internal control environment within their service area. Based on the information presented to the Audit Committee by Internal Audit, on behalf of the Audit Committee, the Chairman wrote to the Chief Executive at the end of 2018/19 expressing their concerns about the limited assurance provided on systems and services operated within the City Services Area.

5.14 48 Internal Audit opinions were issued in 2018/19. The overall opinion on the adequacy of the internal control environment for 2018/19 was **REASONABLE (in 2017/18 the overall opinion was Reasonable)**.

	2016-17	2017-18	2018-19
Good	7	11	10
Reasonable	22	23	27
Unsatisfactory	5	6	10
Unsound	1	0	1
Total	**35**	**40**	**48**

5.15 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will be following this up in 2018/19. 90% of agreed management actions for 2017/18 had been implemented by management.

5.16 Reasons why the outcome of some internal audit reviews were deemed to be unsatisfactory were presented to Audit Committee; the Head of Street Scene had been called in to the Audit Committee to provide assurances that appropriate action would be taken to make the necessary improvements.

5.17 The audit opinions are about the level of assurance provided regarding the adequacy of the internal control environment, governance arrangements and risk management processes in place within a particular service area or establishment at a particular point in time. They are not a reflection of how well the service is delivered or the establishment is run.

6 Principle B: Ensuring openness and comprehensive stakeholder engagement

6.1 The Overview and Scrutiny Annual Report for 2017/18 was considered by Council in September 2018.

6.2 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles.

6.3 The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council now broadcasts Council meetings and Planning Committees live on the internet and is working towards webcasting other formal member meetings. Live tweets are broadcast from Newport Council's Twitter account.

6.4 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message.

6.5 Individual Cabinet Members can make decisions under the scheme of delegation; agendas and decisions for all Cabinet Members are published on the Council's website.

6.6 Standing Orders of the Council were amended in July 2017 to include a session for open questions to the Leader of the Council at full Council meetings.

6.7 From May 2016 Public Service Board (PSB) papers were published online on the One Newport partner website to ensure transparency, as were agenda and minutes of the Single Integrated Plan Board.

6.8 Public engagement and consultation is key to the WFG Act. One of the five ways of working is Involvement - *the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves*. This is now considered in all Cabinet Member reports through changes in the report template.

6.9 As part of Newport City Council's commitment to being open and transparent it publishes its data on the website which the public is free to view and use www.newport.gov.uk/transparency. Examples of open data sets:

- Newport Matters production costs
- Pupil Numbers
- Public health funerals
- Council Pay & Grading and gender pay gap information
- Payments to suppliers
- Councillor allowances & expenses
- Business rates
- Housing Information

School Reorganisation Programme

6.10 The Council undertakes the school reorganisation programme in accordance with the Welsh Government statutory School Organisation Code.

6.11 Each consultation is supported by full stakeholder engagement as outlined in the statutory code. This includes the publication of detailed consultation packs and a children and young people summary version, distribution of response forms, drop-in sessions and meetings with the school councils at relevant and local schools. Following each consultation, a consultation report is prepared and published which outlines how the consultation was carried out, who is engaged and the relevant responses. These reports are provided as annexes to the Cabinet Member report which approves moving to the next stage in the process – publication of the statutory notice. The statutory notice is the stage at which legal objections can be lodged against proposals.

6.12 The Local Authority works closely with the governing bodies of all schools across Newport and as key stakeholders they are consulted where appropriate on all matters.

6.13 The Council has responded to Freedom of Information Act requests within the required 20 days:

	2016-17	2017-18	2018-19
No' of FOI requests	1087	1037	1167
No' responded to within 20 days	914	916	1051
Percentage of FOIs responded to within 20 days	84% Target 88%	88.3% Target 88%	90.1 Target 88%

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

7.1 The Corporate Plan 2017-2022 "Build on Success and Build a Better Newport now incorporates the Council's wellbeing objectives as required by the WFG Act. The Plan sets out clearly the Council's priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and promoting sustainable development.

7.2 The One Newport PSB Well-being Plan (Cabinet May 2018) – represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic, cultural and environmental well-being of the whole community. No single organisation can meet the total needs of a community, so there is a requirement to plan and deliver services in collaboration with other public and private sector organisations.

7.3 The Well-being Plan identifies key priorities and objectives that the PSB will work towards achieving over a set period of time. These priorities have been identified as those where the PSB and other key stakeholders must work together to achieve success and meet the requirements of the WFG Act.

7.4 The 2016-2018 Improvement Plan was agreed by Cabinet in April 2016 which stated the 8 improvement objectives and included feedback from scrutiny committee consultation. These were centred around the sustainable economic, social and environmental benefits. Although incorporated into the Corporate Plan in 2018, quarter 4's performance against the outgoing Improvement Plan was reported to Cabinet in 2018.

7.5 The Wales Audit Office issued the Council with its second Certificate of Compliance following an audit of the Council's Improvement Plan 2016 - 2018 which went to Cabinet in December 2018, confirming the Council had discharged its duties under section 15 (6) to (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

7.7 In a report to Cabinet in September 2017, the WAO provided their findings from a review of the Council's governance arrangements when determining significant service changes. The report concluded that the Council's governance arrangements for determining significant service change were improving, and it recognised that its vision and change programme needed to be refreshed to strengthen its arrangements further.

7.8 WAO reported that the Council's governance arrangements were clear and well understood, and progress had been made since the Corporate Assessment. Pre-decision scrutiny had increased, and it

was positive to note that officers were prepared to put forward a full range of options for discussion by Members. The Council had effective arrangements for stakeholder engagement, although improvements could be made to how the Council then made use of this information. There was also opportunity to improve monitoring of the impact of service change, for example by agreeing monitoring arrangements before changes were agreed. No formal recommendations were made as a result of this review.

7.9 In October 2018, the Annual Improvement Report 2017/18 was presented to Cabinet by officers. This report is compiled each year by the WAO and brings together regulatory reports that have been received throughout the year from the WAO and other regulators such as ESTYN, CIW etc. The WAO form an overall opinion of whether the Council is likely to meet its duty to demonstrate continuous improvement under the Local Government Measure (2009) by looking at the findings of these reports.

7.10 Based on 2017/18 regulatory work the WAO have concluded that the Council was meeting its statutory requirements in relation to continuous improvement in 2017/18. The Cabinet welcomed the news that the Council was continuing to improve, despite the financial, legislative and population growth challenges it was facing.

7.11 The Annual Report of the Director of Social Services was presented to Cabinet in October 2018. This report is an evaluation of 2017/18 performance for Social Services and it conforms in format and content with the statutory requirements for the Director's report. It sets out the Council's improvement journey in providing services to people in Newport, who access information, advice and assistance, and those individuals and carers in receipt of care and support. The report sets out to demonstrate how Newport Social Services has responded to the new requirements of the Social Services and Well-being (Wales) Act 2014 and how it has promoted and accounted for the delivery of well-being standards to the citizens of Newport. The Director concluded that Social Services in Newport City Council are lean, efficient and well-placed to respond to the continuing challenges it faces.

7.12 2018/19 service planning incorporated an understanding of customer needs, service area outcomes and improvement priorities, performance management and monitoring, an action plan to achieve the outcomes, an assessment of service related risk, an acknowledgement of regulators' proposals for improvement and an equalities impact assessment.

7.13 Newport 2020 was introduced in February 2016 as the Council's organisational change plan and has been used to inform the agreed Corporate Plan.

7.14 Communication is important to Newport; the Annual Statement of Accounts 2017/18 was taken through the Audit Committee. All Council decisions, reports and questions asked by Members are available on the website, as are Cabinet Member decisions, Audit Committee reports and the work of the Scrutiny Committees. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Council activities, achievements, developments, updates and events were included in Newport Matters which is distributed to every household in the City, are also available on the Council's intranet and website.

7.15 Equality Impact Assessments are required by law under the Equality Act 2010. Newport's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Newport. A range of these were undertaken during 2018/19 which have been published on the Council's website. A Strategic Equalities annual report is published by the Council (link).

7.16 The Public Services Board review includes the monitoring of targets to ensure policies are delivering the agreed outcomes to ensure services are effective, focused on local people and improved quality of life in the City. In terms of measuring the environmental impact of policies, plans and decisions, the Council

is working with the Welsh Local Government Association as one of 10 lead authorities for sustainability, and this will also form part of the Wellbeing Assessment and Wellbeing Plan work.

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

8.1 The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority (LA) to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government (WG) Guidance on Schools Causing Concern (March 2016).

8.2 Where the Education Service has concerns with a school's performance it can consider adding additional governors to support and improve the governance arrangements.

8.3 Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved. Longer term service plans were developed during 2018/19 for implementation in 2019/20.

8.4 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery and look for opportunities to improve. The Council's Customer Complaints Policy and procedures are available on the web site; the public can report a problem or concern via the 'Report it' option on the web front page. The following table shows the number of complaints received for the past three years:

	2016-17	2017-18
Stage 1 Complaints	297	284
Stage 2 Complaints	30	24
Complaints to PSOW	28*	37

* The PSOW upheld 1 complaint in part

8.5 Where things are not working as well, Cabinet recognised the shared role of Cabinet Members, Members and Officers in performance against Improvement targets. The Cabinet also recognised the role of scrutiny in looking at any systematic failures. Newport is learning from its mistakes. The implementation of action plans continued across the board with the Corporate Assessment, Estyn Inspections, service plans and internal audit reports along with findings from external audit, WAO.

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

9.1 Councillor programmes have been held mainly based on their various roles within the Council. The Democratic Services Committee recognised the Council needed to do more to base the programme on individual needs as identified by Councillors. To this end the Committee agreed to pilot a series of interviews with the Organisation Development team to participate in this pilot.

9.2 There is an on-going programme of events and training for Members involved in Planning & Licensing Committees and Sub Committees.

9.3 Embedded Appraisal arrangements for Chief Officers are in place, including:-

- Chief Executive's Annual Appraisal;
- Chief Executive's one to one meetings with Strategic Directors;
- Strategic Directors' one to one meetings with Heads of Service;
- Cabinet Member one to one meetings with Heads of Service
- Appraisal of Chief Officers (Heads of Service).

9.4 The employee performance management system (Clear Review) was launched during 2017. This enables ongoing evaluation and encourages all staff to give feedback to colleagues. This ensures that all officers and managers reflect on their objectives and staff are able to link their objectives directly to the organisational goals set within the Corporate Plan and service plan. Participation in Clear Review now forms part of the suite of corporate performance indicators. The system also allows continued professional development (CPD) opportunities to be identified which are needed to improve the skill, knowledge and understanding of employees.

9.5 Core Skills training is available through Organisational Development aligned to our corporate values with specific training available on topics such as Customer Care, Stress Management and Equality and Diversity.

9.6 Management Capacity is being developed through:-

- A mandatory introduction to Management programme for new line managers (started in November 2018);
- Further In-house management development modules for middle managers;
- Aspiring Leaders Programme delivered in partnership with the University of South Wales.

9.7 Senior Management lead Cabinet Member briefings on a regular basis. Briefings stimulate discussion around the need for Member training. These considerations are followed up with Democratic Services, ensuring that an appropriate and timely Members training programme is planned.

9.8 Developing the Relationship between Cabinet and Scrutiny was a major focus of both the National Scrutiny Study (WAO 2014) and the Corporate Assessment, highlighting the need to clarify roles and responsibilities of Cabinet and Scrutiny. The WAO concluded that the Council has started to improve its governance arrangements, however, the value of scrutiny is not yet being maximised. Regular meetings have taken place to further develop the relationship between Scrutiny and the Executive.

9.9 The scheme of delegation in the Constitution sets out the various responsibilities of Members and Officers. This is updated as required via the Democratic Services Committee. Standing Orders and the Constitution were updated to take account of the requirements of the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations in July 2014.

9.10 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.

9.11 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings, authors of all scrutiny, Audit Committee, Cabinet, Council reports need to obtain comments from the Monitoring Officer, Chief Finance Officer and Head of People and Business Change before submission. All reports taken in 2018/19 included such comments.

9.12 A protocol on Members / Officers relations is included within the Council's Constitution and this was reviewed by the Standards Committee January 2018 and approved by Council in July 2018. The Procedure for Dealing with Complaints of Breaches of the Members' Code of Conduct was reviewed in March 2015. A Planning Committee Code of Best Practice and a Licencing Committee Code of Practice are also in place.

9.13 There were some 'cosmetic' changes made to the Council Constitution during July 2018 to reformat the document, make it easier to understand and navigate through online. The following were updated;

- Updates to job titles
- Portfolio updates following the election (e.g. Cabinet Member delegations – which is an executive matter delegated to the Leader)
- Member allowances update, as approved by Council April 2018

9.14 Remunerating Members - The Members' scheme is now determined by the Independent Remuneration Panel. A report on any discretionary payments is presented to the Council following consideration by the Democratic Services Committee. The Schedule of Member Remuneration 2018/19 was published on the website.

Partnerships / Collaboration Working

9.15 Partnership and Co-operative Principles aim to support the delivery of public sector reform by working collaboratively with our partners to improve outcomes for the City. A single plan for partnership working in Newport is being delivered via the "One Newport" Public Services Board (Single Integrated Plan) – current themes are Economy and Skills, Health and Wellbeing, and Safe and Cohesive Communities.

9.16 The establishment of the Education Achievement Service (EAS) for 5 South East Wales Education authorities in 2012 including Newport, has appropriate governance arrangements in place. The EAS Business Plan for 2016-2019 was taken through Scrutiny in March 2016.

9.17 Prosiect Gwyrdd is a key partnership Newport is involved in with 5 neighbouring local authorities (Cardiff, Vale of Glamorgan, Caerphilly and Monmouthshire); Newport's Contract Waste Profile was reported to Cabinet March 2012. This partnership is covered by an Inter-Authority Agreement (IAA).

9.18 The Gwent Frailty Programme was launched in April 2011. The Frailty Programme is a multi-agency partnership aimed at improving Intermediate Care services in Gwent and spans the Aneurin Bevan Health Board (ABHB), 5 Local Authority partners and a number of voluntary sector organisations.

9.19 In One Place obtained Cabinet support in November 2013 to facilitate collaboration between Aneurin Bevan Health Board (ABHB), the five local authorities and Housing Associations within Gwent with the aim of streamlining the process of developing suitable accommodation for people with complex health and social care needs in Gwent.

9.20 One Newport Public Services Board (PSB) includes health, police, colleges, local government, housing, third sector and central government; it has a shared strategic purpose detailed in the Single Integrated Plan with terms of reference and the Performance Management Framework. The Public Services Board was created in 2016 following the WFG Act. The terms of reference of the board were reviewed in 2017/18 at the first meeting following a local government election as required by the WFG Act.

9.21 The South East Wales Improvement Collaborative (SEWIC) Fostering Group is a working group to develop a marketing strategy, with the objective of creating a unified brand to represent all 10 of the local authorities in South East Wales. It reports to SEWIC Board of Social Services Director.

9.22 In July 2015 Cabinet was informed of the Team around the Cluster which is a collaboration between schools and public services (health, social care, police) designed to meet the needs of vulnerable children. The model had been tested with two pioneer clusters (Llanwern and Newport High) and there had already been significant improvements in the lives of vulnerable children and families and Head Teachers have given their support to this initiative.

9.23 In 2016/17 a business case was developed for delivery of IT services as a partnership with the Shared Resource Service (SRS). The SRS is a collaborative ICT provision in South East Wales that comprises Gwent Police, Monmouthshire County Council, Torfaen County Borough Council and Blaenau Gwent County Borough Council. The SRS is underpinned by a Memorandum of Understanding (MoU) that enables a single management structure across the board. Newport CC became a partner of SRS in April 2017.

9.24 Newport City Council continues to be part of the Cardiff Capital Region City Deal. With the Leader and Chief Executive attending Joint Cabinet meetings. The Accountable Body, City of Cardiff, will ensure that there is a means of managing financial, legal and governance arrangements of the Cardiff Capital Region.

9.25 There is a Council policy on information sharing along with numerous information sharing protocols with our partners. Information sharing is key to joined up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Newport signed up to this in January 2011. The Council is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 2018. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.

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

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

10.2 The year-end Performance Analysis for 2017/18 was taken through Cabinet in October 2018 which showed:

- 59% of our performance indicators have performed better than target;
- 36% of our performance indicators have performed better than last year;
- 40% of our performance indicators have performed better than Wales' average

10.3 Performance management arrangements have improved with regular monitoring by the Cabinet and Cabinet Members as well at officer level. The Authority had made its targets more difficult to achieve in an effort to push the organisation into improving services.

10.4 Mid-Year Performance Analysis for 2018/19 was taken through Cabinet in January 2019. The Council continued to meet its obligation to demonstrate continuous improvement in performance. This was against a back drop of cuts to Council budgets, more challenging targets and a set of measures which had changed.

10.5 The report showed that for the first six months of this financial year:

- 84% of the actions (205/245 actions) identified in the service plans were reported as being '*In Progress'*;
- 7% of actions (17/245 actions) reported as being *'Completed';* and
- 9% of actions (23 out of 245 actions) *awaiting to be commenced*.

10.6 A report was taken through Cabinet in October 2018 regarding academic pupil performance for Foundation Phase, Key Stage 2 and Key Stage 3 at the end of the academic year 2017/18 for schools in Newport.

10.7 The key points to note within the report were:

- Consistently strong performance of Newport schools at Foundation Phase, Key Stage 2 and Key Stage 3;
- Newport continues to perform significantly above the Welsh average in the Foundation Phase Indicator;
- In 2016/17 Newport ranked 6th out of 22 Local Authorities in Wales – significantly above the Free School Meal ranking of 15th place.
- In 2016/17 Newport performed 1.9 percentage points above the Welsh average – last year Newport performed 3.8 percentage points above the Welsh average.
- Core Subject Indicator attainment at Key Stage 2 continues to improve and to perform above the Welsh average
- Core Subject Indicator in Key Stage 3 has continued to improve and is above the Welsh average for the first time in recent years following a 3.1 percentage point improvement in 2017/18;
- Newport's performance in English, Maths and Science at National Curriculum Levels 6+ and 7+ is consistently above the Welsh average
- An increase in Newport school attendance performance with Newport primary school attendance moving from 21st to 14th ranking position and secondary schools moved from 21st to 19th position in 2017/18.

10.8 Every Child Group - This is a monitoring group with senior and middle managers from Central Education and representative Headteacher partners to challenge and support Key Performance Indicators and is held half-termly.

10.9 Audit Committee meets regularly and its activities can be seen via the Council's website; it met 6 times in 2018/19. It received

- The Annual Internal Audit Report 2017/18
- The Annual Internal Audit Plan 2018/19
- The Draft Annual Internal Audit Plan 2019/20
- Quarterly updates from Internal Audit re opinions / performance
- Standing Order 24 (Urgent Decisions) and Waiving of Contract Standing Orders quarterly reports
- Treasury Management report and updates
- Corporate Risk Register quarterly updates
- Draft and Final 2017/18 Financial Statements, including the Annual Governance Statement
- 6 monthly updates on Internal Audit low assurance opinions
- Regulatory Reports Summary and other WAO reports

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

Risk Management

10.11 The Council's Corporate Risk Register was updated and taken through Cabinet and Audit Committee during 2018/19 on a quarterly basis. Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. 14 major risks were identified for the Council and these were recorded on the Corporate Risk Register at the end of 2018/19; these are shown in the following table:

		Risk Score 2018/19			
	Risk	**Q1**	**Q2**	**Q3**	**Q4**
1	RO6: Balancing the Council's Medium Term budget	16	20	20	20
2	RO8: Risk of stability of external suppliers	16	16	20	20
3	R13: Maintaining the Highways Network	25	25	20	20
4	R07: Increased pressure on demand led services	16	16	16	16
5	R15: City Centre Security & Safety	-	-	15	15
6	R4: Decision to leave the European Union (Brexit)	9	9	16	12
7	R10: Climate Change	12	12	12	12
8	R12: Increasing risk of cyber attack	12	12	12	12
9	R16: Maintenance and improvement of council buildings and assets	-	-	12	12
10	R01: Legislative Requirements	12	12	12	6
11	R02: Capacity and capability to meet the Councils objectives	9	9	6	6
12	R03: Safeguarding	8	8	6	6
13	R11: Increasing demands on IT Services and the modernisation agenda	6	6	6	6
14	R05: In year financial management	8	8	8	4

10.12 The above figures relate to a likelihood v impact score where the higher the number, the higher the risk.

10.13 The Audit Committee felt that managing the risks faced by service areas was an important aspect of the manager's role and should be part of his / her day to day responsibilities. Further work was required to ensure that risk management became fully embedded within Council operations so that it became more of a living document so that operational managers took greater responsibility for owning and dealing with the risks identified in their areas.

10.14 A report template for all formal member and scrutiny reports requires authors to consider risk and its management or mitigation when writing reports.

10.15 Each Head of Service incorporates the keys risks to their service within operational plans which identified the impact, the likelihood and any mitigation in place to manage those risks.

Information Governance

10.16 The purpose of the Annual Information Risk Report is to provide an assessment of the information governance arrangements for the Council and identify where action is required to address weaknesses and make improvements. The 2018/19 report was received by Scrutiny Management Committee in July 2019 following initial discussion with the Cabinet member Community and resources.

10.17 The Annual Information Risk Report forms an important element of information risk management and includes an action plan. The report highlights:

- PSN (Public Services Network) compliance achieved;
- Good progress made in relation to General Data Protection Regulation (GDPR)
- A Data Protection Policy developed and existing policies updated
- Management of Information Governance Group which meets quarterly;
- Specific member training that was well attended complementing good staff attendance;
- Information risk register managed;
- 2 incidents referred to the ICO (Information Commissioners Office) with no action taken against the Council;
- Roll out of Office 365 including Multi Factor Authentication (MFA) and Advanced Threat Protection (ATP)
- Met Freedom of Information Requests target with highest number of requests ever recorded

(Link) Annual Information Risk Report 2018-19

10.18 The Information Commissioner (ICO) recommends that Councils publish information proactively and the Council has adopted the ICO publication scheme in this respect. The model publication scheme commits the Council to publishing certain classes of information. It also specifies how the Council should make the information available, any charges, and what we need to tell members of the public about the scheme. This has been updated in line with new requirements to provide sets of electronic data on request.

10.19 Freedom of Information requests are also available through an online form on the Council's website.

Financial Stewardship

10.20 Where value for money of the public pound is concerned, the budget proposals were examined by a joint meeting of Scrutiny Committees and then by the individual committees as part of the budget process. It is intended that the Medium Term Financial Plan (MTFP) will form the basis of some of the Scrutiny Reviews in the coming year. As part of its review process the internal audit team checks to ensure corporate contacts are being utilised.

10.21 There are robust arrangements for effective financial control through the Council's accounting procedures, Financial Regulations and Contract Standing Orders (CSOs), revised May 2016. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. Procedures for tendering and contract letting are included in the CSOs. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Council's Audit Committee and full Council.

Procurement Gateway Process

10.22 In 2015 NCC introduced a 'Procurement Gateway Process' mandatory to follow if seeking to commission or procure goods, services or works over £4,000 in value. The processes are designed to give a consistent approach to procurement across the Authority and enable senior management to have visibility of the goods and services being purchased by the Council.

10.23 For all procurements over £100,000 there is a monthly Gateway Board chaired by the Chief Executive that will approve or reject new Business Cases. The Strategic Procurement Category Managers lead service areas in both the gateway process and submitting business case.

Thresholds:

10.24 Up to £4,000 it is necessary only to demonstrate and record that value for money is being achieved

10.25 From £4,000 to £25,000, requirements should either be sought through the 'Quick Quote' section on www.sell2wales.gov.uk or openly advertised on www.sell2wales.gov.uk.

10.26 From £25,000 to £100,000 all requirements must be openly advertised on www.sell2wales.gov.uk and tendered using the Council's electronic eTenderWales tendering system.

10.27 Over £100,000 all requirements must be openly advertised on www.sell2wales.gov.uk and tendered using the Council's electronic eTenderWales tendering system.

Medium Term Financial Plan

10.28 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year. The updated MTFP and budget monitoring reports were presented to and approved by Cabinet in June 2018, July 2018, September 2018, November 2018, December 2018, January 2019 and February 2019. The 2018/19 Budget consultation and MTFP were submitted to Council in February 2018; budget proposals also went through the Learning, Caring and Leisure Scrutiny, Street Scene, Regeneration and Safety Scrutiny, Community Planning and Development Scrutiny. The Council recognises that timely and accurate budget monitoring information is essential for effective decision making purposes. A public consultation exercise was also undertaken to determine the 2018/19 budget proposals.

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

11.1 In April 2016 Cabinet supported the establishment of the Regional Partnership Board following the Social Services and Wellbeing (Wales) Act 2014; the partners being Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen local authorities, Aneurin Bevan University Health Board, Torfaen Voluntary Alliance, Gwent Association of Voluntary Organisations.

11.2 The WAO's review of progress against its Corporate Assessment of Newport and Corporate Assessment follow up recommendations (2015/16) was presented to and accepted by Cabinet in October 2016. It identified 4 proposals for improvement and determined that the Council has made progress against all the recommendations made in the Corporate Assessment follow-up report. Progress reports and updates on the action plan to address the recommendations and proposals for improvement were submitted to Cabinet in April 2017, November 2017 and March 2018.

11.3 A review was conducted by WAO of 'Good governance when determining significant services changes' and a report was submitted to Cabinet in September 2017. No recommendations were made as a result of this review although 5 areas were highlighted where the Council's governance could be strengthened. The overall conclusion was that the Council's governance arrangements for determining significant service change are improving, and it recognises that its vision and change programme needs to be refreshed to strengthen its arrangements further. The Council responded to this by compiling an action plan to address the proposals for improvement that were identified.

11.4 In its Annual Improvement Report 2017/18 for Newport City Council, issued in August 2018, the WAO determined that the Council was meeting its statutory requirements in relation to continuous improvement. The Council was subject to a number of proposals for improvement.

11.5 The WAO undertook a review across all 22 councils in Wales entitled "Overview and Scrutiny – Fit for the Future" published in December 2018. The conclusion for Newport City Council was that its leadership was committed to improving its scrutiny function and to meet current and future challenges for scrutiny, but members need a fuller understanding of their scrutiny role and more effective, timely training.

11.6 A Review of Local Government use of Data was undertaken by the WAO and issued in January 2019. The conclusion for the Council was that it had already experienced some of the benefits of making data led decisions. A change in culture to develop a more unified and corporate approach would help it to build on this and extend the benefits of data-led decisions to all service areas.

11.7 In January 2019 the WAO published their report on "Service User Perspective Review, Flying Start" for Newport City Council. Their conclusion was that parents were generally very satisfied with the Flying Start Language and Play and Nuture programmes but the Council could more systematically use parents' views when planning and improving services.

11.8 A follow up review was undertaken by the WAO on Newport City Council's Waste Service; the report was published in February 2019. The overall conclusion was that the Council had made progress in addressing some of the WAO's previous proposals for improvement but still lacked strategic direction to secure sustainable improved outcomes.

12 Action Plan

12.1 Progress against the 2017/18 action plan is shown in the table below:

Issue	Action	Responsible Officer
3.56 The established anti-fraud, bribery and corruption policy statement required review. This was endorsed by the Audit Committee.	The revised anti-fraud, bribery and corruption policy statement to be taken through Cabinet, approved and published on the NCC website. Staff to be made aware via internal communications. 2018/19 position: Outstanding	Chief Internal Auditor
5.1 The protocol for Member/Officer relations was considered by the Standards Committee in January 2018 but the revised protocol had not been approved by Full Council.	A further review of the protocol to take place in 2018/19 prior to recommendation of approval to Council. 2018/19 position: Approved by Council July 2018	Head of Law & Regulation

5.11 The implementation of the General Data Protection Regulations (GDPR) in May 2018 required new elements and significant enhancements to be considered, so the Council will have to do some things for the first time and some things differently.	The GDPR Task and Finish group to continue to meet and implement improvements in conjunction with service areas to fully comply with GDPR requirements. An Internal Audit review of actions taken to take place during the 2018/19 year. 2018/19 position: Internal Audit did undertake a review of GDPR as part of its 2018/19 Audit Plan.	Head of People & Business Change
7.12 To continue to strengthen the Council's governance arrangements following the Wales Audit Office, Good Governance When Determining Significant Service Changes report.	To continue to monitor the action plan which was presented to Cabinet in September 2017. 2018/19 position: Ongoing	Chief Executive
8.4 To ensure that Service plans have been devised, scrutinised and approved by the relevant Cabinet Member for each service area.	Each service area to draft a service plan for the period 2018-2022 for approval. These will be reviewed by Scrutiny and approved by the Cabinet Member and subject to half yearly review. 2018/19 position: Competed and Cabinet Member reports produced	All Heads of Service

12.2 Based on our review of the governance framework, the following issues will be addressed during 2019/20 to further improve and strengthen the governance arrangements and their effectiveness in future years.

2018/19 Action plan

Issue	Action	Responsible Officer
1.5 The Council's Code of Corporate Governance needs to reviewed and updated.	The Council's Code of Corporate Governance will be reviewed and updated during 2019/20.	Chief Internal Auditor
3.50 The established anti-fraud, bribery and corruption policy statement required review. This was endorsed by the Audit Committee.	2018/19 Outstanding Action: The revised anti-fraud, bribery and corruption policy statement to be taken through Cabinet, approved and published on the NCC website. Staff to be made aware via internal communications.	Chief Internal Auditor

13 Conclusion

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

Signed: Deborah Wilcox **Date 4th September 2019**

Leader

Signed: Will Godfrey **Date 4th September 2019**

Chief Executive

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Newport City Council; and
- Newport City Council Group

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Newport City Council and Newport City Council Group as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

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

Other information

The responsible financial officer is responsible for the other information in the statement of accounts. The other information comprises the Narrative Report and the Annual Governance Statement included in the financial statements. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:
proper accounting records have not been kept;

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

Certificate of completion of audit

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Newport City Council Group's financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett
For and on behalf of the Auditor General for Wales
10 September 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Electronic Publication of Financial Statements

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

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources by Local Authorities in comparison with those resources are funded in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Corporate Services include the services areas Directorate, Finance, People and Business Change and Law and Regulation.

2018/19	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the funding and accounting basis**	**Net expenditure in the CIES**
	£'000	£'000	£'000
Children and Young People	25,850	1,315	27,165
Adults and Community	44,891	2,680	47,571
Education	14,723	5,193	19,916
Schools	92,977	35,298	128,275
Regen Investment + Housing	9,970	10,592	20,562
City Services	22,984	16,996	39,980
Corporate Services	17,290	3,472	20,762
Other Non Department Costs (Non Service)	47,161	(44,934)	2,227
Net Cost of Service	**275,846**	**30,612**	**306,458**
Other Income and Expenditure	(275,846)	25,036	(250,810)
(Surplus) or Deficit	**-**	**55,648**	**55,648**

Opening General Fund as at 31 March 2018	**(6,500)**
(Surplus) / Deficit on the General Fund	-
Transfer between Earmarked reserve and general funds	-
Closing General Fund as at 31 March 2019	**(6,500)**

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

Opening General Fund as at 31 March 2017	**(6,500)**
(Surplus) / Deficit on the General Fund	-
Transfer between Earmarked reserve and general funds	-
Closing General Fund as at 31 March 2018	**(6,500)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000		Notes	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
29,156	(3,211)	25,945	Children's and Young People Services		30,744	(3,578)	27,165
72,698	(28,959)	43,739	Adults and Community Services		75,040	(27,470)	47,571
27,711	(4,593)	23,118	Education		24,137	(4,221)	19,916
125,386	(21,808)	103,578	Schools		149,169	(20,894)	128,275
38,019	(18,263)	19,756	Regeneration, Investment and Housing		39,402	(18,840)	20,562
45,340	(15,211)	30,129	City Services		53,328	(13,348)	39,980
27,753	(5,035)	22,718	Corporate Services		25,420	(4,658)	20,762
56,286	(55,395)	891	Other Non Department Costs		53,527	(51,300)	2,227
422,349	**(152,475)**	**269,874**	**Cost of services**		**450,767**	**(144,309)**	**306,458**
21,615	-	21,615	Other operating expenditure	11	26,443	-	26,443
22,261	(2,401)	19,860	Financing and investment income and expenditure	12	22,544	(1,395)	21,149
-	-	-	(Surplus) / deficit on discontinued operations		-		
-	(289,913)	(289,913)	Taxation and non-specific grant income	13	-	(298,402)	(298,402)
466,225	**(444,789)**	**21,436**	**(Surplus) / Deficit on Provision of services**		**499,754**	**(444,106)**	**55,648**
		(537)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets				(39,252)
		(20,900)	Actuarial (gains) / losses on pensions assets / liabilities				54,748
		(21,437)	**Other Comprehensive Income and Expenditure**				**15,496**
		(1)	**Total Comprehensive Income and Expenditure**				**71,144**

Movements in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund (surplus) / deficit before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Council Fund Balance	Restated Earmarked General Fund Reserves	Capital Receipts Reserve	**Restated Total Usable Reserves**	Unusable Reserves	**Restated Total Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the 31 Mar 2017 carried forward	**(6,500)**	**(90,334)**	**(11,742)**	**(108,576)**	**86,406**	**(22,170)**
Movement in reserves during 2017/18						
(Surplus) / deficit on the provision of services	21,436	-	-	**21,436**	-	**21,436**
Other comprehensive Income and Expenditure	-	-	-	**-**	(21,437)	**(21,437)**
Total Comprehensive Income and Expenditure	**21,436**	**-**	**-**	**21,436**	**(21,437)**	**(1)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(19,994)	-	2,841	**(17,153)**	17,153	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**1,442**	**-**	**2,841**	**4,283**	**(4,284)**	**(1)**
Transfer to/ from Earmarked Reserves	(1,442)	1,442	-	**-**	-	**-**
Increase/ Decrease in 2017/18	**-**	**1,442**	**2,841**	**4,283**	**(4,284)**	**(1)**
Balance at the 31 Mar 2018 carried forward	**(6,500)**	**(88,892)**	**(8,901)**	**(104,293)**	**82,122**	**(22,171)**
Balance at the 31 Mar 2018 carried forward	**(6,500)**	**(88,892)**	**(8,901)**	**(104,293)**	**82,122**	**(22,171)**
Movement in reserves during 2018/19						
(Surplus) / deficit on the provision of services	55,648	-	-	55,648	-	55,648
Other comprehensive Income and Expenditure	-	-	-	-	15,496	15,496
Total Comprehensive Income and Expenditure	**55,648**	**-**	**-**	**55,648**	**15,496**	**71,144**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(54,998)	-	606	**(54,392)**	54,392	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**650**	**-**	**606**	**1,256**	**69,888**	**71,144**
Transfer to/ from Earmarked Reserves (Note 10)	(650)	650	-	**-**	-	**-**
(Increase) / Decrease in 2018/19	**(0)**	**650**	**606**	**1,256**	**69,888**	**71,144**
Balance at the 31 Mar 2019 carried forward	**(6,500)**	**(88,242)**	**(8,295)**	**(103,037)**	**152,010**	**48,973**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 31-Mar-18 £'000		Notes	31-Mar-19 £'000
500,703	Property, Plant and Equipment	14	502,785
17,968	Heritage Assets	15	17,354
7,577	Investment Property	16	7,783
251	Long Term Investments	17	251
22,078	Long Term Debtors	17	23,115
548,577	**Long Term Assets**		**551,288**
20,445	Short Term Investments	17	10,000
234	Assets Held for Sale	21	1,080
156	Inventories	18	189
37,839	Short Term Debtors	19	43,325
773	Cash and Cash Equivalents	20	47,140
59,447	**Current Assets**		**101,734**
(5,429)	Short Term Borrowing	17	(43,451)
(39,945)	Short Term Creditors	22	(39,561)
(6,465)	Provisions	23	(5,372)
(2,292)	Other Short Term Liabilities	17	(2,272)
(54,131)	**Current Liabilities**		**(90,656)**
(8,272)	Long Term Creditors	17	(9,885)
(8,479)	Long Term Provisions	23	(10,639)
(148,147)	Long Term Borrowing	17	(149,336)
(324,017)	Pension Liability	25	(400,587)
(42,807)	Other Long Term Liabilities	17	(40,892)
(531,722)	**Long Term Liabilities**		**(611,339)**
22,171	**Net Assets**		**(48,973)**
(104,293)	Usable Reserves	24	(103,037)
82,122	Unusable Reserves	25	152,010
(22,171)	**Total Reserves**		**48,973**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2017/18 £'000		Note	2018/19 £'000
21,435	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		55,648
(135,259)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	(74,134)
17,400	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	23,075
(96,424)	**Net cash flows from Operating Activities**		**4,589**
36,396	Investing Activities	27	(10,002)
58,783	Financing Activities	28	(40,954)
(1,245)	**Net (increase) or decrease in cash and cash equivalents**		**(46,367)**
(472)	Cash and cash equivalents at the beginning of the reporting period	20	773
773	**Cash and cash equivalents at the end of the reporting period**	20	**47,140**

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, and in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and is supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments which are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Discontinued Operations

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

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

Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets
Service revenue accounts and central support services are debited with the following amounts to recognise the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

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

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

Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end.

They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits
Employees of the Council are members of two separate pension schemes:

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools and Education lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to Teachers' Pensions in the year.

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

- The liabilities of the Torfaen County Borough (Greater Gwent) pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions around areas such as mortality rates and employee turnover rates, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bonds).

- The assets of the Torfaen County Borough (Greater Gwent) pension fund attributable to the Council are included in the Balance Sheet at their bid value
  - Equity securities – quoted prices in active markets
  - Real Estate, investment funds and unit trusts, cash & cash equivalents = quoted prices not in active markets

- The change in the net pensions liability is analysed into the following components:

Service Costs

- **current service cost –** the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **net interest on the net defined benefit liability (asset)** - the net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements

- **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

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

Full pensions details are included in Notes 40 and 41.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Fair Value Measurement

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

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

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

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

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

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

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

Financial Instruments

Financial Liabilities

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

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

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

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

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

The asset is initially measured and carried at fair value.

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

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

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

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

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

Government Grants and Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income. Capital Grants are reversed out to the capital adjustment account as expenditure is incurred. Grants or contributions requiring return

if conditions are not satisfied, are held on the balance sheet within creditors until the conditions are met at which point they are recognised in the Comprehensive Income and Expenditure Statement.

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

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

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

Museum Collection

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

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

Library Collection

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

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

Tredegar House – Property and Contents

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

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

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

Public Art and Features

The Council holds a large number of public art features, such as murals and statues, on public display throughout the local area. These are reported in the Balance Sheet at market value. The collection is re-valued every five years by the Council's internal experts based on anticipated replacement costs of the art, which is considered to

closely represent their market value. The assets within the Public Art collection are deemed to have indeterminate lives, and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

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

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

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

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

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

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

Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or held for sale.

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

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

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

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

Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Council as Lessee

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a

straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment (PPE), Investment Properties, or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), and matched by a lease (long-term debtor) asset in the Balance Sheet. The Council currently recognises two such lease debtors in the accounts.

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

Overhead and Support Service

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

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council maintains a deminimus cost of £10,000 for any asset to be capitalised. However where groups of assets e.g. PCs are purchased individually fall below the deminimus level, these will be considered for capitalisation as a group of assets on a case by case basis.
Where the acquisition or creation of IT systems incorporates both physical hardware and licences to use the system, judgement is made as to whether this will be classified wholly as Property, Plant and Equipment or Intangible Assets, as per the CIPFA Code of Practice on Local Council Accounting.

Measurement

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

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

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

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

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

- where there is a balance in the Revaluation Reserve the difference between the historic carrying value of the asset and its re-valued value is written off against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance the difference between the historic carrying amount of the asset and its re-valued value (impaired value) is written down against the relevant service line(s) in the Comprehensive income and Expenditure Account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

Impairment
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance in the Revaluation Reserve the difference between the historic carrying value of the asset and its re-valued value is written off against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance the difference between the historic carrying amount of the asset and its re-valued value (impaired value) is written down against the relevant service line(s) in the Comprehensive income and Expenditure Account.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

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

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

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

Non-current Assets Held for Sale and Disposals
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any

revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Private Finance Initiative (PFI)

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

The recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by a liability for amounts due to the scheme operator to pay for the assets. Non-current assets recognised on the balance sheet are re-valued and depreciated in the same way as property, plant and equipment directly owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year which recognises performance achieved – charged to the relevant service in the Income and Expenditure Account;
- Finance cost – an interest charge on the outstanding balance sheet liability, charged to Financing and Investment Income and Expenditure in the Income and Expenditure Account;
- Contingent rent – an amount paid in respect of the property during the contract, charged to Financing and Investment Income and Expenditure in the Income and Expenditure Account;
- Payment toward liability – used to write down the balance sheet liability towards the operator;
- Lifecycle replacement costs – recognising elements of the assets require regular replacement and therefore charged to fixed assets on the balance sheet, or revenue as appropriate.

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

Provisions

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

Provisions are charged to the Comprehensive Income and Expenditure Statement to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimates are reviewed at the end of each financial year and any changes are reflected within

relevant service revenue accounts. When payments related to the obligation are eventually made they are charged to the provision set up in the Balance Sheet.

Contingent Assets / Liabilities

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

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

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

Reserves

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

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

Earmarked Reserves:

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

Unusable Reserves:

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Value Added Tax (VAT)

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

Carbon Reduction Commitment Allowances

The Council has been required to participate in the Carbon Reduction Energy Efficiency Scheme. This scheme ended on 31 March 2019. The Council was required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy used. As carbon dioxide is

emitted (i.e. as energy is used), a liability and an expense have been recognised. The liability will being discharged by surrendering allowance. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

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

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020. The adoption of IFRS 16 will likely have a material impact to the accounts but the exact impact is not yet known.
- **IAS 40 Investment Property**: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.
- **IFRS 9 Financial instruments: prepayment features with negative compensation** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.
- **Annual Improvement improvements to IFRS Standards 2014 – 2016 Cycle** contains amendments to IFRS 1 First time Adoption of International Financial Reporting Standards; IFRS 12 Disclosure of Interests in other Entities and IAS 28 Investments in Associates and Joint Ventures. These are amendments that clarify wording or particular aspects to each Standard.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There remains a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;

- Following the publication of updated guidance from CIPFA the Council has reviewed its recognition and treatment of the various types of schools and the assets they operate from. Schools governing bodies are separate entities to the Council but for the purpose of preparing Statement of Accounts they are within the group boundary and their activities must be reported.

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

In Newport's case it has been judged that faith schools (voluntary aided or controlled) which are not sited on Council land and over which it has no long term guarantees of availability do not meet the criteria for recognition as an asset under IAS16. This results in the exclusion of 9 schools from the Council's non-current assets.

4 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Finance on 7th June 2019. Events taking place after this date are not reflected in the financial statements or notes.

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

The Statement of Accounts contain estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model.) Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the senior external valuer).	The Council uses a selection of valuation methods to measure the fair value of its surplus assets, investment properties and financial assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement particularly for the investment properties.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The actuary has advised the effects of a 0.5% increase in the following criteria: Discount Rate – £97.0m amendment to liability. Salary Increase Rate – £14.2m amendment to liability. Pension Increase Rate - £81.2m amendment to liability.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Due to the uncertainty about the actual useful life of an asset there is uncertainty of this charge if the useful life was to change.	If the useful life of assets is reduced, depreciation increases and the net carrying value of the assets falls.
Provisions	The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities, this is detailed further in the provisions note.	The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the outturn of the Council in future years, however due to the uncertain nature of these events, these are difficult to quantify.
Provisions in relation to Arrears	At 31 March 2019, the Council had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may or may not be deemed to be sufficient.	Improvements in collection will improve future reported outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.

6 MATERIAL ITEMS OF INCOME AND EXPENSE

There are no items classed as exceptional items in 2018/19 (nil for 2017/18)

7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2018/19	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
Adjustments from General Fund to arrive at CIES amounts	£'000	£'000	£'000	£'000	£'000
Children and Young People	272	1,785	7	(749)	1,315
Adults and Community	339	2,155	17	169	2,680
Education	4,654	502	30	7	5,193
Schools	31,081	4,200	(673)	690	35,298
Regen Investment + Housing	7,599	1,870	17	1,106	10,592
City Services	14,819	1,610	6	561	16,996
Corporate Services	1,508	2,257	15	(308)	3,472
Other Non Department Costs (Non Service)	78	(1,505)		(43,507)	(44,934)
Net Cost of Service	**60,350**	**12,874**	**(581)**	**(42,031)**	**30,612**
Other Income and Expenditure from Funding Analysis	(13,622)			38,658	25,036
Difference between General Fund surplus or deficit and CIES Surplus or Deficit	**46,728**	**12,874**	**(581)**	**(3,373)**	**55,648**

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

Adjustments for Capital Purposes

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
    a. Other operating expenditure – adjusts for capital disposals with a transfer of income on the disposal of assets and the amounts written off for those assets
    b. Financing and investment income and expenditure – the statutory charges for capital financing such as Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices
    c. Taxation and non specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Changes for Pension adjustments

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income
    a. For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service cost
    b. For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES

Adjustments for Accumulated Absences

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

Other Differences

4) Other differences between the amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payables / receivable to be recognised under statue:
    a. For financing and investment income and expenditure the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts
    b. The other differences that are recognised is any adjustment which is required to be completed to reconcile the reported outturn to Cabinet, to that which is it classified with the accounts. The adjustment of £43.5m under 'Other Non Department Costs (Non Service)' includes adjustments for Levies, Council Tax reduction scheme, interest payable and receivable, Reserve transfers, including Schools transfer to/from balances, Minimum Revenue Provision and any other income and expenditure.
    c. The £38.7m adjustment under 'Other Income and Expenditure from Funding Analysis' will include any other adjustments, including PFI.

8 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2017/18	2018/19
Expenditure	£'000	£'000
Employee Benefits Expenses	184,924	189,358
Other Services Expenditure	210,581	205,335
Depreciation, Amortisation, Impairment	26,843	56,074
Interest Payments	22,261	22,544
Precepts and Levies	21,077	21,959
(Gain)/Loss on Disposal of assets	539	4,484
Total Expenditure	**466,225**	**499,754**
Income		
Fees, Charges and other service income	(31,550)	(30,056)
Interest and investment income	(2,390)	(1,395)
Income from Council tax and non-domestic rates	(108,282)	(112,746)
Government grants and contributions	(302,567)	(299,909)
Total Income	**(444,789)**	**(444,106)**
(Surplus) or Deficit on the Provision of Services	**21,436**	**55,648**

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions, as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves		
2018/19	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	**(36,902)**	**-**	**36,902**
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	**(48,050)**	**-**	**48,050**
Charges for depreciation and impairment of non-current assets	(51,210)	-	51,210
Revaluation losses on PPE & Assets Held for Sale	(5,044)	-	5,044
Movements in the fair value of Investment Properties	166	-	(166)
Capital grants and contributions applied	20,559	-	(20,559)
Revenue expenditure funded from capital under statute	(6,088)	-	6,088
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(6,433)	-	6,433
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	11,148	-	***(11,148)***
Statutory provision for the financing of capital investment	9,781	-	(9,781)
Capital expenditure charged against the General Fund	1,367	-	(1,367)
Adjustments primarily involving the Capital Receipts Reserve:	**2,530**	**606**	**- (3,136)**
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	2,530	(2,530)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	3,136	(3,136)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:	**-**	**-**	**-**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:	**634**	**-**	**(634)**

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	634	-	(634)
Adjustments primarily involving the Pensions Reserve:	**(21,821)**	**-**	**21,821**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(37,619)	-	37,619
Employer's pensions contributions and direct payments to pensioners payable in the year	15,798	-	(15,798)
Adjustment primarily involving the Accumulated Absences Account:	**561**	**-**	**(561)**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	561	-	**(561)**
TOTAL ADJUSTMENTS	**(54,998)**	**606**	**54,392**

2017/18 Comparative figures	**Usable Reserves**		
	Council Fund Balance	**Capital Receipts Reserve**	**Movement in Unusable Reserves**
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	**(932)**	**-**	**- 932**
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	**(11,725)**	**-**	**11,725**
Charges for depreciation and impairment of non-current assets	(23,500)	-	23,500
Revaluation losses on Property Plant and Equipment	(3,342)	-	3,342
Movements in the market value of Investment Properties	(13)	-	13
Capital grants and contributions applied	21,915	-	(21,915)
Revenue expenditure funded from capital under statute	(5,234)	-	5,234
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,551)	-	1,551
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	**10,793**	**-**	***(10,793)***
Statutory provision for the financing of capital investment	10,168	-	(10,168)
Capital expenditure charged against the General Fund	625	-	(625)

Adjustments primarily involving the Capital Receipts Reserve:	**2,024**	**2,841**	**(4,865)**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,024	(2,024)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	4,865	(4,865)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:	**(1,012)**	**-**	**1,012**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,012)	-	1,012
Adjustment primarily involving the Financial Instruments Adjustment Account:	**639**	**-**	**(639)**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	639	-	(639)
Adjustments primarily involving the Pensions Reserve:	**(20,172)**	**-**	**20,172**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(34,812)	-	34,812
Employer's pensions contributions and direct payments to pensioners payable in the year	14,640	-	(14,640)
Adjustment primarily involving the Accumulated Absences Account:	**(541)**	-	**541**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(541)	-	541
TOTAL ADJUSTMENTS	**(19,994)**	**2,841**	**- 17,153**

10 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund as balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2018/19.

		Movements between Reserves		Via Comprehensive I&E Account		
	Balance at 31-Mar-18	Transfers Out	Transfers In	Transfers Out	Transfers In	Balance at 31-Mar-19
	£'000	£'000	£'000	£'000	£'000	£'000
Council Fund	(6,500)	-	-	-	-	(6,500)
Balances held by schools for future use	(3,857)			727		(3,130)
Earmarked Reserves:						
Risk Reserves						
Music Service	(124)				(3)	(127)
Pay Reserve	(1,418)					(1,418)
Insurance Reserve	(1,594)				(1,237)	(2,831)
MMI Insurance Reserve	(602)					(602)
Health & Safety	(16)					(16)
Education Achievement Service	(92)					(92)
Schools Redundancies	(708)				(137)	(845)
Friars Walk	(8,405)			3,204		(5,201)
European Funding I2A & CFW	(173)			2	(107)	(278)
Metro Bus	(9)					(9)
GEMS Redundancies	(78)					(78)
Enabling Reserves						
Capital Expenditure	(5,761)		(707)	644	(885)	(6,709)
Invest to Save	(9,557)			637	(2,179)	(11,099)
Super Connected Cities	(554)					(554)
Landfill Reserve	(345)					(345)
Christmas Lights	-				(30)	(30)
School Works	(347)			100	(137)	(384)
School Reserve Other	(924)	707		35		(182)
Investment Reserve	(966)			219		(747)
Usable Capital Receipts	(8,901)			3,136	(2,530)	(8,295)
City Services Manager Support	(200)			46		(154)
Smoothing Reserves						
STEP School Computers	(357)			46		(311)
Municipal Elections	(54)				(38)	(92)
Local Development Plan	(599)				(12)	(611)
Glan Usk PFI	(1,605)					(1,605)
Southern Distributor Road PFI	(44,515)			634		(43,881)
Building Control	(48)				(84)	(132)
Loan modification IFRS 9	(1,385)			143		(1,242)
Other Reserves						
Works of art	(21)					(21)
Theatre & Arts Centre	(232)					(232)

Cymorth Income	(33)					(33)
Blaen-y-plant remodeling	(60)			52		(8)
Gypsy and Traveller Site	(7)			7		-
Homeless Prevention	(38)					(38)
Environmental Health - Improve Air Quality	(49)					(49)
Refurbishment of a Children / Older People Homes	(62)			55	(106)	(113)
Apprenticeship Scheme Reserve	(84)			33		(51)
City Economic Development Reserve	(90)					(90)
Welsh Language Standards	(174)					(174)
YS Dilapidation Costs Information Shop	(41)			41		-
Port Health	(8)				(5)	(13)
CRM	(681)			250		(431)
WCCIS	(38)			38		-
Events	(190)			74	(150)	(266)
MTFP Reserve	(2,715)			1,200	(247)	(1,762)
Development of Leisure Masterplan	(15)					(15)
Voluntary Sector Grants	(66)					(66)
Bus Wifi	(35)					(35)
SENCOM	-				(250)	(250)
Bus Subsidy	-				(40)	(40)
IT Development	-				(351)	(351)
Leisure Delivery Plan	-				(150)	(150)
Chartist Tower	-				(950)	(950)
Joint Committee City Deal Reserve	40				(439)	(399)
Total	**(104,293)**	**707**	**(707)**	**11,323**	**(10,067)**	**(103,037)**

Key Reserves to note are:

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

11 OTHER OPERATING EXPENDITURE

31-Mar-18 £'000		31-Mar-19 £'000
	Precepts and levies:	
265	Community Councils	277
6,871	South Wales Fire Authority	6,963
755	Caldicot and Wentlooge Drainage Board	755
13,185	Police and Crime Commissioner for Gwent	13,964
-	(Gains) and Losses on assets held for sale	139
539	Loss / (Profit) on the disposal of non-current assets	4,345
21,615	**Total**	**26,443**

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

31-Mar-18 £'000		31-Mar-19 £'000
13,701	Interest Payable and similar charges	13,629
8,560	Pensions interest cost and expected return on pensions assets	8,915
(1,204)	Interest receivable and similar income	(172)
(1,197)	Income and expenditure in relation to investment properties and changes in their fair value	(1,223)
19,860	**Total**	**21,149**

13 TAXATION AND NON SPECIFIC GRANT INCOME

31-Mar-18 £'000		31-Mar-19 £'000
(61,789)	Council tax income	(66,441)
(46,493)	Non domestic rates	(46,305)
(161,757)	Non-ring fenced government grants	(166,485)
(19,874)	Capital grants and contributions	(19,171)
(289,913)	**Total**	**(298,402)**

National Non-Domestic Rates (NNDR)

The total rateable value for non-domestic rates was £145,871,004 at 31 March 2019 (£146,247,353 at 31 March 2018). The rate poundage for occupied properties was 51.4p per £ of rateable value (49.9p in 2017/18) with empty properties being charged at 51.4p (49.9p in 2017/18).

In 2018/19 Newport received £46.3m from the Welsh NNDR pool in support of its services (£46.5m – 2017/18).

Local Taxation
Council Tax Collection

	31-Mar-18	31-Mar-19
	£'000	£'000
INCOME		
Council Taxes (net of Council Tax benefits)	(62,331)	(66,573)
Council Tax benefits	(10,641)	(10,856)
Total income	**(72,972)**	**(77,429)**
EXPENDITURE		
Precepts payable		
- Gwent Police Authority	13,186	13,964
- Community Councils	265	277
Newport Council Fund requirement	58,122	61,806
Council tax written off and provided for	542	131
Total expenditure	**72,115**	**76,178**
Net surplus for the year	**(857)**	**(1,251)**

Council Tax Requirement

		Restated 31-Mar-18		31-Mar-19
	Dwellings	**Tax Base**	**Dwellings**	**Tax Base**
Total number of properties on valuation list	67,144	67,144	67,907	67,907
Adjusted as follows				
Less exempt properties @ 100%	1,789	(1,789)	1,892	(1,892)
Less single discounts @ 25%	23,945	(5,986)	24,532	(6,133)
Less multiple discounts @ 50%	1,184	(592)	1,264	(632)
Band D conversion		(131)		(135)
Losses on collection		(1,026)		(650)
Tax Base		**57,620**		**58,465**
		£		
Council tax requirement		71,572,993		76,046,868
Less payable to Gwent Police		(13,185,752)		(13,963,903)
Less payable to Community Councils		(264,843)		(276,935)
Net requirement Newport City Council		**58,122,398**		**61,806,030**
Band D tax for the year		**1,013**		**1,062**

Council Tax Requirement

This basic amount of £1,061.87 for a band D property (£1,013.32 in 2017/2018) is multiplied by the proportion specified for the particular band to give the individual amount due:

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

14 PROPERTY, PLANT AND EQUIPMENT

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	**326,071**	**36,403**	**214,300**	**605**	**6,735**	**35,659**	**619,773**	**71,139**
Additions	9,411	2,008	3,919	34		10,418	**25,790**	-
Donations	-	-	-	-	-	-	**-**	-
Re-classifications	42,124	-	-	(146)	(1,001)	(42,005)	**(1,028)**	-
Revaluations	26,641	-	-	(231)	236	-	**26,646**	-
Impairments	(34,644)	-	(108)	(34)	-	(106)	**(34,892)**	**-**
Disposals	(4,108)	(385)	-	(49)	(3,334)	-	**(7,876)**	**-**
At 31 March 2019	**365,495**	**38,026**	**218,111**	**179**	**2,636**	**3,966**	**628,413**	**71,139**
Accumulated Depreciation								
At 1 April 2018	**(27,836)**	**(24,493)**	**(66,741)**	**-**	**-**	**-**	**(119,070)**	**(20,152)**
Depreciation Charge in Year	(10,664)	(3,280)	(6,309)	-	(4)	-	**(20,257)**	-
Re-classifications	-	-	-	-	4	-	**4**	-
Revaluation Impact	12,021	-	-	-	-	-	**12,021**	-
Disposals	1,309	365	-	-	-	-	**1,674**	-
At 31 March 2019	**(25,170)**	**(27,408)**	**(73,050)**	**-**	**-**	**-**	**(125,628)**	**(20,152)**
Net Book Value								
At 1 April 2018	**298,235**	**11,910**	**147,559**	**605**	**6,735**	**35,659**	**500,703**	**50,987**
At 31 March 2019	**340,325**	**10,618**	**145,061**	**179**	**2,636**	**3,966**	**502,785**	**50,987**

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

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

Capital Commitments

The Council continued its programme of capital investment in 2018/19 to improve the infrastructure and facilities in Newport. Of this programme, the Council is contractually committed to carry out works as follows:

Capital Commitments

	31-Mar-18	31-Mar-19
	£'000	£'000
Adults & Community Services	-	10
Children & Young Peoples Services	-	-
Corporate	-	-
Education	4,500	401
City Services	109	448
RIH	103	1,762
	4,712	**2,621**

Revaluations

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

	Other Land & buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost	136	37,979	218,158	-	-	508	**256,781**
Valued at fair value as at:							
31 March 2019	188,151	-	-	179	2,636	-	**190,966**
31 March 2018	21,239	-	-	-	-	-	**21,239**
31 March 2017	22,303	-	-	-	-	-	**22,303**
31 March 2016	131,906	-	-	-	-	-	**131,906**
31 March 2015	1,760	-	-	-	-	-	**1,760**
Total Cost or Valuation	**365,495**	**37,979**	**218,158**	**179**	**2,636**	**508**	**624,955**

Fair Value Measurement of Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2019 are as follows:

Recurring fair value measurements using:	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair value as at 31 March 2019**
	£'000	£'000	£'000
Residential properties	-	2,021	2,021
Commercial units/Land	-	615	615
Total	**-**	**2,636**	**2,636**

Comparative figures as at 31 March 2018 were:

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

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

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

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

In estimating the fair value of the Council's surplus assets, the highest and best use of these assets has been considered. This is not necessarily the existing use and assumptions have been made to arrive at this assessment of value. However, from the list of relevant assets for 2018/19, there has been no change in the valuation techniques used during the year for surplus assets.

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

15 HERITAGE ASSETS

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

	Museum & Library Collections	Tredegar House & Park	Public Art & Features	Archaeology	Total Heritage Assets
	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation					
At 1 April 2018	**12,914**	**1,930**	**3,057**	**103**	**18,004**
Revaluations	-	**(650)**	-	-	**(650)**
At 31 March 2019	**12,914**	**1,280**	**3,057**	**103**	**17,354**
Accumulated Depreciation		**45**			**45**
At 1 April 2018	**-**	**(36)**	**-**	**-**	**(36)**
Depreciation charge in year		**(9)**	-	-	**(9)**
At 31 March 2019	**-**	**-**	**-**	**-**	**-**
Net Book Value					
At 1 April 2018	**12,914**	**1,894**	**3,057**	**103**	**17,968**
At 31 March 2019	**12,914**	**1,280**	**3,057**	**103**	**17,354**

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

Further information on the collections held

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

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

- 19th and 20th century mainly British oil paintings, watercolours, drawings and prints with particular attention directed to topographical works relating to Newport. The collection represents the work of a large number of artists including James Flewitt Mullock, David Cox, Dame Laura Knight, Stanley Spencer, William Roberts, Merlyn Evans and William Russell Flint;

- Contemporary paintings by Welsh artists or artists living in Wales. These include works by Falcon Hildred, Harry Holland, Thomas Rathmell, Evan Charlton, Felicity Charlton, Ernest Zobole and Jack Crabtree;

- Contemporary prints including work by Patrick Caulfield, Derek Boshier, John McFarlane, Chris Orr, Terry Millington, Anthony Davies and Norman Ackroyd;

- Decorative arts including Staffordshire figures, commemorative ware and studio ceramics. These include the Iris and John Fox collection, the John Wait teapot collection and works by Jane Hamlyn, Lucie Rie, Nicholas Homoky, Geoffrey Swindell and Morgan Hall.

Library Local Studies Collection

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

A. **The Delaney Letters –** A collection of nine volumes of correspondence containing the bulk of the papers of Mary Delaney (1700-1788). Among the papers are a number by distinguished contemporaries; including three fine autograph letters signed by Mary's friend Jonathan Swift, one by her suitor John Wesley, two by the Anglo Saxon scholar Elizabeth Elstob and one by the bluestocking Elizabeth Montagu. Also present is an autograph epitaph by Horace Walpole.

B. **Papers of Sir Charles Hanbury Williams (1702 – 1759) –** These comprise some eighteen volumes of Hanbury Williams's secretarial letterbooks and original correspondence from his postings as Minister or Ambassador to Dresden Poland and Russia; plus his autograph "Journal begun at Berlin in June 1750", two volumes of autograph verse, a volume containing twelve autograph letters to him by Horace Walpole (1744-45), as well as by Lord Chesterfield, Hardwicke and others.

C. **The Haines Collection –** A collection of over 2,000 books, pamphlets and manuscripts relating to Monmouthshire, complied by William Haines and donated to the library by Sir Garrod Thomas in 1924.

D. **The Chartist Collection –** A collection of printed books, pamphlets and manuscripts relating to the uprising of 1839. The key element of the collection is the 25 volumes of original trial depositions.

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

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

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

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

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

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

The management of the collections is overseen by the Museums Officer (Collections and Premises). The Museums Officer manages a small team of professional staff which curates the collections and monitors its wellbeing. A project to establish a full computerised inventory of the collections is currently underway. The project started in 2006 and encompasses all collections cared for by the Museums & Heritage Service. Completing the documentation plan remains an important goal for the museum, but due to staffing resourcing issues the timetable for completion has slipped and it is hoped to be completed by 2018/19. This programme of work allows for improvements in storage conditions and highlights specific conservation needs of objects and collections. While the in-house focus is on preventive conservation measures which aim to stabilise an object's condition, specialist active conservation treatment is out-sourced and generally sought before objects are displayed.

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

16 INVESTMENT PROPERTIES

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Rental income from investment property	(1,375)	(1,293)
Direct operating expenses arising from investment property	149	73
Net (gain) / loss	**(1,226)**	**(1,220)**

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

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at start of the year	10,396	7,577
Additions	-	25
Disposals	(3,136)	(27)
Net gains/ (losses) from fair value adjustments	(13)	141
Transfers:		
- to/ from Property, Plant and Equipment	445	(3)
- to/ from Assets Held for Sale	(115)	71
Balance at end of the year	**7,577**	**7,784**

Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£'000	£'000	£'000
Office units	84	245	329
Commercial units	1,611	5,842	7,453
Total	**1,695**	**6,087**	**7,782**

Comparative figures as at 31 March 2018 were:

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

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

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

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

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

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

	31-Mar-19 £'000	**Valuation technique used to measure fair value**	**Unobservable inputs and Sensitivity**
Office Units	246	Hardcore and Topslice*	Rental growth,Collection of rent, Discount rate, Basis of occupation
Commercial Units	5,842	Term and Reversion, Hardcore and Topslice	Rental growth, Special purchaser, Discount rate

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

*Term and Reversion and Hardcore and Topslice are form of valuation methods
Term and Reversion capitalises the rent received at an appropriate yield derived from comparables up until the next lease event; rent review or lease renewal. Then an ERV (Estimated Rental Value) is determined again from comparables and this is capitalised (usually at a slightly higher yield to reflect the risk of the uncertainty of the ERV)

in perpetuity deferred for the amount of time until the next lease event. Both values are added together to give the whole capital value.

Hardcore and Topslice is an alternative method to using term and reversion. The 'Hardcore' or the rent received is capitalised in perpetuity at an appropriate yield. An ERV is assumed and the Hardcore is deducted from this figure to determine the 'Topslice'. This is then also capitalised in perpetuity at the same yield as the Hardcore and then deferred for the amount of time until the next lease event. Both values are added together to give the whole capital value.

17 FINANCIAL INSTRUMENTS

a) Financial Instruments – Classifications

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Unquoted equity investments held at cost, comprising:

- Equity investments in Newport Transport Ltd

b) Financial Instruments – Balances

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Non-Current		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£'000	£'000	£'000	£'000
Financial assets at amortised cost:				
- Investments	-	-	20,445	10,000
- Debtors*:				
- Financial assets held at contract amount	-	-	11,926	16,019
- Tredegar house lease premium	7,800	7,561	241	241
- Finance Leases	3,154	5,825	-	-
- Friars Walk Income Share	7,500	7,500	-	-
- Other long-term debtors	3,624	2,229	-	-
- Cash & Cash Equivalents	-	-	773	47,140
Amortised Cost Total	**22,078**	**23,115**	**33,385**	**73,400**
Financial assets at Fair Value through other comprehensive income - designated equity instrument	251	251	-	-
Total Financial Assets	**22,329**	**23,366**	**33,385**	**73,400**

Financial Liabilities

	Non-Current		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost:				
- Borrowing	148,147	149,336	5,429	43,451
- Creditors*	8,272	9,885	31,001	30,854
- PFI & Lease liabilities	42,807	40,892	2,292	2,272
Total Financial Liabilities	**199,226**	**200,113**	**38,722**	**76,577**

*Current debtors of £16.3m excludes £27.6m of non-contractual current debtors that do not meet the definition of financial assets at amortised cost.

Current creditors of £30.9m excludes £8.8m of non-contractual current creditors that do not meet the definition of financial liabilities at amortised cost.

Items of Income, Expense, Gains and Losses

	31-Mar-18	31-Mar-19
	£'000	£'000
Interest expense	13,701	13,629
Interest and Investment Income	(1,202)	(172)
Net Gain/(Loss) for the year	**12,499**	**13,457**

c) Financial Instruments – Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local Council loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity at 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

d) Financial Instruments - Fair Value

	Fair Value Level	Balance Sheet 31-Mar-18 £'000	Fair Value 31-Mar-18 £'000	Balance Sheet 31-Mar-19 £'000	Fair Value 31-Mar-19 £'000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	70,488	93,637	109,265	133,838
Long-term LOBO loans	2	30,000	48,451	30,000	47,470
Other long-term loans and loan stock	2	45,326	52,609	45,000	49,174
Lease payables and PFI liabilities	3	45,099	74,544	43,164	74,675
Total		**190,913**	**269,241**	**227,429**	**305,157**
Liabilities for which fair value is not disclosed*		47,035		49,261	
Total Financial Liabilities		**237,948**		**276,690**	
Recorded on balance sheet as:					
Short-term creditors*		31,001		30,854	
Short-term borrowing		5,429		43,451	
Long-term creditors		8,272		9,885	
Long-term borrowing		148,147		149,336	
Other short-term liabilities		2,292		2,272	
Other long-term liabilities		42,807		40,892	
Total Financial Liabilities		**237,948**		**276,690**	

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

18 INVENTORIES

Inventories are purchased and used by the Council at historical cost. Work in progress is included at cost. The council holds a small amount of stock totalling £0.2m in 2018/19 (£0.2m in 2017/18).

19 SHORT TERM DEBTORS

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

	31-Mar-18			31-Mar-19		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	13,757	(2,968)	10,789	19,215	(3,374)	15,841
Council tax payers	5,845	(3,446)	2,399	6,303	(3,633)	2,670
NHS bodies	1,405	-	1,405	1,555	-	1,555
Central government bodies*	21,769	-	21,769	20,289	-	20,289
Other local authorities	1,477	-	1,477	2,970		2,970
	44,253	**(6,414)**	**37,839**	**50,332**	**(7,007)**	**43,325**

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

20 CASH AND CASH EQUIVALENTS

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

The bank overdraft includes un-cleared payments within the banking system. In practice, the treasury management policy of the Council is to maintain the pooled bank account balance as near to zero as possible to minimise interest charges on overdrawn balances and maximise interest earned by short-term lending of surplus funds. The actual pooled bank balance at the close of business on 31 March 2019 was £36k, (31 March 2018 – £15k overdrawn).

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Short-Term Investments classified as cash equivalent	3,079	
Cash held by the authority	72	52,850
Bank Current accounts	(2,378)	(5,710)
Total Cash and Cash Equivalents	**773**	**47,140**

21 ASSETS HELD FOR SALE

	31-Mar-18	31-Mar-19
	£'000	£'000
Assets at the start of the year	408	234
Assets newly classified as held for sale:	-	-
Surplus Assets	-	1,045
Investment Properties	-	3
Property, Plant and Equipment	115	28
Revaluation losses	-	(139)
Revaluation gains	-	25
Assets declassified as held for sale:	-	-
to Property, Plant and Equipment	-	-
Community Land	-	(1)
to Surplus Assets	-	(115)
Assets sold	(289)	-
Assets at year-end	**234**	**1,080**

22 SHORT TERM CREDITORS

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

	31-Mar-18	31-Mar-19
	£'000	£'000
General	(29,806)	(30,669)
Central government bodies	(2,747)	(3,780)
Prepayments of council tax	(1,124)	(1,151)
NHS bodies	(1,195)	(80)
Other local authorities	(5,073)	(3,881)
	(39,945)	**(39,561)**

23 PROVISIONS

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

	31-Mar-18	Further provisions	Amounts used	Unused amounts reversed	31-Mar-19
	£'000	£'000	£'000	£'000	£'000
Current Provisions					
Accumulated absence provision	(4,016)			581	(3,435)
Social Services Settlement		(41)			(41)
Social Care Tasks	(331)	(146)	13		(464)
Insurance / MMI Provision	(1,504)	(109)	881		(732)
Energy Provision	(200)				(200)
Other	(414)	(500)	414		(500)
	(6,465)	**(796)**	**1,308**	**581**	**(5,372)**
Long Term Provisions					
Landfill Capping	(5,660)		13		(5,647)
Other	(2,819)	(2,255)	82		(4,992)
	(8,479)	**(2,255)**	**95**	**-**	**(10,639)**

Accumulated Absences	Accounting provision to recognise impact of accruing leave at the end of the year. No payment is made as employees have to take leave prior to leaving the Council. This is therefore not cash backed.
Insurance	Provision for known insurance claims which currently being made against the Council for a variety of incidents. These insurance claims have been assessed as having either a 'likely' or 'reasonable' chance of payout.
Landfill Capping	Provision to comply with recommended practice in respect of costs relating to the future capping of Landfill sites once they have been fully utilised. The estimation for the landfill provision is made up of two elements, the estimated cost of capping the site and the aftercare costs once the site has been capped. The Council undertook a thorough review of both of these elements during 2016/17. The aftercare costs are now included at £3.0m and the capping element is £2.6m.
Social Care Tasks / Settlement	There are two provision for Social Services, Social Care provision which was set up in 2017/18 which is money set aside for the estimated liability for Local Authorities to settle historical liabilities stemming from the Supreme Court ruling August 2017 on the funding of tasks performed by a registered nurse. This is now expected to be used in 2019/20. There is a further provision for Social Care settlement relates to the legal charges expected for a court case settlement.
Energy Provision	Amount set aside for energy bills from previous years that are expected to be paid in 2019/20. Due to problems with billing with the energy supplier, the Council is unable to be certain of what service areas this will impact upon or the certainty over the value of the bills that will ultimately be paid therefore this has been set aside as a provision.
Other	The majority of this is in relation to the income subsidy that is due for Friars Walk over the next 13 years. The amount included is based on an estimated net present value of payments. The other amount included is related to the City Deal Joint Venture."

24 USABLE RESERVES

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

25 UNUSABLE RESERVES

	31-Mar-18	31-Mar-19
	£'000	£'000
Revaluation Reserve	(127,237)	(161,563)
Capital Adjustment Account	(123,468)	(94,625)
Financial Instruments Adjustment Account	5,085	4,451
Deferred Capital Receipt Reserve	(21)	(21)
Financial Instruments Revaluation Reserve	(251)	(251)
Pensions Reserve	324,017	400,586
Accumulated Absence Account	3,998	3,435
	82,123	**152,011**

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

- Re-valued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation or;
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated in the Capital Adjustment Account.

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at 1 April	**(130,929)**	**(127,237)**
Upward revaluation of assets	(4,143)	(41,460)
Downward revaluation of assets and impairment losses not charged to provision of services	3,606	2,208
Surplus or deficit on revaluation of non-current assets not charged to provision of services	**(537)**	**(39,252)**
Difference between fair value depreciation and historic cost depreciation	3,615	-
Accumulated gains on assets sold or scrapped	614	4,925
Amount written off to the Capital Adjustment Account	4,229	4,925
Balance at 31 March	**(127,237)**	**(161,564)**

Capital Adjustment Account

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at 1 April	**(115,307)**	**(123,468)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	23,500	51,210
Revaluation losses/gains on Property, Plant and Equipment	3,343	4,905
Amortisation of intangible assets	-	-
Revenue Expenditure Funded from Capital under Statute	5,234	6,088
Amount of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	1,551	6,433
	33,628	**68,636**
Adjusting amounts written out of the Revaluation Reserve	(4,228)	(4,923)
Net written out amount of the cost of non-current assets consumed in the year	**29,400**	**63,713**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(4,865)	(3,136)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,915)	(20,559)
Statutory provision for the financing of capital investment charged against the Council Fund balances	(10,168)	(9,781)
Capital expenditure charged against the Council Fund balance	(625)	(1,367)
	(37,573)	**(34,843)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	13	(166)
Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	(1)	139
Balance at 31 March	**(123,468)**	**(94,625)**

Financial Instruments Adjustment Account

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

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

	31-Mar-18	31-Mar-19
	£'000	
Balance at 1 April	**5,724**	**5,085**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(639)	(634)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(639)	(634)
Balance at 31 March	**5,085**	**4,451**

Deferred Capital Receipts Reserve

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at 1 April	**(1,033)**	**(21)**
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	-	-
Transfer to Capital Receipts Reserve	1,012	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,012	-
Balance at 31 March	**(21)**	**(21)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at 1 April	**324,745**	**324,017**
Actuarial gains or losses on pensions assets and liabilities	(20,900)	54,748
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	34,812	37,619
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,640)	(15,798)
Balance at 31 March	**324,017**	**400,586**

Accumulated Absences Reserve

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at 1 April	**3,457**	**3,996**
Settlement or cancellation of accrual made at the end of the preceding year	(3,457)	(3,996)
Amounts accrued at the end of the current year	3,998	3,435
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**541**	**(561)**
Balance at 31 March	**3,998**	**3,435**

26 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-18	31-Mar-19
	£'000	£'000
Interest received	(9,989)	(55)
Interest paid	13,350	13,610
	3,361	**13,555**

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Depreciation	(22,523)	(20,266)
Impairment and downward valuations	(4,319)	(39,364)
(Increase) / Decrease in creditors	(5,769)	4,416
Increase / (Decrease) in debtors	(77,747)	6,826
Increase / (Decrease) in stock	(28)	33
Pensions liability	(20,172)	(21,821)
Carrying amount of non-current assets sold	1,789	(3,451)
Other non cash adjustments	(6,490)	(507)
	135,259	**(74,134)**

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,012	2,530
Any other items for which the cash effects are investing or financing cash flows	16,388	20,545
Net cash flows from operating activities	**17,400**	**23,075**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-18	31-Mar-19
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	32,864	23,801
Purchase of short-term and long-term investments	22,574	(10,445)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,024)	(2,530)
Other receipts from investing activities	(17,018)	(20,828)
Net cash flows from investing activities	**36,396**	**(10,002)**

28 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-18	31-Mar-19
	£'000	£'000
Cash receipts of short- and long-term borrowing	(63,217)	(61,055)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,292	1,975
Repayments of short- and long-term borrowing	119,708	18,127
Net cash flows from financing activities	**58,783**	**(40,953)**

29 MEMBERS' ALLOWANCES AND EXPENSES

All Councils are required to publish details of the amounts paid to elected members each year. Information on the amounts actually paid to each Council member is published on the Council's web site. The total allowances and expenses paid in the financial year was £926,465 (2017/18 – £917,356). All members are entitled to the same basic allowance of £13,600 per annum (2017/18 - £13,400). Also additional responsibility allowances are paid to each member holding the following positions:

	31-Mar-18	31-Mar-19
	£	£
Leader of the Council	34,700	34,700
Deputy Leader	20,200	20,200
Mayor	8,200	8,200
Deputy Mayor	2,700	2,700
Cabinet Member (x7)	15,700	15,700
Chair of Scrutiny Forum (x4)	8,700	8,700
Chair of Planning (x1)	8,700	8,700
Chair of Democratic Services (x1)	8,700	8,700
Chair of Licensing (x1)	8,700	8,700
Opposition Leader	8,700	8,700

During the financial year, the Authority paid six Lay (unelected) Members a total of £3,084.35 (2017/18: £1,985) to sit on a number of committees. This is the total for all six Members and includes both fees and expenses.

30 OFFICER REMUNERATION

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

Post Holder Information		Salary/ Payment* £	Car Allowances & Mileage £	Pensions contributions £	Total £
Chief Executive	2018/19	140,092	900	28,299	169,291
	2017/18	137,345	900	26,370	164,615
Strategic Director - People (Appointed 01.07.17)	2018/19	105,867	900	21,385	128,152
	2017/18	75,064	675	14,412	90,151
Strategic Director - Place	2018/19	107,093	900	21,633	129,626
	2017/18	102,865	900	19,750	123,515
Chief Education Officer (Interim Chief Education Officer 01.07.17 - 30.11.17. Permanent from 01.12.17)	2018/19	76,890	675	15,532	93,096
	2017/18	53,587	607	10,289	64,483
Head of Law and Regulation (Monitoring Officer)	2018/19	81,104	450	16,383	97,937
	2017/18	79,514	450	15,267	95,231
Head of Finance (Section 151 Officer)	2018/19	81,104	-	16,383	97,487
	2017/18	79,514	-	15,267	94,781
Head of People & Business Change	2018/19	81,104	675	16,383	98,162
	2017/18	77,578	675	14,895	93,148
Head of Regeneration, Investment & Housing Services (Interim from 22.08.16 - 23.04.17. Permanent from 24.04.17)	2018/19	77,204	1,080	15,595	93,879
	2017/18	72,776	1,011	13,973	87,760
Head of Adult & Community Services	2018/19	79,130	675	15,984	95,789
	2017/18	75,690	675	14,532	90,897
Head of Children & Young People Services (Appointed 01.08.17)	2018/19	79,130	1,080	15,984	96,194
	2017/18	50,460	720	9,688	60,868
Head of City Services (Appointed 15.05.17)	2018/19	76,932	675	15,593	93,096
	2017/18	64,909	593	12,462	77,964

The 2017/18 car allowance for the Head of Finance has been restated to 'nil' as only sums paid by way of expenses allowance that are chargeable to UK income tax are required to be disclosed.

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

Election Returning Officer Fees

During 2018/19 the Chief Executive received £1,555 for his role as the Authorities Returning Officer. (In 2017/18, he received £11,008)

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

The ratio between the Council's highest paid employee and the median position for 2018/19 was 1:6.6 (2017/18 was 1:6.7). The median position for the Council for 2018/19 is £21,074 (2017/18 was £20,661). These figures do not include taxable expenses and benefits in kind as this is not likely to make a material difference to the ratios.

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

	31-Mar-18		31-Mar-19	
	Teaching	Other	Teaching	Other
£105,000 - £109,999	2	1	-	-
£100,000 - £104,999	1	-	1	-
£95,000 - £99,999	1	2	3	-
£90,000 - £94,999	2	-	2	-
£85,000 - £89,999	2	-	2	-
£80,000 - £84,999	-	1	2	-
£75,000 - £79,999	4	-	5	2
£70,000 - £74,999	13	-	8	-
£65,000 - £69,999	13	-	20	1
£60,000 - £64,999	21	1	15	0
Total	**59**	**5**	**58**	**3**

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

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

The below table shows the cost of redundancies that took place during the 2018/19 financial year. An additional £144,606 was paid in relation to redundancies that occurred during 2017/18 but were paid in 2018/19.

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-19	31-Mar-19	31-Mar-19	31-Mar-19
				£
£0 - £20,000	1	66	67	591,975
£20,001 - £40,000	-	13	13	353,658
£40,001 - £60,000	-	3	3	129,501
£60,001 - £80,000	-	1	1	71,297
£80,001 - £100,000	-	-	-	-
Total	**1**	**83**	**84**	**1,146,431**

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

31 EXTERNAL AUDIT COSTS

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Fees payable with regard to external audit of accounts	192	192
Fees payable in respect of local government measure	105	105
Fees payable for the certification of grant claims and returns for the year	70	70
Total	**367**	**367**

32 GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	Restated 31-Mar-18	31-Mar-19
	£'000	
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	161,757	166,485
Contribution from Non-Domestic Rate	46,493	46,305
Outcome Agreement Grant		
Total	**208,250**	**212,790**

Credited to Services	**31-Mar-18** £'000	**31-Mar-19** £'000
Education Grants		
Education Improvement Grant	7,052	5,447
ISB Funding	6,797	6,410
Pupil Deprivation	4,878	4,881
Maintenance Grant	676	-
Other	707	3,605
Education Contributions		
Gwent Music	46	385
Other	1,922	582
Education Donations	761	622
Social Services		
Supporting People	6,368	6,518
Substance Misuse	4,412	4,405
Families First Preventions	365	519
Families First	1,339	953
Youth Offending Service	334	334
Intermediate Care Fund	980	0
Welsh Independent Living Grant	840	0
Regional Domestic Violence	353	389
Other	3,233	2,043
Social Services Contributions		
Section 28A funding	2,095	2,095
Intermediate care fund	0	974
Other	700	2,652
Social Services Donations	1	1
Regeneration, Investment & Housing Grants		
Communities First Grants	1,674	541
Childcare Offer Delivery	0	1,624
Flying Start	5,555	5,574
Families First Youth	688	364
Streets Ahead	29	0

Communities for Work	378	1,187
Inspire to Achieve	1,238	999
Inspire to Work		426
Adult Education	372	372
Other	1,023	1,647
Regeneration, Investment & Housing Contributions	7	17
Regeneration, Investment & Housing Donations	4	2
City Services Grants		
Housing Benefit Subsidy	909	827
Sustainable Waste	2,610	846
Concessionary Fares	2,395	2,556
Other	1,345	1,389
City Services Contributions	97	43
Corporate Services Grants		
Housing Benefit Subsidy	54,050	48,327
NNDR	314	316
Training	360	360
Other	1,219	1,544
Corporate Service Contributions		
Other	170	119
Corporate Service Donations	15	18
	118,310	**111,911**

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

33 RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

Welsh Government

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

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in Note 29. During 2018/19, works and services to the value of £17.4m were commissioned from or paid to companies in which twenty four members had an interest. (Restated 2017/18: £16.2m where twenty members had an interest). As at 31st March 2019, the balances outstanding for related parties were debtors of £1.5m (2017/18 £1.5m) and creditors of £2.6m (2017/18 £2.6m).

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

There were payments of £3.9m made to Waste Savers Ltd in 2018/19 (£1.9m in 2017/18). This company is independent from the Council. As at 31st March 2019, the balances outstanding for Wastesavers were debtors of £15.9k (£18k in 2017/18) and creditors of £292k (2017/18 £nil).There is one member on the board of Wastesavers Ltd as an observer and there is one Member of the Council on the board of Wastesavers Charitable Ltd, the parent company of Wastesavers Ltd. The council contract with the company for waste recycling services.

Newport City Council also made payments to Newport Live amounting to £507k in 2018/19 (2017/18 £344k (restated)), this is a company that has charitable status and is independent from the Council. The company has invited one member of the Council on the board, in their capacity as an elected member, not private individuals. Newport Live is contracted by the Council to run its sport and leisure services. As at 31st March 2019, the balances outstanding for Newport Live were debtors of -£22k (£121k in 2017/18) and creditors of £17.4k (2017/18 £16k).

There were 4 declarations of interest submitted where grants have been paid to voluntary organisations. These were Newport Women's Aid for which payments totalled £206k (2017/18 £207k) and Gwent Association for Voluntary Organisation for which payments totalled £60k (2017/18 £112k).

Officers

There is one Senior Officer (Strategic Director of Place) who is elected to the board of Newport Norse and NPS Newport Unlimited as well as being a director of CSC Foundry Limited. No other Senior Officers hold any other positions of seniority within any other Public Sector body.

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Council

Entities which are controlled or significantly influenced by the Council include two limited companies. The South East Wales Education Achievement Service Ltd and Newport Norse Ltd. The South East Wales Education Achievement Service Ltd is a company limited by guarantee, with the five Local Authorities in the Gwent area each being a member of the company. The objects of the company are to provide services to the participating authorities in relation to their functions in the field of education and, subject to the participating authorities' unanimous prior approval, to other local authorities and other persons exercising functions in the field of education.

Newport Norse Ltd oversees the Council's property maintenance, estates, facilities management and capital projects design functions. Newport Norse and their subsidiary NPS Newport Limited, are Joint Venture Companies in which the Council has a 20% share and minority representation on the Board. The Council has a 50% "gain share" in the profits, which reduces the Council's service charge.

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

integrated community equipment service to users who are resident in the partner localities. This agreement came into effect on 1 October 2008.

The second is The Gwent Frailty Programme for the delivery of a range of services to avoid hospital admissions, facilitate early discharge and help individuals remain "happily independent". The Community Resource Teams (CRTs) provide integrated Urgent Response, Re-enablement and Falls services within each locality in line with agreed Locality Annual Commissioning Plans (LCPs).
The Council also participates in six joint ventures. Gwent Joint Records Committee which is the official archive service for the local authorities in the Monmouthshire area, the recognised place of deposit for public records and ecclesiastical parish records for the Diocese of Monmouth.

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

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

The Welsh Purchasing Consortium (WPC) is a collaborative procurement organisation made up of 19 unitary local Authorities from South, Mid, North East and West Wales. Contracting activity within the WPC is undertaken by individual member Authorities on behalf of the whole membership on a reciprocal basis.

The Coroners Joint Committee which oversees the management of the Gwent Coroners service.

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

	2017/18			2018/19		
	Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
	£'000	£'000	£'000	£'000	£'000	£'000
Limited Companies						
The South East Wales Education Achievement Service Ltd	-	1,000	-	-	1,152	-
Newport Norse	(471)	3,600	(641)	-	4,679	126
Pooled Budgets						
The Gwent Wide Integrated Community Equipment Service (GWICES)	-	348	-	-	325	-
The Gwent Frailty Programme	-	1,637	-	-	1,720	-
Joint Ventures						
Gwent Joint Records Committee	-	298	-	-	289	-
Greater Gwent Cremation Committee	-	206	-	(385)	206	-
Project Gwyrdd	-	32	-	-	27	-
Coroners Joint Committee	-	172	-	-	308	

Cardiff Capital Region City Deal (from 2017/18)	-	2,376	-	-	1,208	-

Subsidiary Company

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

Trust Funds and Third Party Assets

The Council passed a number of its trust fund holdings to the Community Foundation in Wales and with the agreement of the Charities Commission, passed the management of a number of other dormant funds to schools in 2008/09. The Council acts as sole trustee for the remaining Education trust funds which had a value of £33,294 as at 31 March 2019. (2018: £33,234)

The Council operates 160 (2017/18: 161) appointee bank accounts holding £1,359,345 (2017/18: £1,216,947). These relate to third party monies held by the Council on behalf of its Social Service clients. These figures have been excluded from cash and cash equivalent figures reported in the accounts.

34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

	31-Mar-18	31-Mar-19
	£'000	£'000
Opening Capital Financing Requirement	**279,214**	**279,845**
Capital investment		
Property, Plant and Equipment	32,972	25,287
Heritage Assets	-	
Revenue Expenditure Funded from Capital Under Statute	5,234	6,088
Long Term Debtors		
Sources of finance		
Capital receipts	(4,867)	(3,136)
Government grants and other contributions	(21,915)	(20,559)
Sums set aside from revenue	(536)	(1,292)
Direct revenue contributions	(89)	(75)
Minimum Revenue Provision	(10,168)	(9,781)
Closing Capital Financing Requirement	**279,845**	**276,377**
Explanation of movements in year		
Increase in underlying need to borrow:		
Supported by government financial assistance	4,051	4,058
Un-supported by government financial assistance	9,124	1,825
Assets acquired under finance leases	-	131
Bullet Repayment of PFI Liability	-	-
Assets acquired under PFI contracts	-	299

Minimum Revenue Provision	(10,168)	(9,781)
Increase/ (Decrease) in Capital Financing Requirement	**3,007**	**(3,468)**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

35 LEASES

Council as Lessee

Finance Leases

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

	31-Mar-18	**31-Mar-19**
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	52	106
	52	**106**

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

	31-Mar-18	**31-Mar-19**
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	35	70
- non-current	17	36
Finance costs payable in future years	2	5
Minimum lease payments	**54**	**111**

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31-Mar-18	**31-Mar-19**	**31-Mar-18**	**31-Mar-19**
	£'000	£'000	£'000	£'000
Not later than one year	37	75	35	70
Later than one year and not later than five years	17	36	17	36
	54	**111**	**52**	**106**

Operating Leases

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Not later than one year	942	896
Later than one year and not later than five years	1,871	2,227
Later than five years	1,966	2,481
	4,779	**5,604**

Council as Lessor

Finance Leases

The Council has finances lease with the Kingsway Shopping Centre with a remaining term of 241 years and for Chartist Tower with remaining life of 249 years. The Council has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31-Mar-18	31-Mar-19
	£'000	
Finance lease debtor (net present value of minimum lease payments)		
- current	-	-
- non-current	5,825	5,824
Unearned finance income	124,305	123,777
Unguaranteed residual value of property	-	-
Gross Investment in the lease	**130,130**	**129,601**

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£'000	£'000	£'000	£'000
Not later than one year	529	529	-	-
Later than one year and not later than five years	2,116	2,116	-	-
Later than five years	127,485	126,956	5,825	5,824
	130,130	**129,601**	**5,825**	**5,824**

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

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

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Not later than one year	831	1,062
Later than one year and not later than five years	1,676	3,188
Later than five years	11,571	13,152
	14,078	**17,402**

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

Tredegar House Lease

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Not later than one year	-	-
Later than one year and not later than five years	2,005	2,005
Later than five years	472	472
	2,477	**2,477**

36 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Southern Distributor Road PFI Scheme

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

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

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

Payments
The Council makes an agreed annual payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments,

remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/ performance deductions), are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2019/20	748	1,641	4,639	7,028
Payable within two to five years	3,329	6,448	19,331	29,109
Payable within six to ten years	4,473	9,621	24,767	38,860
Payable within eleven to fifteen years	5,254	11,356	25,205	41,814
Payable within sixteen to twenty years	5,761	12,573	25,108	43,442
Payable within twenty one to twenty five years	3,946	7,986	14,284	26,216
Total	**23,511**	**49,623**	**113,334**	**186,469**

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance outstanding at start of year	**36,944**	**35,324**
Payments during the year	(1,620)	(1,365)
Balance outstanding at year-end	**35,324**	**33,959**

Glan Usk Primary School

2018/19 was the tenth year of a 25 year PFI contract for the construction and facilities management of Glan Usk Primary School.

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

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

Property Plant and Equipment

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

Payments

The Council makes an agreed annual payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2019/20	761	561	721	2,043
Payable within two to five years	2,932	2,488	3,004	8,424
Payable within six to ten years	5,238	2,520	3,385	11,143
Payable within eleven to fifteen years	5,130	3,096	3,683	11,908
Payable within sixteen to twenty years	741	435	478	1,655
Total	**14,802**	**9,101**	**11,269**	**35,175**

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance outstanding at start of year	**10,356**	**9,729**
Payments during the year	(627)	(628)
Balance outstanding at year-end	**9,729**	**9,101**

37 IMPAIRMENT LOSSES

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

During 2018/19 the Council has recognised the following impairment losses:

	31-Mar-18	31-Mar-19
	£'000	£'000
Land & Buildings	4,181	34,644
Community Assets	1	34
Infrastructure Assets	91	108
Vehicles Plant & Equipment	190	-
Assets Under Construction	-	106
Heritage Assets	-	-
Total	**4,463**	**34,892**

The above table includes a material impairment of £25.5m which is relation to the revaluation of Ysgol Gyfun Gwent Is Coed. This is due to the school becoming operational in 2018/19 and resulting a change in valuation methods. In 2017/18 the school was valued at historic cost, but since becoming operational, it is now valued using the Modern Equilvant Asset valuation method.

38 CAPITALISATION OF BORROWING COSTS

There was no capitalisation of borrowing costs in 2017/18 or 2018/19.

39 TERMINATION BENEFITS

The Council completed redundancies of 84 employees in 2018/19, incurring liabilities of £1.2m (103 employees at £2m in 2017/18). See Note 30 for the number of exit packages and total cost per band. All balances were payable to Council officers, as part of the Council's general services rationalisation and efficiencies programme.

40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

In 2018/19 the Council paid £8.7m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2017/18 were £8.5m and 16.4%. As at the 31 March 2019 contributions of £0.7m were payable (31 March 2018: £0.7m).

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

41 DEFINED BENEFITS PENSIONS SCHEMES

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Torfaen County Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement (Unfunded Teachers Discretionary Benefits) – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits
The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment /

retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	Unfunded Teachers Discretionary Benefits	Local Government Pension Scheme	Unfunded Teachers Discretionary Benefits
	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	28,241	-	28,672	-
Past service cost (including curtailments)	138	-	32	-
Effect of settlements	(2,127)	-	-	-
Financing and Investment Income and Expenditure				
Interest income on plan assets	(11,709)	-	(12,571)	-
Interest cost on defined benefit obligation	20,588	(319)	21,781	(295)
Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services	**35,131**	**(319)**	**37,914**	**(295)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
Changes in Demographic Assumptions	-	-	-	-
Return on assets excluding amounts included in net interest	(4,984)	-	(15,047)	-
Changes in financial assumptions	(15,741)	97	69,986	(228)
Other experience	(482)	210	63	(26)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(21,207)**	**307**	**55,002**	**(254)**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services post employment benefits in accordance with the Code	35,131	(319)	37,914	(295)
Actual amount charged against the Council Fund Balance for pensions in the year				
Employer contributions	13,199	-	14,387	-
Contributions in respect of unfunded benefits	1,441	(973)	1,411	(958)
	14,640	**(973)**	**15,798**	**(958)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2019 is a loss of £54.7m (2017/18 showed a gain of £20.9m).

Assets and Liabilities in Relation to Retirement Benefits

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

	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Teachers Discretionary Benefits	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Teachers Discretionary Benefits
	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19
	£'000	£'000	£'000	£'000
Opening balance at 1 April	**(766,282)**	**(12,763)**	**(778,584)**	**(11,803)**
Current service cost	(28,241)	-	(28,672)	-
Interest cost on defined benefit obligation	(19,950)	(319)	(21,191)	(295)
Plan participants contributions	(4,106)	-	(4,320)	-
Actuarial gains and losses arising on changes in financial assumptions	15,547	97	(69,530)	(228)
Changes in Demographics Assumptions	-	-	-	-
Other experience	62	210	(11)	(26)
Benefits paid	19,710	973	20,094	958
Past service cost (including curtailments)	(138)	-	(32)	-
Effect of settlements	4,814	-	-	-
Closing balance at 31 March	**(778,584)**	**(11,802)**	**(882,246)**	**(11,394)**

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme

	31-Mar-18	31-Mar-19
	£'000	£'000
Opening balance at 1 April	**454,301**	**466,370**
Interest income on plan assets	11,709	12,571
Return on assets excluding amounts included in net interest	4,984	15,047
Employer contributions	14,640	15,798
Contributions by scheme participants	4,106	4,320
Benefits paid	(20,683)	(21,052)
Settlements	(2,687)	-
Closing balance at 31 March	**466,370**	**493,054**

The actual return on scheme assets in the year was £27.618m (2017/18: £16.693m).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £400m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

- 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 2020 is £14.9m. Expected contributions to the Teachers' Pension Scheme in the year to 31 March 2020 are £11.05m

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimated duration of benefit obligation is 18 years. Both the Teachers' Discretionary Benefits and Greater Gwent (Torfaen) Pension Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Greater Gwent (Torfaen) Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men (years)	21.5	21.5	21.5	21.5
- Women (years)	23.9	23.9	23.9	23.9
Longevity at 65 for future pensioners:				
- Men (years)	23.6	23.6	23.6	23.6
- Women (years)	26.1	26.1	26.1	26.1
Other Assumptions:				
Rate of CPI Inflation	0.0%	2.5%	0.0%	2.5%
Rate of increase in salaries	2.8%	2.9%	N/A	N/A
Rate of increase in pensions	2.4%	2.5%	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%	2.7%	2.4%
Take-up of option to convert annual pension	50.0%	50.0%	N/A	N/A

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Equities	87,252	72,822
Investment Funds	344,413	367,146
Property	11,261	13,333
Alternatives	19,636	37,361
Cash	3,808	2,393
	466,370	**493,054**

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

	Amount at 31 Mar 2019	Historic experience of default	Estimated Exposure to non-repayment Mar 2019	Estimated Exposure at 31 Mar 2018
	£'000	%	£'000	£'000
Council tax debts	6,303	1.10	69	64
Trade debtors	7,267	1.52	110	-
			179f	**64**

The Council expects repayment of its general debt within 30 days. However, £1.8m of the £7.3m is past this due date. The general debt is analysed as:

	31-Mar-18	31-Mar-19
	£'000	£'000
Less than thirty days	5,410	5,512
Less than three months	24	629
Three months to one year	126	473
More than one year	547	654
	6,107	**7,268**

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

Liquidity Risk

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

	31-Mar-18	31-Mar-19
Loan maturity	£'000	£'000
Less than one year	5,428	43,337
Between one and two years	40,972	1,623
Between two and five years	7,480	9,280
More than five years	97,363	138,548
	151,243	**192,788**

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

Market Risk

Interest Rate Risk

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

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

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

The impact of interest rate changes in borrowing and investment held at variable interest rates will impact on the Council's Income and Expenditure account and therefore it's Council Fund Balances.
The Council has a number of strategies to manage the interest rate risk, as contained within its treasury management and investment strategy. Where it is economically sound to do so the Council will, during falling interest rates, repay early high cost fixed rate loans to limit loss exposure.

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

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

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

43 CONTINGENT LIABILITIES

There are a number of contingent liabilities identified as at 31 March 2019:

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

  In April 2013, Ernst & Young, the Scheme Administrators advised that the levy to be paid by Members had been set 15% of the Council's claim value. In 2013/14 a levy of £463k was paid (based on claims value of £3.1m). In 2016/17 an additional levy of £347k (10% levy) was required by the scheme administrators, making the total levy paid to date (£810k) 25%. There is a risk that a further levy could be applied, the Council holds an earmarked reserve to mitigate this risk.

- **Insurance Claims** - The Council manages current insurance claims made against it on an on-going basis. There are a number of claims against the Council that are not included within its general insurance cover. These relate to discrimination, employment tribunals, copyright claims and civil litigation. As at 31 March 2019 the total claims outstanding were £5.9m. A provision has been made for claims totalling £732k as detailed in Note 23, as these have been assessed as being probable in terms of likely settlement. The Council also has an insurance reserve to mitigate against a percentage of the balance of claims as it is difficult to quantify the amount of these claims and the likelihood of the liability, and the Council is disputing all of the claims

- **Newport City Homes** - As part of the legal agreements associated with the transfer of the housing stock in 2008, the Council provided a number of property-related, employment, planning, environmental and other warranties to Newport City Homes and its funders which are for a period of 35 years from the date of transfer. The property-related warranties are limited to £9,000 per property (as at 2008 index linked to RPI), and cover 9,144 separate properties. Other warranties and indemnities would only apply after Newport City Homes has committed pre-determined levels of expenditure within its Business Plan. To date there has been no call on these warranties.

- **Financial Guarantees** – The Council has entered into a number of agreements to act as guarantor; in particular regarding the safeguarding of former employees' pension rights when their employment was transferred to third party organisations. There is no quantifiable liability to the Council; however there remains a potential liability in future years.

- **McCloud Judgement** - A legal challenge was recently brought by a group of firefighters and judges against the UK Government. The group claimed that changes to their relevant pension schemes in 2015 (specifically the introduction of new career average schemes, with transitional arrangements for those close to retirement age) were discriminatory.

In December 2018, the Court of Appeal upheld the challenge, confirming that these changes to pension schemes discriminated on the grounds of age. This decision was further upheld by the Supreme Court in June 2019, which denied the UK Government permission to appeal. This matter is widely referred to as the 'McCloud judgement'.

The UK Government accepts that this judgement has implications for other public sector pension schemes including the Greater Gwent Pension Fund, of which the Council is a member. It is anticipated that the costs of providing a remedy to affected employees will be significant.

The Council's actuary has assessed the financial impact of this legal judgement to be an estimated increase in the pension liability of £2,562,000.

An Employment Tribunal will further consider these specific cases in the summer of 2020, where it will determine an appropriate remedy to those affected individuals (it is expected that this remedy will then be applied across all affected pension schemes).

Given the current uncertainty surrounding the exact remedy to be applied the pension liability has not been increased at this stage and has been included as a contingent liability.

44 CONTINGENT ASSETS

No contingent assets were identified at 31 March 2019.

INTRODUCTION

The group accounts that follow comply with the requirement of the 2018/19 Code that a Local Council with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of Newport City Council and its subsidiary Newport Transport Limited. At the point of consolidation, the draft accounts were available and are what are included within the Group Accounts.

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

ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

Basis of Consolidation

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

Accounting policies

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

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

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Group Total 2017/18 Gross Expenditure	Gross Income	Net Expenditure Restated		Group Total 2018/19 Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
29,156	(3,211)	25,945	Children's and Young People Services	30,744	(3,578)	27,165
72,698	(28,959)	43,739	Adults and Community Services	75,040	(27,470)	47,571
27,711	(4,593)	23,118	Education	24,137	(4,221)	19,916
125,386	(21,808)	103,578	Schools	149,169	(20,894)	128,275
38,018	(18,263)	19,755	Regeneration, Investment and Housing	39,402	(18,840)	20,562
52,339	(23,159)	29,180	City Services	59,231	(19,909)	39,322
27,753	(5,035)	22,718	Corporate Services	25,420	(4,658)	20,762
56,286	(55,395)	891	Other Non Department Costs	53,527	(51,300)	2,227
429,347	**(160,423)**	**268,924**	**Cost of services**	**456,670**	**(150,870)**	**305,800**
22,998	-	22,998	Other operating expenditure	27,810	-	27,810
22,482	(2,401)	20,081	Financing and investment income and expenditure	22,746	(1,395)	21,351
-	-	-	(Surplus) / deficit on discontinued operations	-	-	-
(95)	(289,913)	(290,008)	Taxation and non-specific grant income	-	(298,402)	(298,402)
474,732	**(452,737)**	**21,995**	**(Surplus) / Deficit on Provision of services**	**507,226**	**(450,667)**	**56,559**
		(537)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets			(39,252)
		(21,225)	Actuarial (gains) / losses on pensions assets / liabilities			54,954
		-	Other gains / losses required to be included in the Comprehensive Income and Expenditure Statement			-
		-	Share of other comprehensive income and Expenditure of Subsidiaries			-
		(21,762)	**Other Comprehensive Income and Expenditure**			**15,702**
		234	**Total Comprehensive Income and Expenditure**			**72,261**

GROUP BALANCE SHEET AS AT 31 MARCH 2019

Total 2017/18 Restated £'000		Notes	Total 2018/19 £'000
505,654	Property, Plant and Equipment	6	507,434
17,968	Heritage Assets		17,354
7,577	Investment Property		7,784
22,078	Long Term Debtors		23,115
553,277	**Long Term Assets**		**555,686**
20,445	Short Term Investments		10,000
234	Assets Held for Sale		1,080
370	Inventories		413
38,754	Short Term Debtors	9	43,545
944	Cash and Cash Equivalents	11	47,041
60,747	**Current Assets**		**102,079**
(5,429)	Short Term Borrowing		(43,451)
(42,561)	Short Term Creditors	10	(41,754)
(6,465)	Provisions		(5,372)
(2,292)	Other Short Term Liabilities		(2,272)
(56,747)	**Current Liabilities**		**(92,849)**
(12,716)	Long Term Creditors	8	(10,094)
(8,479)	Long Term Provisions		(10,639)
(144,430)	Long Term Borrowing		(149,336)
(328,632)	Pension Liability	5	(405,479)
(42,807)	Other Long Term Liabilities		(40,892)
-	Deferred tax liability		-
(537,064)	**Long Term Liabilities**		**(616,440)**
20,213	**Net Assets**		**(51,524)**
(104,293)	Usable Reserves		(103,037)
84,080	Unusable Reserves		154,561
(20,213)	**Total Reserves**		**51,524**

GROUP MOVEMENTS IN RESERVE STATEMENT FOR YEAR ENDING 31 MARCH 2019

	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the 31 Mar 2017 carried forward	**(6,500)**	**(90,334)**	**(11,742)**	**(108,576)**	**88,130**	**(20,446)**
Movement in reserves during 2017/18						
(Surplus) / deficit on the provision of services	21,436	-	-	**21,436**	560	**21,996**
Other comprehensive Income and Expenditure	-	-	-	**-**	(21,763)	**(21,763)**
Total Comprehensive Income and Expenditure	**21,436**	**-**	**-**	**21,436**	**(21,203)**	**233**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(19,994)	-	2,841	**(17,153)**	17,152	**(1)**
Net Increase / Decrease before Transfers to Earmarked Reserves	**1,442**	**-**	**2,841**	**4,283**	**(4,051)**	**232**
Transfer to/ from Earmarked Reserves	(1,442)	1,442	-	**-**	-	**-**
Increase/ Decrease in 2017/18	**-**	**1,442**	**2,841**	**4,283**	**(4,051)**	**232**
Balance at the 31 Mar 2018 carried forward	**(6,500)**	**(88,892)**	**(8,901)**	**(104,293)**	**84,079**	**(20,214)**
Balance at the 31 Mar 2018 carried forward	**(6,500)**	**(88,892)**	**(8,901)**	**(104,293)**	**84,079**	**(20,214)**
Movement in reserves during 2018/19	-	-	-	-	-	-
(Surplus) / deficit on the provision of services	55,648	-	-	55,648	911	56,559
Other comprehensive Income and Expenditure	-	-	-	-	15,645	15,645
Total Comprehensive Income and Expenditure	**55,648**	**-**	**-**	**55,648**	**16,556**	**72,204**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(54,998)	-	606	(54,392)	54,175	(217)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**650**	**-**	**606**	**1,256**	**70,731**	**71,987**
Transfer to/ from Earmarked Reserves (Note 10)	(650)	650	-	-	-	-
(Increase) / Decrease in 2018/19	**(0)**	**650**	**606**	**1,256**	**70,731**	**71,987**
Balance at the 31 Mar 2019 carried forward	**(6,500)**	**(88,242)**	**(8,295)**	**(103,037)**	**154,561**	**51,524**

GROUP CASH FLOW STATEMENT FOR YEAR ENDING 31 MARCH 2019

Total 2017/18 £'000 Restated		Note	Total 2018/19 £'000
21,997	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		56,559
(136,089)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	13	(75,368)
17,421	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13	23,017
(96,671)	**Net cash flows from Operating Activities**		**4,208**
36,793	Investing Activities	14	- (9,893)
58,984	Financing Activities	15	(40,412)
(894)	**Net (increase) or decrease in cash and cash equivalents**		**(46,097)**
49	Cash and cash equivalents at the beginning of the reporting period	11	944
944	**Cash and cash equivalents at the end of the reporting period**	11	**47,041**

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

1 REMUNERATION

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

	31-Mar-18	31-Mar-19
£135,000 - £139,999	0	0
£120,000 - £124,999	0	0
£115,000 - £119,999	0	1
£110,000 - £114,000	0	0
£105,000 - £109,999	3	0
£100,000 - £104,999	2	1
£95,000 - £99,999	2	3
£90,000 - £94,999	3	2
£85,000 - £89,999	3	3
£80,000 - £84,999	1	2
£75,000 - £79,999	4	7
£70,000 - £74,999	13	9
£65,000 - £69,999	13	21
£60,000 - £64,999	22	15
Total	**66**	**64**

Further information regarding the remuneration of the employees of Newport Bus is contained within the company's 2018/19 Financial Statements.

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

2 RELATED PARTY DISCLOSURE

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

3 EXTERNAL AUDIT COSTS

In 2018/19 the following fees were paid by the council and its subsidiary in respect of audit and inspection.

	31-Mar-18	31-Mar-19
	£'000	£'000
Fees payable with regard to external audit of accounts	210	210
Fees payable in respect of local government measure	105	105
Fees payable for the certification of grant claims and returns for the year	74	70
Total	**389**	**385**

4 LEASES

Operating leases

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Not later than one year	942	896
Later than one year and not later than five years	1,871	2,227
Later than five years	1,966	2,481
	4,779	**5,604**

Finance Leases

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	1,322	625
	1,322	**625**

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Finance lease liabilities		
(net present value of minimum lease payments)		
- current	1,305	589
- non-current	17	36
Finance costs payable in future years	2	5
Minimum lease payments	**1,324**	**630**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£'000	£'000	£'000	£'000
Not later than one year	1,305	594	1,305	589
Later than one year and not later than five years	17	36	17	36
	1,324	**630**	**1,324**	**625**

5 PENSIONS

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

	Local Government Pension Scheme Newport Council 31-Mar-18 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-18 £'000	Newport Transport 31-Mar-18 £'000	Local Government Pension Scheme Newport Council 31-Mar-19 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-19 £'000	Newport Transport 31-Mar-19 £'000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	28,241	-	75	28,672		45
Past service cost (including curtailments)	138	-	-	32		
Effect of settlements	(2,127)	-	-			
Finance and Investment Income and Expenditure:						
Interest income on plan assets	(11,709)	-	(351)	(12,571)		(356)
Interest cost on defined benefit obligation	20,588	(319)	498	21,781	(295)	500
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**35,131**	**(319)**	**222**	**37,914**	**(295)**	**189**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Remeasurement of the net defined benefit liability comprising:						
Changes in Demographic Assumptions	-	-	-	-	-	-
Return on assets excluding amounts included in net interest	(4,984)	-	169	(15,047)	-	456
Changes in financial assumptions	(15,741)	97	(222)	69,986	(228)	662
Other experience	(482)	210	-	63	(26)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(21,207)**	**307**	**(53)**	**55,002**	**(254)**	**1,118**

	Funded liabilities: Local Government Pension Scheme - Newport Council 31-Mar-18	Unfunded liabilities: Teachers Discretionary Benefits Newport CC 31-Mar-18	Funded liabilities: Local Government Pension Scheme - Newport Transport 31-Mar-18	Funded liabilities: Local Government Pension Scheme - Newport Council 31-Mar-19	Unfunded liabilities: Teachers Discretionary Benefits Newport CC 31-Mar-19	Funded liabilities: Local Government Pension Scheme - Newport Transport 31-Mar-19
	£'000	£'000	£'000	£'000	£'000	£'000
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services post employment benefits in accordance with the Code	35,131	(319)	222	37,914	(295)	189
Actual amount charged against the Council Fund Balance for pensions in the year						
Employers' contributions payable to scheme	13,199	-	217	14,387	-	61
Contributions in respect of unfunded benefits	1,441	(973)	-	1,411	(958)	-
	14,640	**(973)**	**217**	**15,798**	**(958)**	**61**

Reconciliation of Scheme Assets

Assets and Liabilities in Relation to Retirement Benefits Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Local Government Pension Scheme Newport Council	Unfunded Teachers Discretionary Benefits Newport Council	Newport Transport	Local Government Pension Scheme Newport Council	Unfunded Teachers Discretionary Benefits Newport Council	Newport Transport
	31-Mar-18	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19	31-Mar-19
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	**(766,282)**	**(12,763)**	**(20,401)**	**(778,584)**	**(11,803)**	**(19,737)**
Current service cost	(28,241)	-	(75)	(28,672)	-	(45)
Interest cost on defined benefit obligation	(19,950)	(319)	(498)	(21,191)	(295)	(500)
Plan participants contributions	(4,106)	-	(11)	(4,320)	-	(7)
Related deferred tax asset						1,001
Actuarial gains and losses arising on changes in financial assumptions	15,547	97	222	(69,530)	(228)	(662)
Changes in Demographic Assumptions	-	-	-	-	-	-
Other experience	62	210	-	(11)	(26)	-
Benefits paid	19,710	973	1,026	20,094	958	1,037
Past service cost (including curtailments)	(138)	-	-	(32)	-	-
Effect of settlements	**4,814**	**-**	-	-	-	-
Closing balance at 31 March	**(778,584)**	**(11,802)**	**(19,737)**	**(882,246)**	**(11,394)**	**(18,913)**

Local Government Pension Scheme	Newport CC 31-Mar-18	Newport Transport 31-Mar-18 (Restated)	Newport CC 31-Mar-19	Newport Transport 31-Mar-19
	£'000	£'000	£'000	£'000
Opening balance at 1 April	**454,301**	**15,465**	**466,370**	**14,177**
Interest income on plan assets	11,709	351	12,571	356
Return on assets excluding amounts included in net interest	4,984	103	15,047	456
Employer contributions	14,640	217	15,798	61
Contributions by scheme participants	4,106	11	4,320	7
Benefits paid	(20,683)	(1,026)	(21,052)	(1,037)
Settlements	(2,687)	-	-	-
Closing balance at 31 March	**466,370**	**15,121**	**493,054**	**14,020**

	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19
	£'000	£'000	£'000	£'000
Equities	87,252	-	72,822	-
Investment Funds	344,413	-	367,146	-
Property	11,261	-	13,333	-
Alternatives	19,636	-	37,361	-
Cash	3,808	-	2,393	-
	466,370	**-**	**493,054**	**-**

Assets and Liabilities in Relation to Retirement

Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Local Government Pension Scheme Newport Council	Unfunded Teachers Discretionary Benefits Newport Council	Newport Transport	Local Government Pension Scheme Newport Council	Unfunded Teachers Discretionary Benefits Newport Council	Newport Transport
	31-Mar-18	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19	31-Mar-19
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	**(766,282)**	**(12,763)**	**(20,401)**	**(778,584)**	**(11,803)**	**(19,737)**
Current service cost	(28,241)	-	(75)	(28,672)	-	(45)
Interest cost on defined benefit obligation	(19,950)	(319)	(498)	(21,191)	(295)	(500)
Plan participants contributions	(4,106)	-	(11)	(4,320)	-	(7)
Related deferred tax asset						1,001
Actuarial gains and losses arising on changes in financial assumptions	15,547	97	222	(69,530)	(228)	(662)
Changes in Demographic Assumptions	-	-	-	-	-	-
Other experience	62	210	-	(11)	(26)	-
Benefits paid	19,710	973	1,026	20,094	958	1,037
Past service cost (including curtailments)	(138)	-	-	(32)	-	-
Effect of settlements	**4,814**	**-**	-	-	-	-
Closing balance at 31 March	**(778,584)**	**(11,802)**	**(19,737)**	**(882,246)**	**(11,394)**	**(18,913)**

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits Pension Scheme		Newport City Transport Pension Scheme	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
Mortality assumptions:						
Longevity at 65 for current pensioners:						
- Men (years)	21.5	21.5	21.5	21.5	21.5	21.5
- Women (years)	23.9	23.9	23.9	23.9	23.9	23.9
Longevity at 65 for future pensioners:						
- Men (years)	23.6	23.6	23.6	23.6	23.6	23.6
- Women (years)	26.1	26.1	26.1	26.1	26.1	26.1
Other Assumptions:						
Rate of CPI Inflation	0.0%	2.5%	0.0%	2.5%	2.4%	2.5%
Rate of increase in salaries	2.8%	2.9%	N/A	N/A	2.8%	2.9%
Rate of increase in pensions	2.4%	2.5%	2.4%	2.5%	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%	2.7%	2.4%	2.4%	2.5%
Take-up of option to convert annual pension	50.0%	50.0%	N/A	N/A	50.0%	50.0%

Assets and Liabilities in Relation to Retirement

Benefits Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Local Government Pension Scheme Newport Council	Unfunded Teachers Discretionary Benefits Newport Council	Newport Transport	Local Government Pension Scheme Newport Council	Unfunded Teachers Discretionary Benefits Newport Council	Newport Transport
	31-Mar-18	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19	31-Mar-19
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	**(766,282)**	**(12,763)**	**(20,401)**	**(778,584)**	**(11,803)**	**(19,737)**
Current service cost	(28,241)	-	(75)	(28,672)	-	(45)
Interest cost on defined benefit obligation	(19,950)	(319)	(498)	(21,191)	(295)	(500)
Plan participants contributions	(4,106)	-	(11)	(4,320)	-	(7)
Related deferred tax asset						1,001
Actuarial gains and losses arising on changes in financial assumptions	15,547	97	222	(69,530)	(228)	(662)
Changes in Demographic Assumptions	-	-	-	-	-	-
Other experience	62	210	-	(11)	(26)	-
Benefits paid	19,710	973	1,026	20,094	958	1,037
Past service cost (including curtailments)	(138)	-	-	(32)	-	-
Effect of settlements	**4,814**	**-**	-	-	-	-
Closing balance at 31 March	**(778,584)**	**(11,802)**	**(19,737)**	**(882,246)**	**(11,394)**	**(18,913)**

Local Government Pension Scheme	Newport CC 31-Mar-18	Newport Transport 31-Mar-18 (Restated)	Newport CC 31-Mar-19	Newport Transport 31-Mar-19
	£'000	£'000	£'000	£'000
Opening balance at 1 April	**454,301**	**14,455**	**466,370**	**14,177**
Interest income on plan assets	11,709	351	12,571	356
Return on assets excluding amounts included in net interest	4,984	169	15,047	456
Employer contributions	14,640	217	15,798	61
Contributions by scheme participants	4,106	11	4,320	7
Benefits paid	(20,683)	(1,026)	(21,052)	(1,037)
Settlements	(2,687)	-	-	-
Closing balance at 31 March	**466,370**	**14,177**	**493,054**	**14,020**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimated duration of benefit obligation is 18 years. The Teacher's Discretionary Benefits and Great Gwent (Torfaen) Pension Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Greater Gwent (Torfaen) Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.The principal assumptions used by the actuary have been:

6 PROPERTY, PLANT & EQUIPMENT

2018/19	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	327,485	48,955	214,300	605	6,735	35,833	**633,913**	71,139
Additions	9,459	2,027	3,919	34	-	10,448	**25,887**	-
Donations	-	-	-	-	-	-	**-**	-
Re-classification	42,124	-	-	(146)	(1,001)	(42,050)	**(1,073)**	-
Revaluations	27,109	-	-	(231)	236	-	**27,114**	-
Impairments	(34,644)	-	(108)	(34)	-	(106)	**(34,892)**	-
Disposals	(4,108)	(385)	-	(49)	(3,334)	-	**(7,876)**	-
At 31 March 2019	**367,425**	**50,597**	**218,111**	**179**	**2,636**	**4,125**	**643,073**	**71,139**
Accumulated Depreciation and Impairment								
At 1 April 2018	(28,522)	(32,997)	(66,741)	-	-	-	**(128,260)**	(20,152)
Depreciation Charge in Year	(10,747)	(4,018)	(6,309)	-	(4)	-	**(21,078)**	-
Re-classification	-	-	-	-	4	-	**4**	-
Revaluation Impact	12,021	-	-	-	-	-	**12,021**	-
Disposals	1,309	365	-	-	-	-	**1,674**	-
At 31 March 2019	**(25,939)**	**(36,650)**	**(73,050)**	**-**	**-**	**-**	**(135,639)**	**(20,152)**
Net Book Value								
At 1 April 2018	298,963	15,958	147,559	605	6,735	35,833	**505,653**	50,987
At 31 March 2019	**341,486**	**13,947**	**145,061**	**179**	**2,636**	**4,125**	**507,434**	**50,987**

2017/18	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property Plant and Equipment**	PFI Assets within PPE
(Restated)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	323,946	47,121	211,556	592	7,509	17,607	**608,331**	71,139
Additions	6,051	3,441	2,835	1	-	19,829	**32,157**	-
Donations	3,076	-	-	-	-	-	**3,076**	
Re-classification	(35)	-	-	13	(125)	(1,603)	**(1,750)**	-
Revaluations	(501)	-	-	-	(649)	-	**(1,150)**	-
Impairments	(4,181)	(190)	(91)	(1)	-	-	**(4,463)**	-
Disposals	(871)	(1,417)	-	-	-	-	**(2,288)**	-
At 31 March 2018	**327,485**	**48,955**	**214,300**	**605**	**6,735**	**35,833**	**633,913**	**71,139**
Accumulated Depreciation and Impairment								
At 1 April 2017	(18,677)	(30,073)	(60,501)	-	-	-	**(109,251)**	(18,300)
Depreciation Charge in Year	(11,581)	(4,312)	(6,240)	-	(7)	-	**(22,140)**	(1,852)
Re-classification	37	-	-	-	2	-	**39**	-
Revaluation Impact	1,597	-	-	-	5	-	**1,602**	-
Disposals	102	1,388	-	-	-	-	**1,490**	-
At 31 March 2018	**(28,522)**	**(32,997)**	**(66,741)**	**-**	**-**	**-**	**(128,260)**	**(20,152)**
Net Book Value								
At 1 April 2017	305,269	17,048	151,055	592	7,509	17,607	**499,080**	52,839
At 31 March 2018	**298,963**	**15,958**	**147,559**	**605**	**6,735**	**35,833**	**505,653**	**50,987**

7 FINANCIAL INSTRUMENTS

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

8 LONG TERM CREDITORS

	31-Mar-18	31-Mar-19
	£'000	£'000
Section 106 deposits	(5,776)	(6,161)
Other long term creditors	(6,213)	(3,857)
	(11,989)	**(10,018)**

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

9 DEBTORS

	31-Mar-18			31-Mar-19		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	14,672	(2,968)	11,704	19,435	(3,374)	16,061
Council tax payers	5,845	(3,446)	2,399	6,303	(3,633)	2,670
NHS bodies	1,405	-	1,405	1,555	-	1,555
Central government bodies	21,769	-	21,769	20,289	-	20,289
Other local authorities	1,477	-	1,477	2,970	-	2,970
	45,168	**(6,414)**	**38,754**	**50,552**	**(7,007)**	**43,545**

10 CREDITORS

TOTAL

	31-Mar-18	31-Mar-19
	£'000	£'000
General	(32,422)	(32,862)
Central government bodies	(2,747)	(3,780)
Prepayments of council tax	(1,124)	(1,151)
NHS bodies	(1,195)	(80)
Other local authorities	(5,073)	(3,881)
	(42,561)	**(41,754)**

11 CASH AND CASH EQUIVALENTS

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Short-Term Investments classified as cash equivalent	3,080	-
Cash held by the authority	242	52,850
	3,322	**52,850**
Bank Current accounts	**(2,378)**	**(5,809)**
Total Cash and Cash Equivalents	**944**	**47,041**

12 PROVISIONS

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

13 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-18	31-Mar-19
	£'000	£'000
Interest received	(9,989)	(55)
Interest paid	13,276	13,552
Loss on disposal of tangible assets	-	-
Taxation	95	-
	3,382	**13,497**

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Depreciation	(23,454)	(21,086)
Impairment and downward valuations	(4,319)	(39,364)
(Increase) / Decrease in creditors	(5,842)	4,759
Increase / (Decrease) in debtors	(77,580)	6,187
Increase / (Decrease) in stock	(16)	43
Pensions liability	(20,177)	(21,949)
Carrying amount of non-current assets sold	1,789	(3,451)
Other non cash adjustments	(6,490)	(507)
	(136,089)	**(75,368)**

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,012	2,912
Any other items for which the cash effects are investing or financing cash flows	16,409	20,487
Net cash flows from Operating activities	**17,421**	**23,399**

14 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-18	31-Mar-19
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	33,187	23,852
Purchase of short-term and long-term investments	22,574	(10,445)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,024)	(2,530)
Other receipts from investing activities	(16,944)	(20,770)
Net cash flows from investing activities	**36,793**	**(9,893)**

15 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-18	31-Mar-19
	£'000	£'000
Cash receipts of short- and long-term borrowing	(63,217)	(61,055)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,292	1,975
Repayments of short- and long-term borrowing	119,909	18,669
Net cash flows from financing activities	**58,984**	**(40,411)**

16 TAXATION

Newport Transport Tax Liability is as follows:

	31-Mar-18	31-Mar-19
	£'000	£'000
Corporation tax		
Current tax on profits for the year	-	-
Total Current Tax	**-**	
Deferred Tax		
Origination and reversal of timing differences	(95)	-
Total deferred tax	**(95)**	**-**
Taxation on profit on ordinary activities	**(95)**	**-**

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 – higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are below:

	31-Mar-18	31-Mar-19
	£'000	£'000
Loss on Ordinary Activities before Tax	**(654)**	**(911)**
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(124)	(173)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1	-
Capital allowances for year in excess of depreciation	15	-
Changes in deferred tax rate	(39)	-
Adjustments to tax charge in respect of prior periods	-	-
Rate difference regarding other comprehensive income	7	-
Deferred tax not recognised	46	-
Other timing differences leading to an increase (decrease) in taxation	-	173
Total tax charge for the year	**(94)**	-

GLOSSARY OF TERMS

- **Accruals Basis**
  The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

- **Actuarial Gains and Losses Re-measurement of Net Defined Benefit Liability**
  Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because events have not coincided with the actuarial assumptions made for the last valuation and the actuarial assumptions have changed.

- **Agency Services**
  These are services that are performed by or for another Council or public body, where the principal (the Council responsible for the service) reimburses the agent (the Council carrying out the work) for the costs of the work.

- **Appointed Auditors**
  The Audit Commission appoints external auditors to every Local Council, from one of the major providers of registered auditors. The Welsh Audit Office is the Council's appointed Auditor.

- **Authorised Limit**
  This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

- **Balances**
  The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

- **Capital Adjustment Account**
  The Account accumulates (on the debit side) the write-down of the historical cost of Property, Plant and Equipment as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

- **Capital Expenditure**
  This is expenditure on the acquisition of property, plant and equipment, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

- **Capital Financing Charges**
  This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

- **Capital Receipts**
  Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

- **Carrying Amount**
  The Balance Sheet value recorded of either an asset or a liability.

- **Chartered Institute of Public Finance and Accountancy (CIPFA)**
  CIPFA is the leading professional accountancy body for public services.

- **Community Assets**
  This is a category of Property, Plant and Equipment that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

- **Contingency**
  This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

- **Contingent Liabilities or Assets**
  These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's Statement of Accounts.

- **Council Tax Requirement**
  This is the estimated revenue expenditure on General Fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

- **Creditors**
  Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

- **Current Service Cost**
  Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

- **Debtors**
  These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

- **Deferred Capital Receipts**
  These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

- **Depreciation**
  This is the measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.

- **Derecognition**
  Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

- **Discounts**
  Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

- **Earmarked Reserves**
  The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

- **External Audit**
  The independent examination of the activities and accounts of Local Authorities to ensure the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

- **Fair Value**
  Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

- **Financial Regulations**
  These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

- **Housing Benefit**
  This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

- **Impairment**
  A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

- **Infrastructure Assets**
  A category of Property, Plant and Equipment which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

- **International Financial Reporting Standard (IFRS)**
  These are the defined Accounting Standards that must be applied by all reporting entities to all Statement of Accounts in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Statement of Accounts of the other entities.

- **Joint Venture**
  A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

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

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

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

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

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

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

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

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

- **Public Works Loan Board (PWLB)**
  An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

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

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

- **Reporting Standards**
  The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Council. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

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

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

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

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

- **Unsupported (Prudential) Borrowing**
  This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Glossary of Acronyms

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

Further Information

Further information about the Statement of Accounts is available from:

Head of Finance
Civic Centre
Newport
South Wales
NP20 4UR

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