

Agenda

Audit Committee

Date: Monday, 26 June 2017

Time: 5.00 pm

Venue: Committee Room 4 - Civic Centre

To: Mr J Baker (Chair), D Davies, J Guy, J Jordan, L Lacey, W Routley, H Thomas, K Thomas, H Townsend and R White

Item

- 1 Agenda in Welsh (Pages 3 - 4)
- 2 Apologies for Absence
- 3 Declarations of Interest
- 4 Minutes of the Meeting held on 30 May 2017 (Pages 5 - 12)
- 5 Call In of Head of Service following Unfavourable Internal Audit Opinions (Pages 13 - 28)
- 6 Draft Financial Accounts 2016/17 (Pages 29 - 186)
- 7 Work Programme (Pages 187 - 192)
- 8 Date of Next Meeting - 21 September 2017

This page is intentionally left blank



Agenda

Pwyllgor Archwilio

Dyddiad: Dydd Llun, 26 Mehefin 2017

Amser: 5 y.p.

Lleoliad: Ystafell Bwyllgora 4 - Canolfan Dinesig

At: Mr J Baker (Cadeirydd), Y Cynghorwyr: D Davies, J Guy, J Jordan, L Lacey, W Routley, H Thomas, K Thomas, H Townsend, R White

Eitem

Rhan 1

1. Agenda yn Gymraeg
2. Ymddiheuriadau am absenoldeb
3. Datganiadau o fuddiant
4. Cofnodion y cyfarfod a gynhaliwyd ar 30 Mai 2017
5. Galw Pennaeth Gwasanaeth i mewn yn dilyn Barn Ymchwiliad Mewnol Anffafriol
6. Datganiadau Ariannol Drafft 2016-17
7. Rhaglen Waith
8. Dyddiad y cyfarfod nesaf – 21 Medi 2017

This page is intentionally left blank

Minutes



Audit Committee

Date: 30 May 2017

Time: 5.00 pm

Present: Mr J Baker (Chair), Councillors D Davies, J Guy, J Jordan, L Lacey, W Routley, K Thomas, H Townsend and R White

In Attendance: Rhys Cornwall (Head of People and Business Change), Rachel Kalahar (Senior Performance Management Officer), Meirion Rushworth (Head of Finance), Owen James (Assistant Head of Finance - Technical and Development), Andrew Wathan (Chief Internal Auditor), Robert Squance (Audit Manager), Gareth Lucey (WAO) and Michele Chesterman (Democratic Services Support Officer).

1 Appointment of Chairperson

Nominations for Chair of Committee were invited.

Agreed:

To appoint Mr John Baker as Chair of the Committee.

2 Declarations of Interest

None.

3 Minutes of the Meeting held on 30 March 2017

The Minutes of the meeting held on 30 March 2017 were submitted.

Agreed

To confirm the minutes of the meeting held on 30 March 2017.

4 Corporate Risk Register Update

Members considered the latest update on the Corporate Risk Register. There were eight risks identified in the register, one high risk and seven medium risks. Since the last update the risk score for risk 2 'Increasing Aging Population' had increased from 12 to 16 which meant it is now a high risk. Risk 5 Safeguarding was expected to be closed in the risk register review that would take place in the next quarter.

Discussions included the following:

- Risk 2: Increasing Ageing Population - What is the mitigation at present and the links to Risk 4: Budget Challenge, which hadn't changed? Would the Budget Challenge risk also increase? – Members were advised that more clarity around mitigation is probably needed and this would be taken back to service areas.

- Mention had been made of other agencies but what about joint working? Did the risks represent internal work or were other partners included, for example, preventative measures nationally? There is a need to be working with other people to make an impact – Members were advised that more detail on this matter was included in the Adult Social Services Plan. It would be noted to take back to look at specific links. A copy of a departmental risk register to be circulated at next Audit Committee.
- What about business continuity and cyber issues? – Members were advised that this was currently not one of our high risks. In 2016 the Council had suffered a cyber-attack and disaster recovery was implemented to duplicate systems in order to offset any impact. The Council recently became a partner in Shared Resource Service with IT. Cyber issues are their No 1 risk and within the People and Business Change Plans it will be identified as such. A copy of a departmental risk register to be circulated at next Audit Committee.
- Risk 8: Brexit
The statement: “It is unclear at this time both when the EU will formally exit the EU...” was queried. - Members were advised this was a typo and would be corrected.
- Risk 6: Investment in Friars Walk Development
85% let by income – has it moved since last time? – Members were advised that this would be fed back to Members.

Agreed

1. To note the contents of the Corporate Risk Register.
2. To circulate a copy of a departmental risk register for Members’ information.
3. To provide Members with Information on Disaster Recovery for Service areas.
4. To provide Members with examples of additional work around high level risks.

5 Regulatory Reports

Members considered a report detailing all of the regulatory reports that had been received by the authority from our main regulators, Wales Audit Office (WAO), Care and Social Services Inspectorate Wales (CSSIW) and Estyn.

New information contained in this report included:

- WAO Data Quality Assurance Arrangements. A draft presentation had been issued following an audit of Newport City Council’s data quality assurance arrangements.
- CSSIW Inspection Report Newport City Council Fostering Service.
- WAO Waste Review.
- WAO Financial Resilience 2016/17.
- WAO Corporate Assessment Follow up Review.
- WAO Certificate of Compliance. A certificate was issued to confirm that the authority had complied with the requirements of the Local Government Measure 2009 with regards to its Audit of the Improvement Plan performance measures.
- Annual Improvement Report.

The monitoring of the proposals for improvement made by WAO was reported to Cabinet, whereas the monitoring arrangements for CSSIW and Estyn reports were through Scrutiny. Progress monitoring reports for the WAO Proposals for Improvement were reported to Cabinet on a quarterly basis. These quarterly reports to Cabinet included updates of the open Proposals for Improvement and the recommendations arising from the Corporate Assessment. The latest update on the recommendations and proposals for improvement was included in Appendix 2.

Discussions included the following:

- **Appendix 2: Recommendation 2 – The Council should address with more urgency the weaknesses in its governance arrangements that underpin its decision making to support improvement** - Concern was raised around the detail of the recommendation which would enable the Council to action it. Members needed to understand it to

challenge it and it was felt there was a lot of wording that was difficult to understand. – Members were advised that it had been a learning process to be more challenging around the wording of recommendations since the first Newport City Council Corporate Assessment in 2014. Some had been more difficult to close down than others. However, the process has been managed to make sure it is robust, the experience has been learnt from and the wording in WAO recommendations is clearer.

Agreed

To note the details of the regulatory reports contained in the report.

6 Treasury Management Report 2016-17

Members considered a report on treasury activities undertaken during the financial year 2016/17. During the year to 31 March 2017, the Council continued to invest surplus funds with its own bankers (Santander) and institutions with long-term credit ratings in at least the 'A-' Category.

As at 31 March 2017, the Council had short-term investments of £2.30m, this was to invest surplus funds that had come into the Council on over a minimal timescale. Temporary borrowing had continued to be required to fund normal day to day activities. All borrowing undertaken was as expected, and within the Council's agreed time limits.

The report presented the following information:

- Details of capital financing, borrowing, debt rescheduling and investment transactions
- Reports on the risk implications of treasury decisions and transactions
- Details of the outturn position on treasury management transactions in 2016/17
- Confirms compliance with treasury limits set and Prudential code

In recent years the Council's strategy had been to fund capital expenditure from reducing investments rather than undertaking more expensive new long term borrowing. Total temporary borrowing of £185.8 million was raised during the year, of which with the exception of borrowing related to Queensbury, nil remained outstanding at the 31 March 2017.

Local Authorities measure their underlying need for long-term borrowing through their 'Capital Financing Requirement' (CFR) shown in Table 2 (Page 66). Members were advised of the importance of Table 2 as it takes into account the amount of planned capital expenditure that needs to be funded through borrowing, (as opposed to external funding) irrespective of whether the borrowing itself is undertaken externally or through dis-investing. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

Comments made included:

- At what point is borrowing non-sustainable? – Members were advised that when the loan in connection with Friar's Walk is repaid the Authority will use the cash to pay off existing debt. CFR shows borrowing dropping off showing a need to borrow an addition £50m in future.
- Where is the £50m in the table? – Members were advised this was the borrowing dropping off being replaced with new borrowing.
- Is this something to be worried about? – Members were advised that the concern was over the reserve falling. The cost, if the reserve is replaced with borrowing will be £3 – £3.5m which has a revenue implication. The revenue budget is around £11m. The important element is where the authority wants gross CFR to be. If it stays stable there might not be much of a concern. 2017/18 marks the end of the capital programme. The new strategy for 2018/19 will need to be more sophisticated. It would not be possible to give an answer to members today on the new strategy. This was a conversation which

was currently active in the council and would have to go to Cabinet. Treasury matters would feature and also the direction of interest rates.

- Can the Audit Committee be assured that the new strategy come to the Committee well before January 2018 so that Audit can add its comments and not put through without Audit input? – Members were advised changes suggested by Audit will be reflected in a new presentation to Management teams and would be brought to Audit Committee. The Head of Finance advised Members that Treasury Management Training was proposed for all Council Members in September 2017 where the Treasury Management Strategy would become much clearer to Members. He stressed the importance for Audit Committee Members to attend the training.
- Will there be a hard copy as well as a verbal assurance that any recommendations have taken place? – Members were advised that the Head of Finance would bring contextual notes to the next Audit Committee.

Agreed

1. To note the Annual Report on Treasury Management for the Financial Year 2016/17.
2. To note that 2016-17 Prudential Indicators for Treasury Management were in line with those set by Council in February 2016.

7 Internal Audit Annual Report 2016-17

Members considered a report upon:

- a) The overall opinion on the internal controls of the City Council for 2016/17;
- b) Internal Audit's progress against the agreed audit plan;
- c) Internal Audit's performance against local performance indicators.

The report gave an overall opinion on the adequacy and effectiveness of the City Council's internal controls during 2016/17 which was '**Reasonable** – Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance'.

The second part of the report detailed the performance of the Internal Audit Section and how well its key targets in the year were met. 89% of the approved audit plan was completed in the year against a target of 77%. A big thanks to staff in the team who worked well to achieve this.

During the year, 35 reviews were undertaken, 7 received 'Good' audit opinions, 22 received 'Reasonable', 5 received 'Unsatisfactory' and 1 received 'Unsound' opinions. 2 Community Centre accounts were audited, both of which were unqualified.

In addition to planned work, the team undertook 'special investigation' reviews. 2 special investigations were undertaken during 2016/17. These arose for a number of different reasons, including information passed straight to the Section regarding allegations against members of Council staff, potential fraud, theft or non-compliance with Council Policy/procedures.

Internal Audit runs seminars on what Financial Regulations and Contract Standing Orders mean, why they are in place, what they are about and to whom they relate. 9 sessions were delivered to 95 delegates during 2016/17.

Despite not having a full complement of staff for the whole year, 89% of the approved audit plan was completed against a target of 77%; (77% completed in 2015/16). A total of 80 audit reviews were planned during the year with 63 being completed to at least draft stage by the

end of the year. (The total number of jobs in the plan was adjusted from 80 to 71 to reflect the fact that managers were not able to accommodate the audit during the year).

Although 200 days were planned for special investigations during the year, 95 productive days were actually spent auditing specials and unpaid work, 105 days less than allocated within the plan which mean more planned audit work could be undertaken.

Getting draft reports out this year took 13 days against a target of 10. Final reports were sent out within 3 days of receiving agreed management comments.

In 2016/17 the Audit Section continued to send out evaluation questionnaires to managers after an audit review had been undertaken in their area, which gave them an opportunity to feedback on the performance, professionalism and the audit process in general. Following the finalisation of reviews, 35% of questionnaires were returned (35% in 2015/16) with 100% of managers stating they were satisfied with the audit process and that it added value to service provision, which is reassuring.

The Audit Team had an establishment of 9 staff (including the Chief Internal Auditor). The section is split into two teams which cover the whole of the Council's systems, establishments and staff, each managed by an Audit Manager. During the year the team was supported by a secondment from Grant Thornton to help achieve the plan.

The Policy Finance Committee (1998) requested that on-going consideration be given to the sufficiency of internal audit resources. With a full complement of staff the audit resource is only just about sufficient to provide assurance on the Council's internal control environment, but given the experiences of staff changes in the last couple of years, the Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. The Chief Internal Auditor will endeavour to provide adequate and appropriate audit coverage throughout the Council although prioritisation is required, given the reduced resources within the team. The current level of resources is just about adequate to meet the continuing needs of service led demands. However, the level of resources needs to be assessed in line with Internal Audit's on-going involvement with The Measure, performance indicators, the changing risk profile of the Council and auditing grant claims not reviewed by the external auditor.

Members raised a number of issues:

- Concerns were raised over the current level of internal audit resources and should we record that if anything happened (sickness, etc.) the team may not have sufficient resources? - Members were informed that with more audit staff the team could do more and a couple of posts had been lost. The current level of resources in the Team was just about adequate to provide assurance.
- Does the team use consultant auditors? – This has not been explored in great detail, however, last year a resource in another local authority had been utilised and during the year the team was supported by a secondment from Grant Thornton to help achieve the plan, which had been a positive experience.
- In terms of unsatisfactory opinions in relation to audit reviews (5 in 2014/15 and in 2016/17) - are these the same 5 and are we consistently underperforming? – Members were advised that generally different work is carried out each year. If it is necessary to go back and carry out a follow up review and if it hasn't changed the Service Manager is invited in to explain.

Agreed

To note and endorse the Annual Internal Audit Report 2016/17 and overall Audit Opinion.

8 Internal Audit Annual Plan 2017-18

The Chief Internal Auditor introduced his Internal Audit Annual Plan 2017/18 which set out the work to be undertaken by the Internal Audit Section at an operational level for 2017/18. It identified why the Council operated an Internal Audit function, the resources available and how they would be applied across the services of Newport City Council to give management assurance that systems were working as intended. It outlined where Internal Audit resources would be focussed over the next year, covering systems and establishments in all service areas of the Council. 1152 productive audit days had been planned for 2017/18 by 8 staff, balancing adequacy of controls with limited resources.

The Chief Internal Auditor explained how the plan is compiled from a long list of all areas which could be audited, by discussion with Heads of Service, Risks identified, identified resources which is then developed into a shorter prioritised list based on the audit resources available, with the aim to give the Audit Committee appropriate and adequate assurance.

Discussions included the following:

- In relation to Page 102 - Appendix 2 – Internal Audit Services 2017/18 - it appeared that all work is backward looking. Is there a need to look at budgeting to give a forward look? – Members were advised that budgetary control forms part of the strategic plan. Budget reports have commitment accounting and forecasting as well. CATS analysis is also carried out. The new emphasis for the Scrutiny Committees will be on performance which will feature more heavily.
- Could we have commitment accounting information for the June accounts as it would be useful in terms of accuracy of the outturn – Members were advised that this is routinely picked up by the Procurement Team and that information could be provided.
- In terms of Risk Analysis (page 95) is there any exchange of information with other local authorities? – Yes, as part of the Welsh Chief Auditors Group there are sub groups with Social Services, Education, IT, etc. to share that information among our own audit teams.

Agreed

To note and endorse the 2017/18 Operational Internal Audit Plan.

9 Standing Order 24 / Waiving of Contract Standing Orders: Quarterly report reviewing Cabinet / Cabinet Member Urgent Decisions or waiving Contract Standing Orders (Quarter 4, Jan to March 2017)

Members considered a report on the use of Standing Order 24 and the Waiving of Contract Standing Orders in recent decisions taken by Cabinet and Cabinet Members. Members were asked to consider whether the reasons for the urgency/waiving of contract standing orders were properly reflected in the documentation supporting the following three decisions:

New Primary School (Jubilee Park) – Decision of the Cabinet Member for Education and Young People 7 February 2017 – move to Statutory Notice – The urgency was due to statutory timescales and to allow sufficient time for a new head teacher to be appointed to start when the school opens in September 2017. This had been justified within the content of the report.

Town Centre Repayable Funding Scheme – Decision of the Cabinet Member for Regeneration and Investment 8 March 2017 Although the report stated that there were delays with Welsh Government and there were subsequent due diligence and briefing requirements, it did not specifically justify the need for the urgency of this decision. A timeline of key events would have been useful.

A member stated that with regards the Town Centre Repayable Funding Scheme there was an issue with late funding, but it should have been made clear in the report.

New Primary School (Jubilee Park) – Final Determination – Decision of the Cabinet Member for Education and Young People 9 March 2017 - The urgency was due to original delays in the process, statutory timescales and to allow sufficient time for a new head teacher to be appointed to start when the school opens in September 2017. This had been justified within the content of the report.

Agreed

To confirm that there was reasonable justification for the above urgent decisions.

10 Audit Committee Self Evaluation Exercise

The previous self- evaluation exercise had been carried out 12-18 months ago. It had demonstrated effective audit and good practice helping to ensure governance moved forwards. It was suggested another Audit Committee Self Evaluation Exercise be carried out around 6 months into the new Council.

Agreed

To defer a report upon the Audit Committee Self Evaluation Exercise until 6 months into the new Council.

11 Work Programme

Members' attention was drawn to the proposed work programme for the Audit Committee for 2017-18.

Agreed

To note the Work Programme.

12 Date of Next Meeting - 22 June 2017

Agreed

To confirm the date of the next meeting as 22 June 2017.

This page is intentionally left blank

Report

Audit Committee

Part 1

Date: 26 June 2017

Subject **Call in of Head of Service following Unfavourable Internal Audit Opinions.**

Purpose To allow Members of the Audit Committee to discuss, with the Head of Streetscene & City Services, their concerns raised in the Internal Audit reviews of:

- Highways Overtime & On Call Payments 2016/17 (Unsatisfactory)
- Agency / Overtime - Refuse Service (incl. Follow-up) 2016/17 (Unsound)

and to gain assurances that action will be taken to improve the internal controls in operation and agree how to follow up implementation of actions

Author Chief Internal Auditor

Ward General

Summary Following the presentation of the Internal Audit's six monthly update on unfavourable audit opinions in March 2017, Members of the Audit Committee agreed to escalate their concerns to the Strategic Director (Place) and call her in and the Head of Streetscene & City Services to provide reasons why the controls were poor and provide assurances that action will be taken to make the necessary improvements. This was in relation to two recent audits undertaken in the service area:

- Highways Overtime & On Call Payments – Highways (Unsatisfactory)
- Agency / Overtime - Refuse Service (incl. Follow-up) (Unsound)

In September 2016, the former Head of Streetscene & City Services was called in to Audit Committee to account for why limited action was taken to address the issues identified in the audit reports regarding the provision of CCTV & Security at Telford Street Depot within the Council.

Note: the current Head of Streetscene & City Services started his employment with Newport CC on the 15th May 2017. Although interim arrangements were in place, the service was without an official Head of Service from early December 2016, just over 5 months.

Proposal

- 1) To review and assess proposed actions and come to a view if they are robust and deliverable and will address the issues identified satisfactorily within reasonable timescales.
- 2) To ensure the Head of Service takes responsibility for implementing the proposed actions

3) Agree that Internal Audit will carry out follow up work in these areas during 2017/18 the outcome reported back to Audit Committee.

Action by Audit Committee

Timetable Immediate

Background

1. An internal audit review is undertaken to provide assurances (or otherwise) that appropriate internal controls, governance arrangements and risk management processes are in place to safeguard the Council's assets, to ensure the proper use of public money and that it has been used effectively, efficiently and economically, that fraud, error and misappropriation has been minimised and overall risks have been reduced.
2. Following the presentation of Internal Audit's six monthly update on unfavourable audit opinions in March 2017, Members of the Audit Committee were concerned that a theme of unfavourable audit opinions was occurring within the Streetscene & City Services service area.
3. The March 2017 report identified that the audit of the CCTV & Security at Telford Street Depot resulted in two consecutive unsatisfactory audit opinions; this area will be audited again in 2017/18 with the outcome being reported back to the Audit Committee. The former Head of Streetscene & City Services was called into Audit Committee in September 2016 to account for why limited action was taken to address the issues identified in the previous audit reports and to provide assurance that appropriate improvements would be made moving forward.
4. The March 2017 report also identified two further audit reports undertaken within Streetscene & City Services which resulted in unfavourable audit opinions:
 - Overtime & On Call Payments – Highways (Unsatisfactory)
 - Agency / Overtime - Refuse Service (incl. Follow-up) (Unsound)

and outlined the main reasons why the audit opinions could only provide limited assurance; The definition of internal audit opinions is shown at Appendix A.

5. The timeline for the Internal Audit reviews was as follows:

	Date of Fieldwork	Draft Report Issue Date	Final Report Issue Date
<i>CCTV & Security at Telford Street Depot 2014/15</i>			
	Mar – Jun 2014	July 2014	November 2014
<i>CCTV & Security at Telford Street Depot Follow Up 2015/16</i>			
	Oct 2015 – Jan 2016	March 2016	September 2016
<i>Overtime & On Call Payments – Highways</i>			
	Sept – Nov 2016	December 2016	April 2017
<i>Agency / Overtime - Refuse Service (incl. Follow-up)</i>			
	Apr – Jul 2016	August 2016	November 2016

6. The issues identified during the course of the audits highlighted a continued lack of internal control and exposed the Council to an unacceptable level of risk. The tables below detail the significant outstanding weaknesses identified during the review; the agreed comments / actions provided by the Senior Operational Managers are shown at Appendices B & C:

Overtime & On Call Payments – Highways

Ref.	CRITICAL
1.04	For the period examined it was identified that employees were working in excess of the hours as prescribed by the EU Working Time Directive without formally opting out.

Ref.	SIGNIFICANT
1.05	Signing in / out records were not completed by the Service. Compensatory rest days / TOIL taken by employees was not being recorded. When compensatory rest days / TOIL was taken, this was not deducted from the employee's salary.
1.06	For the sample examined, hours claimed and paid to employees via timesheets were not always supported by appropriate documentation e.g. Call out reports.
1.07	For the sample examined, where available, call out reports were not completed in full meaning the additional hours claimed by employees could not be verified.
1.08	For the period examined, some call outs had been completed without corresponding Duty Officer Work Instructions.
1.09	For the period examined, a standard call out time of 2hrs was being claimed rather than the employee's actual working time.
1.10	For the period examined, where multiple call outs appeared to be of a continuous nature, these had not been aggregated and were claimed and paid as separate call outs.
1.11	For the period examined, on call payments had not been reviewed on an annual basis in line with the Out of Hours policy and employees who worked in excess of 187 hours overtime in a 17 week period were not removed from the on call rota.
1.12	No meaningful authorisation was being given to employees' timesheets by management prior to payment. Hours claimed on timesheets were sometimes in excess of the maximum hours which could be claimed within the period.

Agency / Overtime - Refuse Service (incl. Follow-up)

Ref.	CRITICAL
1.01	For the period examined, members of refuse staff (both permanent employees and agency employees) were not working their contracted hours even though they were being paid for these. For agency staff alone, this is costing NCC approx. £1,600 per week; the equivalent of £83,000 per annum.

Ref.	SIGNIFICANT
1.02	For the period reviewed, weekday overtime was being claimed by and paid to members of staff (both NCC and agency employees) even though they had not completed their contracted working hours for the week.
1.03	For the period examined, regular weekend overtime was being paid despite employees not working their contracted hours.
1.04	At the time of the review, office based staff such as Supervisors and the Assistant Manager (Refuse) did not deduct lunch breaks from their daily working hours as required. There was also no evidence to confirm that drivers and loaders deducted

	any lunch / breaks from their daily working hours.
1.05	The signing in / out records at the site continued to be inadequate with no arrival times recorded. The records were not always fully completed.
1.06	For the period examined, high levels of overtime continued to be paid to the Refuse Supervisors (Grade 6) and the Assistant Manager (Grade 8).
1.07	From a review of the 'Manning Book' and the signing in / out records a number of unreported sickness absences were identified.
1.08	The hours worked by employees detailed in the 'Manning Book' were not always consistent with those recorded on the paid timesheets.
1.09	For the period reviewed, agency staff were being paid but not always being recorded on the 'Manning Book'.
1.10	For the period reviewed, the use of agency staff by the refuse service was high and some agency had worked for the service for over 2 years.

7. A follow up audit of each area will be undertaken during 2017/18 with the subsequent audit opinion being reported back to Audit Committee in due course.
8. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and have agreed to do this by incorporating their comments within the audit reports and taking on board the agreed management actions.
9. Internal Audit are continuing to raise the awareness of financial regulations and contract standing orders within the Council by delivering seminars to all service areas; during recent years this training has been further targeted towards areas that have had unsatisfactory audit opinions.
10. Where managers are compliant with Council policies and procedures and sound financial management can be demonstrated then audit reviews should result in an improved audit opinion being given. If, as a result, improvements are made to internal controls then greater assurance can be given by Internal Audit to the Audit Committee, the Leader and the Chief Executive on the overall effectiveness of all the Council's internal controls.

Financial Summary, Risks and Links to Council Policies and Priorities

11. No direct financial implications for this report. Due to the lack of internal controls within this system, there is a greater exposure to the Council to the loss or theft of key assets of the organisation and has implications for the safety of Council staff working in this environment.
12. One of the key objectives of an audit report is to outline compliance against expected controls within a system, an establishment or the duration of a project or contract. Generally, the audit report should give management assurance that there are adequate controls in place to enable the system to run effectively, efficiently and economically. If adequate controls are not in place then there is greater exposure to the risk of fraud, theft, corruption or even waste.
13. NCC Internal Audit reports outline strengths of the system under review along with any weaknesses in internal control. The reports are discussed with operational management where the issues identified are agreed. The operational manager will then add his / her action plans to the report which will address the agreed issue and mitigate any further risk.
14. Reduced audit staff reduces the audit coverage across service areas which provides reduced assurance to management.
15. Risk table – N/A for this report

16. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens
- To make our city a better place to live for all our citizens
 - To be good at what we do
 - To work hard to provide what our citizens tell us they need

Options Considered / Available. Preferred choice and reasons

17. Not applicable

Comments of Chief Financial Officer

18. This report is compiled on behalf of the Head of Finance. Areas of unsatisfactory / unsound audit opinions are a concern but having highlighted issues, it is expected that local managers implement appropriate improvements as soon as they can. Further on-going unsatisfactory / unsound opinions are then of even more concern and the Committee will need to come to a view, having made enquiries of the Chief Internal Auditor, what, if any further action may be required.
19. It is important that the Audit Committee review proposed actions thoroughly and come to a conclusion on whether improvements will be realised, within a reasonable timescale. It will be essential that Internal Audit carry out the follow up audit sometime in 2017/18 in these areas and ensure controls have improved to satisfactory levels and this will provide a significant part of the Committee's future assurance in this area..

Comments of Monitoring Officer / Head of Law & Regulation

20. The Report has been prepared in accordance with the Council's internal audit procedures and Performance Management framework. Following a number of unfavourable audit opinions and two unsatisfactory and unsound audit reports in 2016/17 in relation to staffing payments within highways and refuse collection, Audit Committee are required to review the adequacy of the proposed management actions within Streetscene and City Services to address the identified risks within acceptable timescales. In particular, critical risk areas will need to be addressed as a matter of priority, given that the identified weaknesses could have legal and financial implications for the Council in terms of non-compliance with EU Working Time Directives and payment on a "task and finish" basis rather than contracted hours.

Comments of Head of People and Business Change


21. The report highlights areas for concern within Street Scene and both Employment Services and Human Resources are working with senior management to address these issues. The Committee is being asked to consider whether the actions outlined and progress to date are satisfactory. Internal Audit provides a critical function within the Council to provide assurance on financial systems and monitoring and to highlight weaknesses so that issues can be identified and addressed.

Local Issues and Consultation

22. Not applicable

INTERNAL AUDIT SERVICES – AUDIT OPINIONS

- The Internal Audit team introduced a new report format during 2015/16 where the Audit Opinion has been colour coded based on a traffic light system and the report only contains key issues which need to be addressed.

	GOOD	Well controlled with no critical risks identified which require addressing; substantial level of assurance.	Green
	REASONABLE	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.	Yellow
	UNSATISFACTORY	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.	Amber
	UNSOUND	Poorly controlled; major risks exists; fundamental improvements required with immediate effect.	Red

Overtime & On Call Payments – Highways – Agreed Action Plan

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
1.04	<p>For the period examined it was identified that employees were working in excess of the hours as prescribed by the EU Working Time Directive without formally opting out.</p> <p><i>This is non-compliant with Central Government legislation. Reasonable steps have not been taken to protect workers health, safety and wellbeing, which could be compromised. This could lead to accidents potentially involving members of the public causing compensation and fines to be payable leading to reputational damage for the Authority.</i></p>	<p>We are sure previous opt out forms had been completed but these were within one supervisors' area which were not able to be located.</p> <p>Opt-out forms have now been completed for all members of staff.</p> <p>Forms will be submitted to Employment Services for inclusion on staff personnel files.</p> <p>This will be included within future winter maintenance plans to ensure that all staff have completed a form (including any new starters to the service).</p>	<p>Assistant Area Manager (FP)</p> <p>Assistant Area Manager (FP)</p> <p>Assistant Area Manager (FP)</p>	<p>Implemented</p> <p>April 2017</p> <p>November 2017</p>
1.05	<p>Signing in / out records were not completed by the Service. Compensatory rest days / TOIL taken by employees was not being recorded. When compensatory rest days / TOIL was taken, this was not deducted from the employee's salary.</p> <p><i>Difficulties in monitoring staff that are on shift at</i></p>	<p>A signing in / out record is now being completed. This has also included an employee declaration that they are fit and competent to undertake their duties. However, the clocking in and out system in the civic has been abandoned and relies on employees maintaining a spreadsheet and the trust of individuals.</p>	<p>Assistant Area Managers (AB & FP)</p>	<p>Implemented / on-going</p>

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
	<p><i>any particular time in the case of any incident / emergency. Actual working hours cannot be confirmed and additional payments cannot be verified. Disputes over actual hours worked and claimed for may not be easily resolved. The health, safety & wellbeing of the workforce could be adversely affected if adequate compensatory rest days / TOIL are not provided and non-compliance with the EU Working Time Directive. Service delivery could be affected.</i></p>	<p>All compensatory leave / TOIL is now being recorded on forms and approved. The TOIL cards will be cross checked back to the timesheets to ensure that the time recorded correct and that there are no duplicate payments of salary being made.</p>		
1.06	<p>For the sample examined, hours claimed and paid to employees via timesheets were not always supported by appropriate documentation e.g. Call out reports.</p> <p><i>The hours paid to employees cannot be confirmed potentially resulting in overpayment of hours. Any dispute over hours worked and claimed cannot be easily resolved.</i></p>	<p>Overtime claim forms are now being completed with a copy attached to the employee timesheets.</p> <p>Call out reports are to be submitted by staff for each call out and retained.</p> <p>A meeting has been held with the supervisors to ensure that they are fully aware of the requirements.</p>	Assistant Area Managers (AB & FP)	Implemented / on-going
1.07	<p>For the sample examined, where available, call out reports were not completed in full meaning the additional hours claimed by employees could not be verified.</p> <p><i>Disputes over hours worked cannot be easily resolved. The working hours of employees and the rates of pay could not be confirmed as being correct. This could result in overpayment of additional hours to employees and management authorisation not being meaningful.</i></p>	<p>A meeting has been held with the call out team to go through the forms and to show them which sections need to be completed. All call out reports are now being completed in full.</p>	Assistant Area Manager (FP)	Implemented / on-going

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
1.08	<p>For the period examined, some call outs had been completed without corresponding Duty Officer Work Instructions.</p> <p><i>Work may be undertaken without requisite approval. This impacts on the service area's budget in terms of overtime paid and use of materials / fuel.</i></p>	The Duty Officer Work Instructions (HCLD) will be discontinued and any calls will be recorded on the Duty Officer Log which will be completed for each on-call period even if no calls are received / made.	<p>Assistant Area Managers (AB & FP)</p> <p>Duty Officers</p>	Implemented / on-going
1.09	<p>For the period examined, a standard call out time of 2hrs was being claimed rather than the employee's actual working time.</p> <p><i>Employees may be paid for hours not worked. This is putting additional budget pressures on the service. Inconsistent application of the policy across the Authority could lead to employee / employer disputes.</i></p>	A meeting has been held with the on call team to clarify the working time as to when a call out begins and finishes. Actual time (minimum of 1 hour) is now being claimed.	Assistant Area Managers (AB & FP)	Implemented / on-going
1.10	<p>For the period examined, where multiple call outs appeared to be of a continuous nature, these had not been aggregated and were claimed and paid as separate call outs.</p> <p><i>This is non-compliant with the NCC Out of Hours Policy and results in employees being paid for hours not worked. This puts additional budget pressures on the service.</i></p>	A meeting has been held with the on call team to clarify the working time as to when a call out begins and finishes. Actual time (minimum of 1 hour) is now being claimed including where call outs are continuous.	Assistant Area Managers (AB & FP)	Implemented / on-going
1.11	For the period examined, on call payments had not been reviewed on an annual basis in line with the Out of Hours policy and employees who worked in excess of 187 hours overtime in	<p>Opt-out forms have now been completed for all staff.</p> <p>On-going discussions are being held with</p>	Assistant Area Managers (AB & FP)	Implemented / on-going

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
	<p>a 17 week period were not removed from the on call rota.</p> <p><i>This is non-compliant with the NCC Out of Hours Policy and could lead to non-compliance with the EU Working Time Directive. The health, safety & wellbeing of the workforce could be adversely affected</i></p>	<p>the Fleet Team regarding drivers working hours to ensure compliance with The Road Transport (Working Time) Regulations.</p> <p>Those members of staff who regularly claim on call payments will have the arrangement reviewed as part of the annual My Review process. (May 2017)</p>		
1.12	<p>No meaningful authorisation was being given to employees' timesheets by management prior to payment. Hours claimed on timesheets were sometimes in excess of the maximum hours which could be claimed within the period.</p> <p><i>This has resulted in overpayment of additional hours and without adequate monitoring, hours could be claimed for / paid when the employee has not worked.</i></p>	<p>Overtime claim forms are now being attached to the timesheets giving detailed reasons for the overtime payment.</p> <p>A check will be made on the timesheets to ensure that the hours claimed are eligible and the totals are correct.</p>	Assistant Area Managers (AB & FP)	Implemented / on-going

Agency / Overtime - Refuse Service (incl. Follow-up) – Agreed Action Plan

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
1.01	<p>For the period examined, members of refuse staff (both permanent employees and agency employees) were not working their contracted hours even though they were being paid for these. For agency staff alone, this is costing NCC approx. £1,600 per week; the equivalent of £83,000 per annum.</p> <p><i>Employees are being paid for working less than their contracted hours which could bring future disputes from other employees of NCC and has budget implications. This is not in-line with the corporate objective of providing the best affordable service.</i></p>	<p>Ideally we would expect employees to complete their contracted hours. However, we acknowledge that “task and finish” is an industry standard within waste collection.</p> <p>The service is currently reviewing route optimisation to incorporate the growth in housing throughout Newport. This will now include building in time (where practical and safe) for vehicle and equipment maintenance and cleaning as daily duties rather than allocating as overtime. This will ensure that contracted employees and agency workers are productive throughout the working day.</p> <p>The use of in-cab technology will commence in November 2016 and at this point the historical ‘job & finish’ will come to an end.</p> <p>Agency staff will be focused on green waste collection with this service due to cease over the winter months. The use of some Agency will be inevitable to cover sickness or other absences as this is a public facing service.</p>	Waste Operations Manager (GJ)	December 2016 / On-going monitoring

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
1.02	<p>For the period reviewed, weekday overtime was being claimed by and paid to members of staff (both NCC and agency employees) even though they had not completed their contracted working hours for the week.</p> <p><i>This results in additional costs being borne by the service for work which could be completed during employees contracted hours. Disputes may arise regarding the selection of staff who complete these duties.</i></p>	<p>Practices will be reviewed as part of route optimisation and duties previously undertaken as overtime will be built into daily duties where practical. This may include work on weekend for which no additional payment will be made if contracted hours have not been completed.</p>	<p>Waste Operations Manager (GJ)</p>	<p>December 2016 / On-going monitoring</p>
1.03	<p>For the period examined, regular weekend overtime was being paid despite employees not working their contracted hours.</p> <p><i>This results in additional costs being borne by the service for work which could be completed during employees contracted hours. Disputes may arise regarding the selection of staff who complete these duties.</i></p>	<p>Duties such as “washdown” and “greasing” will be built into the daily duties (where practical) or undertaken on weekends as part of the working week. The long term plan is to move towards a 7 day working week.</p> <p>The ‘working week’ will be reviewed to identify potential for including weekends, especially for work on trade waste contracts.</p> <p>These hours, where practical, will be incorporated into the daily duties within contracted hours.</p>	<p>Waste Operations Manager (GJ)</p>	<p>December 2016 / On-going monitoring</p>
1.04	<p>At the time of the review, office based staff such as Supervisors and the Assistant Manager (Refuse) did not deduct lunch breaks from their daily working hours as required. There was also no evidence to confirm that drivers and loaders</p>	<p>It has been agreed that <u>all</u> staff will be required to take a minimum of 30 minutes break during their working day and no longer take their break at the end of the working day.</p>	<p>Waste Operations Manager (GJ)</p>	<p>December 2016</p>

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
	<p>deducted any lunch / breaks from their daily working hours.</p> <p><i>This is non-compliant with the European Working Time Directive. Staff may not be working their contracted hours but being paid for these. Overtime may be claimed and paid unnecessarily to staff who have not worked their contracted hours resulting in additional costs to the budget.</i></p>	<p>Drivers / loaders will have the option to return to the depot or take lunch on the roadside. This will be introduced and breaks taken will be monitored.</p> <p>Discussions will be held with the respective Trade Unions and the hours of work will be removed from the job description as it is not appropriate to include.</p>	<p>Employment Services Manager (HM)</p>	<p>November 2016</p>
1.05	<p>The signing in / out records at the site continued to be inadequate with no arrival times recorded. The records were not always fully completed.</p> <p><i>Difficulties in monitoring staff that are on shift at any particular time in the case of any incident / emergency. Actual working hours cannot be confirmed and additional payments cannot be verified. Disputes over actual hours worked and claimed for may not be easily resolved.</i></p>	<p>All employees have now been given clear instructions on completing the signing in / out record. Start and finish times will be recorded and this will be monitored by the Supervisors / Assistant Manager (Refuse & Recycling).</p>	<p>Waste Operations Manager (GJ)</p>	<p>October 2016</p>
1.06	<p>For the period examined, high levels of overtime continued to be paid to the Refuse Supervisors (Grade 6) and the Assistant Manager (Grade 8).</p> <p><i>This results in additional costs borne by the Authority and could lead to accusations that the overtime is unfairly allocated to senior management based at the site.</i></p>	<p>The working pattern for Supervisors and Assistant Manager has been amended to eliminate the need to claim overtime of 30 minutes each day.</p> <p>There are currently high levels of overtime due to project working (route optimisation & implementation of in-cab technology); this should reduce over the coming months once implemented.</p>	<p>Waste Operations Manager (GJ)</p>	<p>October 2016</p>

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
1.07	<p>From a review of the 'Manning Book' and the signing in / out records a number of unreported sickness absences were identified.</p> <p><i>This results in incorrect SSP calculations for these individuals. Absences may not be effectively monitored and managed. The Management of Attendance Policy is not being complied with and applied consistently across employees.</i></p>	<p>It is important that all absences are recorded in iTrent. Managers/Supervisors are being trained during October as part of the roll-out of H&S which will include direct input of sickness. Managers/Supervisors should ensure that they capture all absences and cross-reference to the 'Manning Book' if this provides information on any employee who has reported as sick. Supervisors will be reminded of the need to check the Manning Book for all absences and action accordingly. Advice will be sought from Employment Services if unsure of process.</p> <p>Retrospective Self Certification and Return to Work Discussion forms will be completed and amendments will be made to iTrent to capture the unrecorded absences identified by Internal Audit.</p>	Waste Operations Manager (GJ)	November 2016
1.08	<p>The hours worked by employees detailed in the 'Manning Book' were not always consistent with those recorded on the paid timesheets.</p> <p><i>This results in over / under payments to members of staff which could have a budget impact. Staff may be claiming for hours not actually worked.</i></p>	Supervisors will be reminded of the need to be vigilant and ensure that timesheets match the 'Manning Book'.	Waste Operations Manager (GJ)	November 2016
1.09	<p>For the period reviewed, agency staff were being paid but not always being recorded on the 'Manning Book'.</p> <p><i>This could result in agency staff being paid for</i></p>	All agency worker hours will be included within the 'Manning Book'.	Waste Operations Manager (GJ)	November 2016

Ref.	Weakness & Risk	Agreed Management Action	By Who	By When
	<p><i>hours not actually worked resulting in additional costs for the service. Without the names recorded in the manning book, any disputes regarding routes / service could not be addressed.</i></p>			
1.10	<p>For the period reviewed, the use of agency staff by the refuse service was high and some agency had worked for the service for over 2 years.</p> <p><i>The use of agency staff brings additional costs to the Authority as well as employment rights for the individual.</i></p>	<p>The concern over the long term use of agency is acknowledged. Agency does provide an element of flexibility for the service, particularly during seasonal variations. However, the service will, where possible, look to convert agency to contract if posts / budgets are available.</p> <p>Agency spend is now being monitored on a weekly basis.</p>	<p>Waste Operations Manager (GJ)</p> <p>Employment Services Manager (HM)</p>	January 2017



Report

Audit Committee

Part 1

Date: 26 June 2017

Subject 2016/17 Draft Financial Statements

Purpose This report submits a copy of the draft 2016/17 financial accounts to Audit Committee, for comments & information.

Author Head of Finance

Ward All

Summary The Section 151 officer will be signing and publishing the Council's draft accounts by the statutory deadline of 30 June 2017 and are shown here for information and comments, which could, where appropriate, be incorporated into the final signed draft version. Draft accounts are published to enable residents to consider and question the information within them.

The accounts are subject to audit and will be re-presented to the Committee in September for formal approval and signing following completion of this work.

This report outlines the key statements within the accounts, and issues of interest to provide members with an understanding of the information presented. A presentation on the key documents and what they show will be made at the meeting.

Proposal That the Committee note and comment, where necessary, on the draft accounts.

Action by Head of Finance – Completion of audit and agreement of any issues

Timetable September 2017

This report was prepared after consultation with:

- Monitoring Officer

Background

The draft financial statements cover the period 1 April 2016 to 31 March 2017 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Four key statements together with supporting notes detail the financial performance, these are:

- **The Comprehensive Income and Expenditure Statement (CIES):** showing the accounting cost in year of providing services in accordance with generally accepted accounting practices.
- **The Movement in Reserves Statement:** summarises the Authority's income and expenditure activity and shows how this is adjusted to arrive at the Authority's funding, or council tax position, and how surpluses / deficits have been distributed to reserves.
- **The Balance Sheet:** shows the value as at the 31 March 2017 of the assets and liabilities held and recognised by the Authority.
- **The Cash Flow Statement:** shows the movements in cash and cash equivalents of the Authority during the reporting period.

Key areas/issues within the accounts:

1. The CIES shows a financial position which looks different to the underspend reported to Cabinet. This is because the Financial Statements are required to make a number of adjustments under the Code. Note 28 provides a reconciliation back to the surplus reported to Cabinet. The Head of Finance's foreword to the accounts explains this point and the key adjustments / differences

These draft accounts, along with supporting working papers have already been given to the WAO w/c 19th June to facilitate early engagement, where possible.

As agreed last year within 'lessons learnt', the Welsh Audit Office have already started certain aspects of their testing during their preliminary visit to the Council and this will help ensure a quicker and smoother audit this year.

A presentation on the key issues contained within the accounts will be made to the Committee and will hopefully facilitate questions and observations.

Risks

The accounts are prepared in accordance with required codes of practice and disclosure notes relating to risks are included where appropriate.

Links to Council Policies and Priorities

No direct links but the annual accounts show that the Council financial capacity is good and this is important for any organisation which requires funds to drive forward key priorities and improvements.

Options Available and considered

No authorisation of the draft accounts is required from the Audit Committee.

The Committee is asked to note the draft accounts only and make any comments / seek clarification as necessary which could lead to a change in the accounts before they are signed by the HoF and published.

Preferred Option and Why

To note the draft accounts and make comments / seek clarification as necessary

Comments of Chief Financial Officer

All financial issues are covered in this covering report and in the presentation which will be given to Members.

Comments of Monitoring Officer

S151 Officer is required to approve the draft accounts for 2016/17 before 30th June in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2010. Best practice however requires that these accounts are presented to the Audit Committee for information.

Comments of Head of People and Business Change

There are no HR issues in this report

Comments of Cabinet Member

The Leader of the Council, as lead member for strategic finance, confirms that the HoF has discussed these accounts with her and has been shown and assured that they are in line with what was presented to her Cabinet on 15th June, including the distribution of the small underspend to earmarked reserves.

Local issues

N/A

Scrutiny Committees

N/A

Equalities Impact Assessment and the Equalities Act 2010

N/A

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

In the main, this is not applicable as the accounts are a backwards looking document, reporting on facts as at 31st March 2017. In saying this, the Cabinet are mindful of the Act when considering financial issues and the reserves and provisions in the accounts contribute to the achievement of the Act, in particular securing financial resilience and managing risks.

Crime and Disorder Act 1998

N/A

Consultation

N/A

Background Papers

None

This page is intentionally left blank

Statement of Accounts 2016/17



Contents

	Page No.
Head of Finance's Narrative Report	5
Statement of Responsibility	21
Annual Governance Statement	22
Auditor's Report	47
Expenditure and Funding Analysis	48
Comprehensive Income and Expenditure Statement	49
Movement in Reserves Statement	50
Balance Sheet	51
Cash Flow Statement	52
Notes to the Statement of Accounts	53
Group Accounts	131
Notes to the Group Accounts	137
Glossary of Accounting Related Terminology	147
Glossary of Acronyms	152
Further Information	153

Notes to the Statement of Accounts Index

- Note 1 Accounting Policies
- Note 2 Accounting Standards that have been issued but not adopted
- Note 3 Critical judgements in applying Accounting Policies
- Note 4 Events after the balance sheet date
- Note 5 Assumptions made about the future and other major sources of estimation uncertainty
- Note 6 Material items of income and expense
- Note 7 Note to the expenditure and funding analysis
- Note 8 Expenditure and Income Analysed by Nature
- Note 9 Adjustments between Accounting Basis and funding basis under regulations
- Note 10 Transfer to / from reserves
- Note 11 Other operating expenditure
- Note 12 Financing and investment income and expenditure
- Note 13 Taxation and non-specific grant income
- Note 14 Property, Plant and Equipment
- Note 15 Heritage Assets
- Note 16 Investment Properties
- Note 17 Financial Instruments
- Note 18 Inventories
- Note 19 Short term debtors
- Note 20 Cash and cash equivalents
- Note 21 Assets held for sale
- Note 22 Short term creditors
- Note 23 Provisions
- Note 24 Usable reserves
- Note 25 Unusable reserves

Contents

- Note 26 Cash Flow Statement – operating activities
- Note 27 Cash Flow Statement – investing activities
- Note 28 Cash Flow Statement – financing activities
- Note 29 Members allowances and expenses
- Note 30 Officer remuneration
- Note 31 External audit costs
- Note 32 Grant income
- Note 33 Related parties
- Note 34 Capital expenditure and capital financing
- Note 35 Leases
- Note 36 Private Finance Initiatives and similar contracts
- Note 37 Impairment losses
- Note 38 Capitalisation of borrowing costs
- Note 39 Termination benefits
- Note 40 Pension Schemes (defined contribution scheme)
- Note 41 Defined Schemes (benefits pension schemes)
- Note 42 Nature and extent of risks arising from financial instruments
- Note 43 Contingent Liabilities
- Note 44 Contingent Assets
- Note 45 Limited Companies
- Note 46 Pooled budget arrangements
- Note 47 Joint ventures / Joint Arrangements
- Note 48 Trust funds and third party assets

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Introduction

The purpose of this foreword is to offer a guide to the context in which the Newport City Council operates, provide an overview of the most significant matters affecting the Statement of Accounts, outline any changes in accounting policies applied in preparing the Statement of Accounts and explain the Authority's overall financial position.

These Statement of Accounts cover the period 1 April 2016 to 31 March 2017 and have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/17' (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Four key statements together with supporting notes detail the financial performance, these are

- **The Comprehensive Income and Expenditure Statement (CIES):** shows the accounting cost in year of providing services in accordance with generally accepted accounting practices;
- **The Movement in Reserves Statement:** summarises the Authority's income and expenditure activity and shows how this is adjusted to arrive at the Authority's funding, or council tax position, and how surpluses/ deficits have been distributed to reserves;
- **The Balance Sheet:** shows the value as at the 31 March 2017 of the assets and liabilities held and recognised by the Authority;
- **The Cash Flow Statement:** shows the movements in cash and cash equivalents of the Authority during the reporting period.

In addition a new 'Expenditure and Funding Analysis' has been included in the notes to the core statements. This new note details the movement between the Council's internal reporting format, the statutory Council Fund and finally the position reported under proper accounting practices presented in the Comprehensive Income and Expenditure Statement.

The changes aim to improve clarity and to assist users of the accounts to see the relationship between internal reporting throughout the financial year and the Council's Statement of Accounts.

The Statement of Accounts includes consolidated group accounts which are shown in pages 131-146:

- **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 and comprise the Movement in Reserves Statement; the Comprehensive & Income Expenditure Statement; the Balance Sheet; the Cash Flow Statement and associated notes.

REVIEW OF THE YEAR

This section deals with key issues in 2016/17, for example, the Council's year-end revenue and capital outturns, key risks, significant issues affecting the balance sheet and performance.

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

(1) The Council's financial outturn position

Revenue

The financial context for the Council's financial management in 2016/17 was very challenging. With Revenue Support Grant, which funds approximately 80% of the Council's net costs, reducing by 0.05%, savings of £8,647k had to be delivered, in addition to managing increasing demand on services.

The Council's revenue budget outturn for 2016/17 shows a positive position for the Council; with a total reported underspend to Cabinet of £326k at their June 2017 meeting. This represents a 0.2% underspend against the Authority's net budget (excluding schools), and given the context, is a significant achievement. Cabinet authorised for these underspends to be transferred to a number of earmarked reserves and the accounts that follow this reflect those decisions.

Whilst a good position, a number of the Council's budgets continued to be under considerable pressure in 2016/17, such as Community Care, Children's placements and School's budgets and 'service area' budgets overspend considerably, as shown by the table below (approximately £2m excluding capital financing/interest and school's). These overspends were mitigated by over delivery of Council Tax income, as the number of houses sold in Newport exceeded expectations, reduction in Council Tax reduction payments, as claimant numbers reduced and the non-use of the revenue contingency budget.

The reported underspend position is following a number of in-year transfers to reserves, which were agreed at Cabinet, consistent with existing policy or part of the base budget. The level of reserves is discussed further in this foreword and detailed balances are included within Note 8 to the Statement of Accounts.

The table below summarises the revenue outturn for 2016/17

	Budget	Actual Expenditure	Reserves to be agreed by Cabinet	Outturn	Variance To Original
	£'000	£'000			£'000
Social Services:					
- Children & Young People	21,084	21,213		21,213	129
- Adult & Community Services	39,676	40,140	126	40,266	590
Education	13,869	14,300		14,300	431
Schools	89,835	91,050		91,050	1,215
Regeneration, Investment & Housing	9,100	8,910		8,910	(190)
Streetscene and City Service	17,092	18,729	200	18,929	1,837
Corporate Services & Chief Executive	16,075	15,610		15,610	(465)
Capital Financing Costs & Interest	28,182	24,834		24,834	(3,348)
Total Expenditure On Services	234,913	234,786	326	235,112	199
Levies/Other	21,774	20,427		20,427	(1,347)
Transfer to / (from) Reserves	1,442	5,215		5,215	3,773
Restructuring / other related expenditure	4,336	4,723		4,723	387
General Contingency	1,473	-		-	(1,473)
Net Council Fund	263,938	265,151	326	265,477	1,539
Government Grants	(209,142)	(209,142)			-
Council Tax	(54,796)	(56,335)			(1,539)
Underspend available to be distributed from Reserves	-	(326)	326	265,477	-

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

In relation to the Statement of Accounts in this document, the position on the Comprehensive Income & Expenditure Statement is more complicated by our need to comply with relevant accounting requirements. In essence, we have to charge certain expenditure into the accounts, however, these are not 'cash related' expenditure and therefore do not need funding from the Authority's main funding sources – its revenue support grant and council tax. Within the Comprehensive Income & Expenditure Statement, the Authority is reporting a deficit on provision of services of £10.163m, under the relevant accounting basis. Therefore, in these Statement of Accounts, in line with the accounting regulations, we also reverse them out which leaves a 'bottom line' based on how we are funded i.e. on our 'funding base'. This is done through the 'Movement in Reserves' statement which immediately follows the Comprehensive Income & Expenditure Statement, to show a final position based on its funding basis. After this reversal – the 'bottom line' agrees to what was reported to Cabinet and shown above. The new 'Expenditure Funding Analysis' (EFA) shown prior to the core statements shows the movement between the outturn reported to Cabinet and the final Comprehensive Income & Expenditure statement position.

The key 'accounting related' movements are:

- £27.0m of depreciation and impairment charges on non-current assets with an opposite adjustment included for the minimum revenue provision charge of £12.9m;
- £17.5m of capital grants and contributions applied during the year, are now recognised in full in the Comprehensive Income & Expenditure Statement.
- £6.0m revenue expenditure which has been allowed to be funded by capital under statute.
- £11.5m relating to the difference between pension costs chargeable under regulation and those under accounting requirements;

Following these adjustments, the Authority has achieved a balanced 'funding' basis, following the agreed transfer of £326k to earmarked reserves by Cabinet in its June 2017 meeting.

(2) Capital

Total capital expenditure in 2016/17 was £32.4m (£25.8m in 2015/16). The main items within this figure are shown below:

	Adjusted Estimate	Actual Expenditure	Variance
	£'000	£'000	£'000
Education	19,048	18,797	(251)
Regeneration, Investment & Housing	8,990	8,395	(595)
People & Business Change	1,199	404	(795)
Law & Regulation	189	183	(6)
Adult & Community Services	782	890	108
Children & Young People Services	55	54	(1)
Streetscene & City Services	5,087	3,670	(1,417)
Total Capital Expenditure	35,350	32,393	(2,957)

The most significant capital expenditure during the year related to:

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

- £18.8m on schools including projects within the 21st Century School programme;
- £2.0m on management of assets across the Authority;
- £1.6m on Housing Renovation schemes including disabled facilities and energy efficiency grants;
- £3.0m on delivering the regeneration schemes within year 3 of the Vibrant & Viable Places Programme.

The Authority has continued to fund most of its capital programme spend from 'cash' resources as opposed to new borrowing. Given its strong cashable reserves position, it has, over a number of years, pursued a general policy of drawing down its cash reserves rather than taking on new borrowing and use short term borrowing to maintain required liquidity. This is cheaper and also ensures it reduces counterparty investment risks.

As highlighted in this foreword, there have been significant disposals during 2016/17 with receipts in year totalling £4.1m. Usable capital receipts currently stands at £11.7m, with the large majority of this being earmarked to finance the remaining of the Band A 21st Century schools programme and the remainder will be built into the new capital programme being developed during the current year.

(2) Balance Sheet – the Authority's Reserves, Provisions and Contingencies

The Balance Sheet shows a 'snapshot' of the Council's assets and Liabilities as at 31 March 2017, including its reserves.

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

Usable reserves

The Authority continues to have a strong balance sheet position with usable reserves of £107.2m an increase of £5.9m. This provides a good platform to meet future challenges and risks. As detailed in note 10 the earmarked reserves have been categorised into the following:

- Risk reserves - £20.6m - these cover the Authority for future risks that they face, including insurance reserve, friars walk reserve, and pay reserve.
- Enabling reserves - £23.8m - these allow the funding for the Authority to enable change and efficiency, these include Invest to Save and Usable Capital Receipts Reserves.
- Smoothing reserves - £47.2m – these reserves smooth out the timing difference between the funding received and actual funding of certain areas of expenditure, the main one being the PFI reserves of £46.0m, which will fund the expenditure of the PFIs over the next 25 years.
- Other reserves - £4.2m – these are earmarked for specific expenditure for the short term, these include funding schools budgets in 2017/18 and funding spending priorities as agreed by Cabinet as part of the 2016/17 outturn.

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

As is evident from the above, all the reserves are earmarked for specific purposes and in the majority of cases these are committed and there is little scope to utilise these reserves for other purposes.

Reserves are an integral part of medium term financial planning and management of risk and the increased level of earmarked/specific reserves have been necessary to cover risks and future pressures that the Council faces, as well as put aside funding for one-off spending priority plans for the authority in 2017/18 and capital receipts from significant disposals during the year. The following reserves have seen increases during the year to cover these areas:

- £1.1m set aside to fund the transfer from reserves for schools for 2017/18 as per the agreed budget.
- £900k new earmarked reserve for investment plans in 2017/18 as agreed by Cabinet in the financial year.
- £3.7m net capital receipts which are required to be set aside for future capital expenditure.
- £3.8m transfer to the friars walk reserve from the net surplus of interest charges in the year.
- £570k into the PFI reserve, which is the final transfer into the reserve before the reserve begins to be utilised.

The transfers above show why there has been a significant increase in reserves, but the majority of these are likely to be fully utilised in 2017/18, and with a new four year capital programme being developed from 2018/19, and an ongoing change and efficiency programme there will be an increasing call on other significant reserves including the capital expenditure reserve and invest to save reserve.

Note 10 to the Statement of Accounts lists the Authority's main cashable reserves and the movements within those reserves in 2016/17 and balances at 31 March 2017.

Unusable reserves

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

Impact of Pension Deficit on Reserves

The Authority 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 Authority will be building these pressures into the MTFP, when these contributions increase from 2018/19 onwards.

On an annual basis, and for the purpose of providing information to meet pension's costs reporting regulations, the scheme's actuaries provide an interim update. As at 31 March 2017, this assessed the scheme as in deficit at £324.7m.

However, this position must not be taken out of context. The fund is there for the long term funding of pensions. Therefore, this deficit on the pension scheme and its impact on the Authority's overall reserves is

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

also a long term issue – the deficit and liability would not arise in any single year. The deficit is currently being addressed over the long term by increased employer and employee contributions in the 2016/17 year on-going, as well as the pension scheme benefits being calculated differently, such as moving to career average salaries as opposed to final salary.

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

Provisions

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

Following our assessment of risks, total short term provisions increased slightly by £39k to £5.7m, however within this there is a £1.1m increase in the accumulated absences provision which is a cashable provision and therefore does not impact on the Authority's outturn but is showing on the CIES.

Other significant movements in provisions include:

- Successful settlement of equal pay payments which has reduced the £966k provision to nil.
- Release of the landfill fines provision of £214k due to not being required to pay fines in relation to missing 2015/16 recycling targets.
- Decrease in the energy provision due to paying a large amount of historic outstanding energy bills due to problems with British Gas billing.

The long-term provision for landfill capping has also increased slightly during 2016/17 following a review of the future estimated liability by the service area. This has meant the provision has increased by £52k to £5.803m. This provision is capitalised and therefore is charged to revenue via the prudent Minimum Revenue Provision. The provision includes long-term estimated values for after care costs over 60 years, which were part of a full review during 2016/17.

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

Contingencies

A number of contingent liabilities are disclosed in the Statement of Accounts (Note 44). No financial provisions have been made for these as they are in relation to events where the Authority has little influence or control over, uncertainty whether they will actually happen, whether there will be any financial impact and if so, how much. However, where applicable, the Authority have taken a prudent approach and put funds aside within reserves to deal with two of the issues disclosed, as noted below.

However, along with the provisions Note 23, it gives the reader of the Statement of Accounts information about the financial risks facing the Authority. For 2016/17, contingent liabilities disclosures covered:

- 1 Municipal Mutual Insurance (MMI) run off claims, where Newport City Council may be required to meet the balance of remaining claims;
- 2 On-going insurance claims against Newport City Council, for which no provision is justifiable at this point under accounting regulations. A reserve of £1.7m has been set aside to fund these potential risks however.

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Debtors - Friars Walk

Within the short-term debtors on the balance sheet is an amount of £83.0m in the relation to the principle amount outstanding due from the loan provided to Queensberry Ltd for the development of the Friars Walk complex. The successful sale on the 9th June 2017, meant that Queensberry were able to pay off the full amount of the principle debt which will be accounted for in the 2017/18 financial year. Due to this the contingent liability in relation to this debt which has featured in the Council's accounts for the last few years has not been included in these accounts.

(3) Material Assets/Liabilities

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

(4) Future Changes to Accounting Policies

There were no material changes to accounting policies during 2016/17, however at its meeting on 8 March 2017, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.

(5) Non-Financial Performance

Although times are challenging for Newport City Council and the Local Government sector as a whole it is important to consider the positive outcomes in the City and the council's key achievements over the past twelve months. These include:

Law & Regulation



- Performance has improved for the number of broadly compliant food premises from 83% last year to 95% for 2016/17. This is above the Welsh average of 94% from 2015/16.

The Service Area has continued to make excellent progress with key projects and critical milestones have all been achieved. The new composite work programme and the establishment of the Chairs Group have strengthened scrutiny arrangements and working protocols have been developed to clarify the relationship between Scrutiny and the Executive.

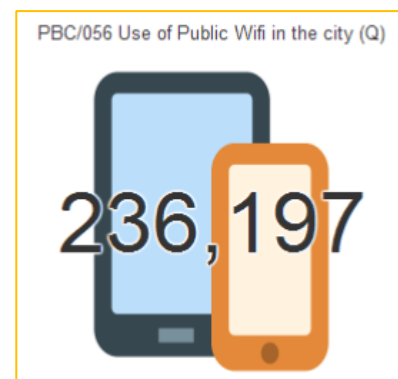
Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

People & Business Change

- Good progress has been made in providing a simplified and resilient IT infrastructure, including joining the Shared Resource Service as an alternative delivery model for IT with improvements to business continuity arrangements.
- Delivery of digital strategy outcomes with improved connectivity in the city includes the delivery of Wi-Fi in public buildings, public transport and across part of the city centre with a large number of users. The Public Safety Network now hosts the CCTV system for the city. Support has been provided to businesses and national initiatives.
- The Change programme met 95% of its financial targets with the remainder being permanently mitigated.
- The Partnership Team have been supporting both internal and external partners to deliver the requirements of the Well-being of Future Generations Act including the establishment of the Public Services Board, and work on engaging communities to support the Well-being Assessment.
- In February 2017 the Council was assessed against the Corporate Health Standard and awarded Silver status for its work around health and wellbeing of the workforce
- A new apprenticeship scheme for young people launched in September 2016 and working in partnership with Careers Wales, all 12 places were filled for the first year.
- Primary school employee absence has reduced by 32% over the academic year due to close working between Head teachers and HR Business Partners on proactively managing workforce attendance.



Adult & Community Services

- In order to comply with the requirements of the Social Services and Well Being Act 2014 (Wales) there have been fundamental changes to assessment and care planning documentation, recording requirements and the way the offer of service is made. This represents a cultural shift in approach towards prevention and early intervention. The integrated assessment is now fully implemented so there has been a shift in emphasis towards identifying what matters to the individual and capitalising on their own resources to protect independence and deliver improved well-being.
- Areas to note are the implementation of the Reach preventative services Consortium (Newport Support Partnership). This will deliver services across the whole of Newport with a range of providers to offer early interventions to citizens. The principle of the service model means that it fits with the development of Information, Advice and Assistance services offered at the front door of Social Services and compliments the work of the Community Connectors.
- Further development of the Older Persons Pathway and continued collaboration with Health around Frailty and Reablement provision means that there is an evidenced shift towards preventative services for older people. Delayed transfers of care continue to show improvement as the hospital in reach service becomes established and communication and operational links with Health services improve.

Children & Young People Services

- The emphasis on safely reducing the number of looked after children has secured a decline in the number of children being looked after with a reduction to 280 as the lowest rate for seven years. There

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

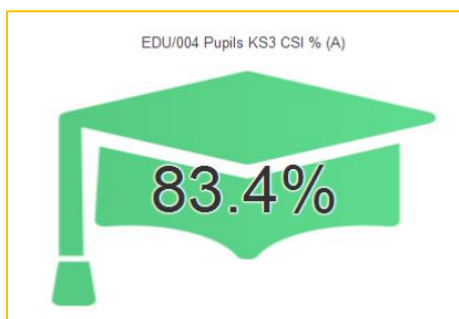
Newport City Council

has been a commensurate reduction in the rates of children on the Child Protection register which has now fallen below 100. The number of children in proceedings has declined.

- Children's Services is taking part in a number of research projects with Universities which is a welcome development. While the independent evaluation of the Integrated Family Support Services gives a solid foundation to continue to grow and enhance effective and broad ranging family support interventions.
- The remodelling of the residential care offer is ahead of schedule and has been embraced by external stakeholders as well as staff.

Education

- Performance in the foundation phase continues to improve, with 89.1% of pupils achieving the foundation phase indicator (FPI) in 2016, an increase from 88.1% in 2015. Newport currently ranks 5th in Wales for the FPI when compared with other local authorities, which is significantly above the LA's FSM ranking (16th, 2015 PLASC data).



At Key Stage 3 performance continues to improve, with 83.4% pupils achieving the core subject indicator (CSI), an increase from 81.6% in 2015. There was also a significant increase in performance across Wales and Newport is now ranked 19th in Wales. Performance has improved across all indicators at the expected level 5+ (except science)

and to a greater extent at level 6+ and 7+. Early Indications show that L2 Inclusive performance at Key Stage 4 has increased by 3.1%, improving Newport national ranking position to 15th place.

- The 21st Century Schools Programme has continued to increase nursery provision across the city (in Malpas Park, Marshfield and Mount Pleasant Primary Schools). This meets the local authority vision of creating a seamless learning pathway for pupils between the ages of 3-11.
- The city's first Welsh Medium Secondary School (Gwent Iscoed) opened in September 2016.
- Newport has the highest percentage of green schools in Wales (52.3%) and is again the top ranking LA for yellow and green schools combined (93.2%)
- Newport is ranked 12th in Wales for percentage of green secondary schools (22.2%).

Streetscene & City Services

- Reinstatement of the Pride in Newport initiative has resulted in improvements in the response rate for removal of reported fly tipping incidents. At the end of March 2017 98.65% of reported incidents had been removed within timescales.
- The amount of municipal waste reused, recycled and composted has improved to 61.4% which is above the Welsh average for 2015/16 of 60.2%.



Regeneration, Investment & Housing

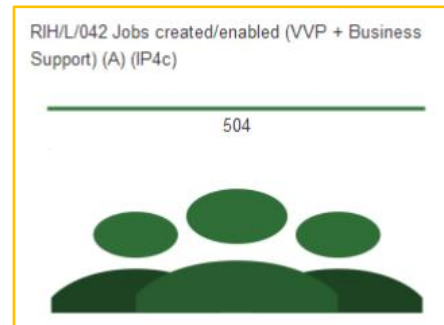
- Regeneration, Investment and Housing have undertaken an exciting twelve months in terms of the regeneration of the city centre but also across a wide range of its services.

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

- Vibrant and Viable Places have seen ongoing regeneration within the city centre, stretching from Cardiff Road all the way through the city to the new Premier Inn near Newport train station. The planning department are working with developers on a number of major planning applications which will support the city in delivering its 2020 vision.
- Community Regeneration have worked closely with a range of partners to provide 504 jobs through the Friars Walk development and continue to see the importance of Newport's Work Based Learning Academy in leading the debate around labour market delivery within Newport.
- Culture and Continuing Learning have been developing some excellent pilot programmes through the library service and supporting Heritage projects across the city.



Performance Against Improvement Plan Objectives

In April 2016 full Council approved the eight Improvement Objectives in the Improvement Plan for 2016-18. Performance against priorities within the Improvement Plan is monitored throughout the year by Cabinet. Quarterly report to Cabinet track progress against the delivery of the eight Improvement Plan objectives:

- Improving independent living for older people
- Ensuring people have the right social services to meet their needs
- Ensuring people have access to suitable accommodation
- City regeneration and development
- Supporting young people into education, employment or training
- Ensuring the best educational outcomes for children
- Increasing recycling
- Improving outcomes for youth justice

At the time of preparing the initial Statement of Accounts, performance information was available up to Quarter 3 as reported to Cabinet on 20th March 2016.

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

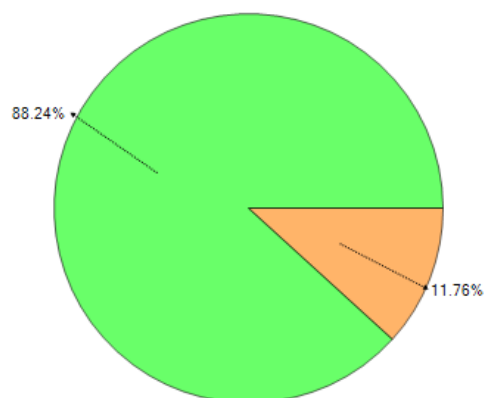
Improvement Plan Judgements

		Jun 2016	Sep 2016	Dec 2016
IP1 Improving independent living for older people : Judgement	Actual	Green - Good	Green - Good	Green - Good
	Performance	★	★	★
IP2 Ensuring people have the right social services to meet their needs : Judgement	Actual	Amber - Acceptable	Green - Good	Green - Good
	Performance	●	★	★
IP3 Ensuring people have access to suitable accommodation : Judgement	Actual	Green - Good	Green - Good	Amber - Acceptable
	Performance	★	★	●
IP4 City Regeneration and Development : Judgement	Actual	Amber - Acceptable	Green - Good	Green - Good
	Performance	●	★	★
IP5 Supporting young people into education, employment or training : Judgement	Actual	Green - Good	Green - Good	Green - Good
	Performance	★	★	★
IP6 Ensuring the best educational outcomes for children : Judgement	Actual	Green Star - Excellent	Green - Good	Green - Good
	Performance	★	★	★
IP7 Increasing recycling : Judgement	Actual	Amber - Acceptable	Green - Good	Green - Good
	Performance	●	★	★
IP8 Improving outcomes for youth justice : Judgement	Actual	Green - Good	Green - Good	Green - Good
	Performance	★	★	★

Improvement Plan Performance

88.24% of the Improvement Plan measures are performing better than target at the end of Quarter 3.

▲ 0 ● 4 ★ 30 Unknowns 0 Total 34



FUTURE DEVELOPMENTS – LOOK FORWARD

(1) Financial Resilience

It should be noted that whilst the Authority's outturn for 2016/17 was favourable and allowed funds to be set aside in the earmarked reserves, there continued to be overspending within some service areas, in particular within Social Care on community care and out of authority placements and pressures within StreetScene and underlying issues still remain in those areas. In addition, a number of prior year savings remain outstanding in terms of deliverability, in particular those within the StreetScene area. Furthermore, new 2017/18 budget

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

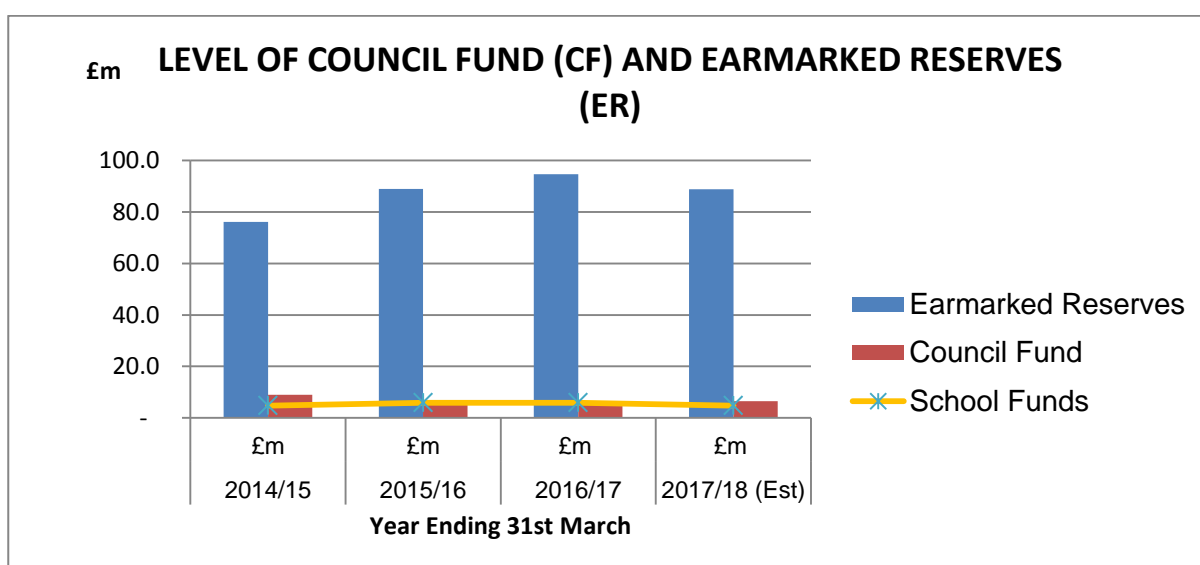
Newport City Council

savings remains a key area of risk to be monitored as the year unfolds. The Authority has a general contingency in its base budget which provides short-term mitigation to these issues and protects the overall budget but the resolution to these outstanding issues are key considerations in ensuring the Authority's base budget is robust in going forward.

Level of Reserves

The level of Earmarked Reserves (excluding Council and School Funds) has increased since 2011/12 to 2016/17 from £57.4m to £95.9m, the key movements are detailed earlier in this foreword. This provides the Authority with a level of resilience against future uncertainties and risks, and also allows the smoothing of expenditure where the future impact on funding or expenditure is significant i.e. PFI reserves. As detailed in the earlier paragraph on reserves, the vast majority of these reserves are committed and therefore there is little scope to use these reserves for alternative purposes, including the funding of future budget pressures.

The graph below shows the increase in both the level of earmarked and council fund reserve from 2014/15 to 2016/17.



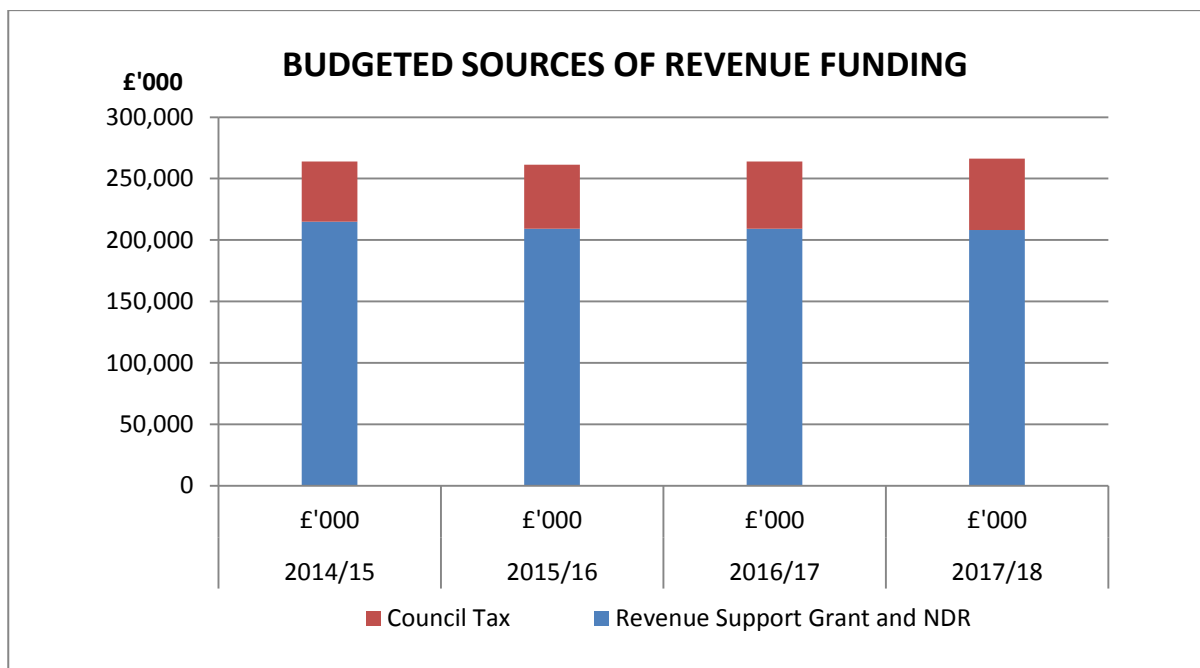
Sources of Funding

The graph below shows the reliance the Authority has on Central Government funding, and its sources of revenue funding. Revenue Support Grant and redistribution of Non Domestic Rates made up approximately 80% of our funding. This is a key risk to the Authority as reductions in Central Government funding have a significant impact on the funding the Authority achieves.

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council



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

(2) Medium Term Financial Plan (MTFP)

The Council developed and implemented its 'Prospectus for Change 2013-17' in 2013. It underpinned the Council's MTFP at that time and the Council's Corporate Plan 'Standing up for Newport'. The document outlined a range of improvement initiatives which the Council would implement over a 4 year period, which was supported by detailed business plans, and included the detailed change and other saving proposals to meet the predicted financial challenges known at that time.

The worsening financial challenges and revenue grant financial settlements from Welsh Government (WG) necessitated Cabinet to further develop its existing medium term organisational changes and plans so that once again, the Council had an organisational plan that delivers key services which are financially sustainable. In that respect, a document titled 'Newport 2020' was approved by Cabinet in February 2016 which, in broad terms, maps out the general direction of travel for service areas over the medium term.

Whilst this is currently the approved overarching framework for delivering future change programmes within the Council, the development of a new Corporate Plan in 2017/18 may change detailed plans as necessary. The Corporate Plan and supporting detailed plans will need to be developed in the context of on-going financial challenge on funding to ensure the Council delivers on key priorities whilst ensuring financial sustainability of services in the medium to long term.

The MTFP presented is the articulation of the financial challenges and the current organisational change programmes and savings over the next 4 years. It includes those service changes/ savings which have already been approved for these years from the February 2016 Cabinet meeting and new proposals. As a 4 year plan, it should be noted that this document will inevitably develop and change as assumptions are updated or confirmed for future years.

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Pressures					
Inflation	2,151	3,501	3,586	3,682	12,922
Other	6,606	7,484	5,582	5,050	24,722
Total Pressures	8,758	10,985	9,169	8,732	37,644
Technical Adjustments	(1,138)	-	-	-	(1,138)
(INCREASE)/DECREASE IN REVENUE SUPPORT GRANT(0.43% 17/18, assumed 1.5% 18/19 and thereafter)	892	3,090	3,044	2,998	10,024
Estimated Specific Grant - Social Care	(353)	-	-	-	(353)
Increase in tax base – Council Tax @ 16/17 rate	(1,299)	-	-	-	(1,299)
Council Tax @ 3.5% in 17/18 (4% thereafter)	(1,965)	(1,985)	(2,005)	(2,025)	(7,982)
Less consequential increase in benefits	680	457	461	466	2,064
GAP	5,575	12,547	10,668	10,171	38,960
Savings	5,575	980	1,611	20	8,186
Balance - @ -0.43% WG reduction 2017/18 (and 1.5% 2018/19 onwards)	0	11,567	9,057	10,151	30,775
Balance - @ -1% WG reduction	N/A	10,547	11,107	12,180	33,834
Balance - @ -1.5% WG reduction	N/A	11,567	9,057	10,151	30,774
Balance - @ -2% WG reduction	N/A	12,576	13,074	14,087	39,737

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

In addition to the MTFP, the Authority will be developing the next five year capital programme beginning in 2018/19. The level of capital expenditure within this programme will have an impact on the revenue costs included within the MTFP. There are a number of significant demands for capital spending in the next programme including the 21st Century Schools Band B programme 2019-25, Cardiff Capital Region 'City Deal', City Centre regeneration projects, and change programme. All of these will need to be analysed with the focus of affordability within the MTFP.

(3) Risk and Performance

As part of setting the Councils future budgets, key consideration is given to the risks the Council faces and the improvement objectives that the Council has put in place. The Council maintains a corporate risk register and an Improvement Plan, this next section looks at these and identifies how they are dealt with currently in setting out the Councils 2017/18 and medium term budgets.

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Risk

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

Table 1. Corporate Risk Register as at 31st March 2017

Ref	Risk	Description	Probability x Impact = Score			Responsible Officer
			Probab ility	Impact	Score	
High Risks						
2	Increasing Ageing Population	That an increasing percentage of the population are over 65 are this puts an increasing strain on demand led services, particularly those that are statutory in nature and significant budgetary overspends	4	4	16	Strategic Director - People
Medium Risks						
1	Legislative Requirements	That new legislative requirements potentially place significant duties on the Authority that it cannot fulfil (resulting in adverse judgements from regulators, significant fines and potential court proceedings and/or existing services are compromised)	3	4	12	Chief Executive
3	Capacity and capability to meet the councils objectives	That there are not skills and/or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.	4	3	12	Chief Executive
4	Budget Challenge	That the continuing need for significant annual savings is increasingly difficult to achieve and that could compromise organisational capacity and service delivery including statutory services	4	3	12	Chief Executive
5	Safeguarding	That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to	2	4	8	Strategic Director - People

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

		protect vulnerable adults and children who may be at risk of significant harm				
6	Investment in Friars Walk Development	That the development does not realise its target value and the developer is unable to sell or re-finance the scheme to repay the loan	4	3	12	Strategic Director - Place
7	City Deal	That the SE Wales region, which includes Newport CC, cannot conclude a city deal within the timescales and as a result misses the opportunity to secure investment to improve economic outcomes for the communities of the city	3	3	9	Chief Executive
8	Brexit	That the financial implications of leaving the European Union have a negative impact on the councils financial position	3	3	9	Chief Executive

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

CONCLUSION

In summary, as from the foreword above 2016/17 has been a challenging year, with the continuation of austerity, increased pressures and ongoing savings, but the Authority has managed these well and has shown a good outturn position and strong financial resilience.

The challenges are set to continue into 2017/18 and beyond, with significant challenges on setting a balanced Medium Term Financial Plan and increased pressures on the Capital Programme, which the strong balance sheet, a good track record of delivery of savings and delivery budgets within target should help achieve.

Statement of Responsibility for the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

The Authority's Responsibilities

The Authority is required to:

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

The Head of Finance's Responsibility

The Head of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA 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 to 146 give a true and fair view of the financial position of Newport City Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

1 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'.

2 Scope of Responsibility

2.1 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. 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.

2.2 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.

2.3 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)'.

2.4 The Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Cabinet and then Council in July 2013 with a further update approved by Cabinet in July 2014. A copy of the Code can be obtained from the Head of Finance. The Code will be revised in accordance with 'Delivering Good Governance in Local Government Framework 2016' and 'Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016' in due course. This statement explains how the Council has complied with the CIPFA /SOLACE Framework and Guidance, and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

3 The Purpose of the Governance Framework

3.1 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.

3.2 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.

3.3 The governance framework has been in place at the Council for the current year 2016/17, and up to the date of approval of the statement of accounts.

4 The Governance Framework

4.1 The Council's Code of Governance will be revised in line with the following principles:

Overarching requirements for acting in the public interest:

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

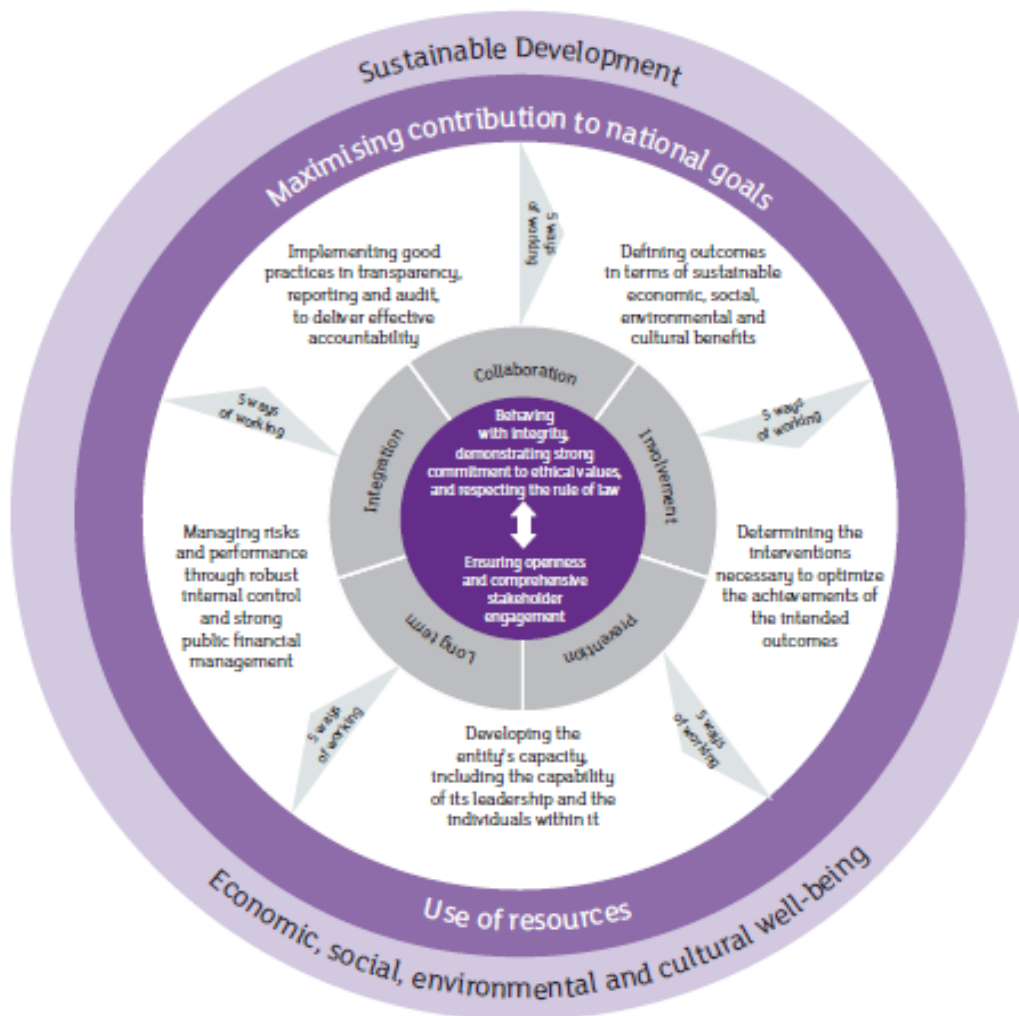
Achieving good governance in the public sector also requires effective arrangements for:

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

4.2 The diagram below 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

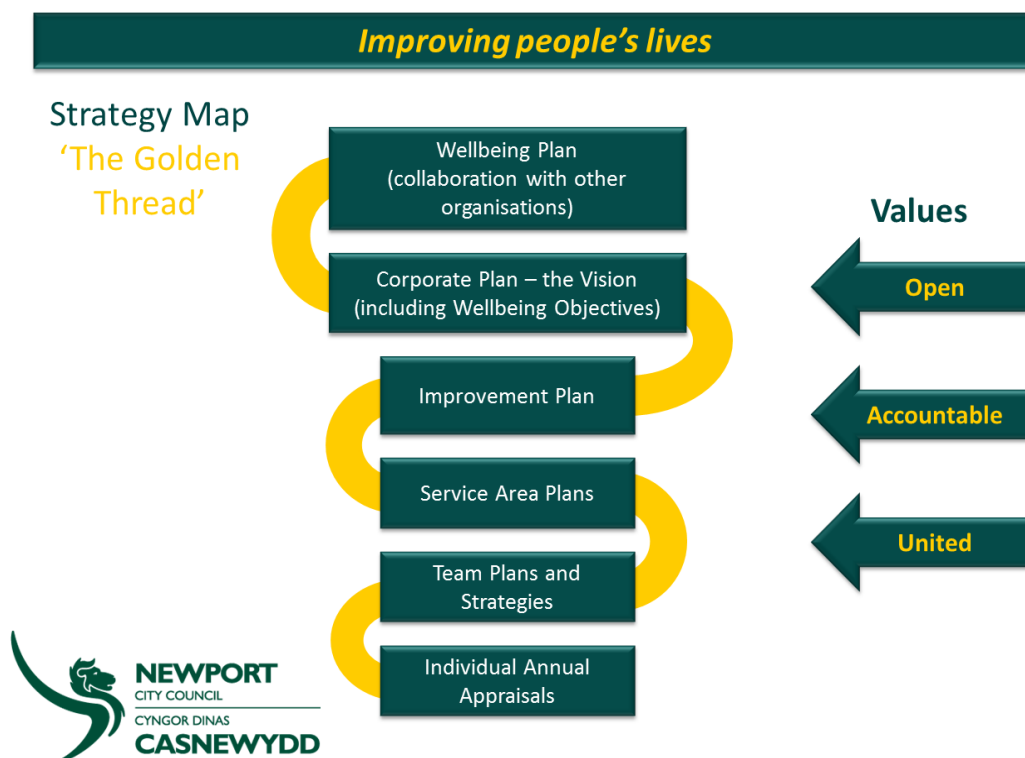
This needs to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes which, in turn, should ensure effective use of resources as the Council maximises its contribution to the economic, social, environmental and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



- 4.3 The Council's vision is to be "recognised as a high performing Council, ensuring the right services are provided to our communities, our councillors and our staff".
- 4.4 The Council's mission is 'Improving people's lives – providing the best affordable services'.
- 4.5 The Council's Corporate Plan for 2012-2017 "Standing Up For Newport" sets out the 5 year vision for the Council. The strategy is set out in the Corporate Plan and these have been adopted as the Council's Improvement Objectives: Newport is
 - 4.5.1 A Caring City;
 - 4.5.2 A Fairer City;
 - 4.5.3 A Learning and Working City;
 - 4.5.4 A Greener and Healthier City;
 - 4.5.5 A Safer City;
 - 4.5.6 Supported by an improving and transformed City Council
- 4.6 The [strategic planning process](#) shows how the corporate plan fits in with the improvement plan and other key plans and strategies in Newport.

Delivering the Corporate Plan

- 4.7 The intended outcomes agreed in this plan set the key priorities for the Council. This 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 set in collaboration with partners. The strategic direction flows down from the corporate plan and the actions to deliver the vision flow up from individuals who every day work contributes to the performance and delivery of the vision.



- 4.8 This plan has been produced at a time of significant financial challenge within the public sector, the workforce and budgets must be carefully planned and managed to ensure that we can deliver what we have set out to do; this is done within each service area in their service plans. The actions planned by service areas will contribute to the delivery of the corporate plan. Service plans are set in conjunction with cabinet members and scrutiny committees to ensure oversight and accountability for the delivery of the actions. Service plans are available on our website for all staff and citizens of Newport to see what is planned for the year ahead and how it will be managed and monitored.
- 4.9 Because this corporate plan spans more than one year it will need to be reviewed regularly to adapt to ongoing changes during the lifetime of the plan to ensure that it remains relevant to changing national priorities.
- 4.10 The plan sets out clearly our priorities and demonstrates our commitment to improving social, economic, environmental and cultural well-being and promoting sustainable development.

Monitoring the Corporate Plan

- 4.11 An annual statement of progress is presented to members and senior officers and published so that it can be shared with all employees and members of the public to present an open and transparent view

of the how the council is working towards its vision and objectives and how further work will be focused to ensure further improvement.

- 4.12 Actions set out in services plans and the improvement plan will contribute to the delivery of the objectives, and these will also be presented to members for challenge and appraisal.
- 4.13 The Wales Audit Office regulates the activities of the council and will provide assurance on council's ability and progress in delivering its vision.
- 4.14 The Well-being of Future Generations (Wales) Act (WFG Act) became law in Wales on 29 April 2015. The Act is about improving the social, economic, environmental and cultural wellbeing of Wales. It will make the public bodies listed in the Act, including the Council, think more about the long term, work better with people and communities and each other, look to prevent problems and take a more joined-up approach. Part 2 of the Act requires the Council to set and publish Well-being Objectives that are designed to maximise our contribution to the achievement of the seven Well-being Goals for Wales specified in the Act [[link - Newport's Well-being-objectives](#)].
- 4.15 The Welsh Government and the Future Generations Commissioner have made it clear that duties to set and report on wellbeing objectives should not be treated as separate from any objectives that guide and steer the actions and decisions of organisations e.g. Improvement Plan objectives. They have also set out that planning and reporting processes should be aligned and integrated. The Council's well being objectives and statement were agreed by Cabinet in March 2017 and will form part of the Corporate Plan for 2017 onwards [[Cabinet Report](#)].
- 4.16 The [Improvement Plan](#) is the delivery vehicle for the Corporate Plan. The Improvement Plan summary leaflet highlights what the Council is aiming to do and how it is going to measure its success towards the aims set out above; 8 Improvement Objectives were agreed by Council in April 2016, these will be revised once the new corporate plan is developed:
1. Supporting young people into education, employment or training
 2. City regeneration & development
 3. Improving independent living for older people
 4. Ensuring people have the right social services to meet their needs
 5. Improving educational outcomes for children
 6. Ensuring people have access to suitable accommodation
 7. Preventing offending and re-offending of young people
 8. Increasing recycling
- 4.17 The One Newport Local Service Board (LSB) Single Integrated Plan (SIP) (Cabinet February 2013) – 'Feeling good about Newport 2013-17' represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic and environmental well-being of the whole community. Following the introduction of the WFG Act during 2016/17 the [Public Services Board \(PSB\) \[link\]](#) was established to replace the LSB; its first meeting was held in May 2016. Newport's PSB will monitor performance against the Single Integrated Plan (SIP).
- 4.18 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.

4.19 The priority themes within the SIP are:

- Economy and Skills;
- Health and Well-being;
- Safe and Cohesive.

There are also 2 overarching themes (Tackling Poverty and Vulnerable Groups) that the core themes should consider when developing their plans and priorities. In light of the Wellbeing of Future Generations (Wales) Act 2015 and the establishment of a PSB there is a requirement for statutory members to develop a Wellbeing Plan that will be published no later than May 2018, with the current SIP remaining in place until then.

4.20 The Council's stakeholders are consulted in regard to determining the priorities needed to realise the vision set out in the Corporate Plan, Improvement Plan, SIP, and the service-planning process establishes and communicates those priorities and means of achieving them.

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

4.22 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.

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

4.24 In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of procurement and project management.

4.25 The Constitution, [\[April 2017 update\]](#) 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.

4.26 The Council takes its decisions by way of the full Council meeting or the Executive. The Executive comprises the Cabinet working as a collective. Decisions are also taken by individual Cabinet

Members and Chief Officers. The Scheme of Delegation and the Terms of Reference which are included in the Constitution, make it clear at which level decisions are taken. Agendas, reports, decision schedules and minutes of all meetings of the Council or the Cabinet are available to the public by way of the Council's website except in exceptional circumstances where reports are not available to the public as they may contain exempt or confidential matters. Any minutes or decisions arising from the consideration of such reports are, however, available to the public via the website. Report and Decision schedules showing decisions taken by individual Cabinet Members are also available to the public via the website except in similar exceptional circumstances.

- 4.27 Every report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer and by the Section 151 Officer and (where there are staffing issues) by the Head of People and Business Change. The report template ensures report authors consider potential risks, equalities, WFG and financial implications of their proposals.
- 4.28 The Council appointed 3 Scrutiny Committees to assist in policy development and also to hold the executive to account:
- Learning, Caring and Leisure Scrutiny
 - Street Scene, Regeneration and Safety Scrutiny
 - Community Planning and Development Scrutiny

Each Committee is politically balanced and the chairs are allocated in proportion to the number of seats held by political groups. The focus of these is changing for 2017/18.

- 4.29 In response to the Local Government Measure the Council established an Audit Committee and a Democratic Services Committee. Agendas, reports, decision schedules and minutes of all meetings of these Committees are available to the public by way of the Council's website except in exceptional circumstances where exempt or confidential matters are discussed. The Audit Committee has appointed an independent chairman; he is not part of the political structure of the Council.
- 4.30 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. 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. 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.
- 4.31 The ethical governance framework includes:
- codes of conduct for officers and members, which are reviewed, updated and tested for compliance;
 - a protocol governing Member/Officer relations;
 - a whistle-blowing policy widely communicated within the Council and which is regularly reviewed;
 - registers of personal and business interests for Members and Chief Officers;
 - an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied; and
 - the Strategic Equality Plan and Equality Objectives 2016-2020 (Cabinet February 2016).

Annual Governance Statement

Statement of Accounts 2016/17

Newport City Council

- 4.32 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.
- 4.33 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.
- 4.34 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).
- 4.35 All reports to Scrutiny Committees Cabinet Members and Cabinet incorporate a risk assessment. Scrutiny Committees also consider and monitor service plans, and partner delivery plans which include the key risks of service provision within that area, Single Integrated Plan and Education Achievement Service (EAS) for example.
- 4.36 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.
- 4.37 The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes. The overall opinion for 2016/17 was 'Reasonable'.
- 4.38 The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Information Risk Report. This can be found on the Council's website. The Council is subject to external compliance requirements such as the Wales Audit Office high level risk assessments for its financial systems and information and technology, and the extensive requirements of Public Services Network (PSN) compliance, assessed annually by the Cabinet Office, and Payments Card Industry Data Security Standards (PCI-DSS).
- 4.39 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.
- 4.40 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.
- 4.41 The Council is required to meet statutory obligations regarding the handling of data; the Information & Technology (now Digital) Strategy incorporates an Information Risk Management Policy which outlines roles and responsibilities for information risk management. This ensures that the requirements of legislation, including the Data Protection Act 1998, Environmental Information Regulations 2004 and the Freedom of Information Act 2000 are met and that the risks around information are managed appropriately. The Information Risk Management Policy also formalised the requirement for an Annual Information Risk Report which was reviewed by Scrutiny Committee before being reported to the Deputy Leader in July 2016.
- 4.42 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.
- 4.43 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.
- 4.44 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.
- 4.45 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.
- 4.46 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 4.47 The Education Service is responsible for three statutory committees which challenge, monitor and support the delivery of statutory functions. The committees are made up of Council officers, representative Headteachers and external partners. These committees are the Schools' Forum, the School Admission Forum and the Early Years Development & Childcare Partnership.
- 4.48 In terms of Transparency, the Council has a separate page on its website to demonstrate its commitment to being open and transparent. It gives information on how to make a freedom of information request; publishes business rates data sets; details of councillors allowances and expenses; all payments to its suppliers >£500; its staff grading structure along with its pay and reward policy; details of pupil numbers in Newport schools.
- 4.49 In line with the Local Government Measure a separate Democratic Services Committee was established during 2012/13 along with a Chief Democratic Services Officer; this committee meets quarterly dealing with national consultation exercises, national policy and Members codes and development.

5 Review of Effectiveness

- 5.1 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.

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

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

- 6.1 The Council's Constitution was updated in March 2017, although this was not fully accessible to the public and contained out of date information. The Council's Contract Standing Orders and Financial Regulations were reviewed, update and approved by Cabinet in June 2016.
- 6.2 In May 2016 The Standards Committee was advised of the revised Model Code of Conduct which amended the mandatory provisions of the current Members Code of Conduct. It was formally adopted by Council on 17 May 2016.
- 6.3 The Protocol for Member/Officer relations will be considered at the Democratic Services Committee in 2017/18 for recommendation to Council. The Monitoring Officer provided an overview of the Ethical Standards Training to the Standards Committee in February 2017.
- 6.4 Training on data protection and information governance was provided to Members.
- 6.5 Information security training was delivered to schools in February 2016.
- 6.6 In order to monitor all key Council decisions for fairness a new '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 union 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.

Annual Governance Statement

Statement of Accounts 2016/17

Newport City Council

- 6.7 Reviews of the Council budget proposals have been undertaken by the Fairness Commission. It was also involved in the development of a training package for elected members.
- 6.8 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.
- 6.9 A revised Whistleblowing Policy was commended in March 2015 and a confidential helpline set up. In 2016/17 there were no incidents of whistleblowing recorded.
- 6.10 There were no successful “call-in” challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 6.11 1 complaint of Member misconduct made to the Ombudsman in 2016/17 involving a City Councillor; the Ombudsman decided not to investigate. Therefore, there were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.
- 6.12 The Ombudsman had issued the Council with his Annual letter for 2015/16 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.
- 6.13 The Number of complaints received in Newport was below the Welsh average, in particular, serious complaints of maladministration. Most of the complaints received by the Ombudsman were discontinued or resolved. There were no findings of maladministration or misconduct during 2015/16. In Newport’s case, whilst the volume of complaints increased this mostly lead to a satisfactory outcome. There were no public interest reports.
- 6.14 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.
- 6.15 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.
- 6.16 35 Internal Audit opinions were issued in 2016/17. The overall opinion on the adequacy of the internal control environment for 2016/17 was **REASONABLE**.

	2014-15	2015-16	2016-17
Very Good	0	0	N/A
Good	8	9	7
Reasonable	21	17	22
Unsatisfactory	5	8	5
Unsound	0	0	1
Total	34	34	35

- 6.17 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will be following this up in 2017/18. 86% of agreed management actions for 2015/16 had been implemented by management.
- 6.18 Reasons why the outcome of some internal audit reviews were deemed to be unsatisfactory were presented to Audit Committee; the Head of Service had been called in to the Audit Committee to provide assurances that appropriate action would be taken to make the necessary improvements.
- 6.19 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.

7 Principle B: Ensuring openness and comprehensive stakeholder engagement

- 7.1 The Scrutiny Annual Report is produced for the Council meeting in July each year.
- 7.2 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook was updated in 2013/14. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.
- 7.3 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's account.
- 7.4 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message.
- 7.5 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.
- 7.6 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.
- 7.7 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.
- 7.8 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:
- 7.8.7 Newport Matters production costs
 - 7.8.8 Pupil Numbers
 - 7.8.9 Public health funerals
 - 7.8.10 Council Pay & Grading
 - 7.8.11 Payments to suppliers
 - 7.8.12 Councillor allowances & expenses

- 7.8.13 Business rates
- 7.8.14 Freedom of Information

School Reorganisation Programme

- 7.9 The Council undertook the 2016/17 school reorganisation programme in accordance with the Welsh Government statutory School Organisation Code. The programme included the following proposals:
- 7.9.15 Extension of the age range of Langstone Primary School
 - 7.9.16 Establishment of a new primary school – Jubilee Park Primary School
 - 7.9.17 Establishment of a new special school – Ysgol Bryn Derw
 - 7.9.18 Amalgamation of Malpas Church in Wales Infant School & Malpas Church in Wales Junior School
 - 7.9.19 Amalgamation of Duffryn Infant School & Duffryn Junior School
 - 7.9.20 Amalgamation of Milton Infant School & Milton Junior School
- 7.10 Each consultation was supported by full stakeholder engagement as outlined in the statutory code. This included the publication of detailed consultation packs and a children and young people summary version, distribution of response forms, drop-in sessions and meetings with the school councils of the relevant schools. Following each consultation, a consultation report was prepared and published which outlined how the consultation was carried out, who was engaged and the relevant responses. These reports were provided as annexes to the Cabinet Member report which approved moving to the next stage in the process – publication of the statutory notice.
- 7.11 The statutory notice is the stage at which legal objections can be lodged against proposals. It is pleasing to note that no legal objections were lodged in respect of any of the proposals in the 16/17 programme. As a result, the final decision of approval could be taken by the Cabinet Member for Education & Young People in accordance with Council’s agreed democratic process.
- 7.12 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.
- 7.13 The Council has responded to Freedom of Information Act requests within the required 20 days:

	2014-15	2015-16	2016-17
No' of FOI requests	895	914	1087
No' responded to within 20 days	785	844	914
Percentage of FOIs responded to within 20 days [Target 87% - national standard 85%]	88%	92%	84% Target 88%

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

- 8.1 The Corporate Plan, as outlined above, sets out clearly the Council's priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and promoting sustainable development.
- 8.2 The One Newport Local Service Board (LSB) Single Integrated Plan (SIP) (Cabinet February 2013) – 'Feeling good about Newport 2013-17' represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic and environmental well-being of the whole community. Following the introduction of the WFG Act the [Public Services Board \(PSB\)](#) [link] was established to replace the LSB. No single organisation can meet the total needs of a community, so there is a requirement to plan and deliver services in collaboration with other public and private sector organisations.
- 8.3 The SIP identifies key priorities and programmes that the LSB will work towards achieving over a set period of time. These priorities have been identified as those where the PSB and other key stakeholders must work together to achieve success as outlined above.
- 8.4 The One Newport Local Service Board annual report 2015/16 was taken to the Public Services Board in June 2016. Progress against the Single Integrated Plan 2016/17 was presented quarterly to the Public Services Board, and also to Scrutiny Committee.
- 8.5 The Council's Corporate Plan demonstrates its commitment to 'Improving people's lives'. The corporate plan will be rewritten in 2017, and will incorporate the Council's wellbeing objectives as required by the WFG Act.
- 8.6 The 2016-2018 Improvement Plan was presented to Cabinet in April 2016 which stated the 8 improvement objectives and included feedback from scrutiny committee consultation. These are linked to the themes in the Corporate Plan 2012-2017 and are centred around the sustainable economic, social and environmental benefits.
- 8.7 In September 2016 Cabinet received a progress report to Q1 on the Improvement Plan 2016-2018; overall assessment of progress towards achieving the Improvement Objectives set out in the plan was classed as 'Green – Good.'
- 8.8 In December 2016 Cabinet received a progress report to Q2 on the Improvement Plan 2016-2018; the overall assessment for Q2, of progress towards achieving the Improvement Objectives set out in the plan is classed as 'Green – Good', meaning that good progress is being made overall. Three objectives improved from 'Amber – Acceptable' in quarter 1 to 'Green – Good' in Q2:
- 8.8.21 Ensuring people have the right social service to meet their needs
 - 8.8.22 City Regeneration and Development
 - 8.8.23 Increasing recycling
- 8.9 In March 2017 Cabinet received a progress report to Q3 on the Improvement Plan 2016-2018; the overall assessment of progress towards achieving the Improvement Objectives set out in the plan is classed as 'Green – Good.' IP3 Ensuring people have access to suitable accommodation has been rated Amber – acceptable. Good progress is being made overall.
- 8.10 A review of the Improvement Plan 2016-2018 was presented to Cabinet in January 2017. A review at this point would ensure that the content of the objectives set at the start of 2016 was updated to

remain relevant and meaningful for the second year. Extensive consultation had been undertaken before the eight priorities were set last year. The updated Plan demonstrates continuous improvement in the eight areas that are focused on and to contribute to the Wellbeing goals. Members were concerned about the impact of a reducing budget on the requirements for continuous improvement.

- 8.11 The Wales Audit Office issued the Council with Certificate of Compliance following an audit of the Council's Improvement Plan 2016 - 2018 which went to Cabinet in June 2016, confirming the Council had discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties; the WAO would encourage the Council to include more detail regarding national comparative data in its assessment of performance.
- 8.12 In a report to Cabinet in October 2016, the WAO provided an update of progress the Council had made against its 2015/16 review; "the Council has made progress against all the recommendations made in our Corporate Assessment follow-up report, but some further work remains to ensure these are addressed fully".
- 8.13 In January 2017, the Annual Improvement Report 2015/16 was presented to Cabinet. This report is compiled each year by the WAO and brings together regulatory reports that have been received throughout the year from the WAO and other regulators such as ESTYN, CSSIW etc. The WAO form an overall opinion of whether the Council is likely to meet its duty to demonstrate continuous improvement by looking at the findings of these reports.
- 8.14 Based on 2015/16 regulatory work the WAO have concluded that the Council is likely to meet its statutory duty to demonstrate continuous improvement in 2016/17. Cabinet members referred to continuing improvements in a number of service areas and welcomed this positive outcome.
- 8.15 Progress has been made in ensuring that the Strategic Director's vision of 'Every Child, Every Chance, Every Day' is shared and understood by Education Service staff and schools. This also forms the basis of the foreword to the Education Service Plan which is a public document. The Strategic Director's vision links to the Corporate Plan and Medium Term Financial Plan.
- 8.16 The Annual Report of the Director of Social Services was presented to Cabinet in July 2016. This report is an evaluation of 2015/16 performance for Social Services and it identified, 'Key Messages,' that were learnt from the service's experience during the year and from listening to the views of key stakeholders, particularly service users and carers. It provides a view of the service and the challenges that it continue to face; in summary the service provides good quality social care services with a clear vision and with excellent collaborative working, there is significant evidence that the service is helping to 'Improve People's Lives'. Social Services has the confidence and support it needs from the political administration, and the Director was confident that the service is well placed to meet the challenges of the Social Services and Wellbeing Act 2014
- 8.17 2016/17 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.
- 8.18 A Prospectus for Change 2013-17 – Improving People's Lives – Providing the Best Affordable Services was introduced in 2013/14, with an update presented to Cabinet in October 2014. This was refreshed with Newport 2020 which went through Cabinet in February 2016.

- 8.19 Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.
- 8.20 Communication is important to Newport; the Annual Statement of Accounts 2015/16 was taken through the Audit Committee process before being endorsed by Cabinet and Council. All Council decisions, reports and questions asked by Members are available on the website; as are Cabinet Member decisions, Audit Committee reports, Performance Board and the work of the Scrutiny Committees. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included in Newport Matters which is distributed to every household in the City, is also available on the Council's intranet and website.
- 8.21 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 2016/17 which have been published on the Council's website.
- 8.22 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.

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

- 9.1 The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This Policy forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority (LA) to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government (WG) Guidance on Schools Causing Concern (March 2016).
- 9.2 Where the Education Service has concerns with schools' performance it can consider adding additional governors to support and improve the governance arrangements.
- 9.3 To ensure that users receive a high quality of service, service plans were reviewed mid-year and at the end of the year through Scrutiny. The Customer Complaints Policy is available on the website, where the public can also report a problem or concern via the 'Report it' option on the web front page.
- 9.4 Cabinet members hold Heads of Service to account with the achievement of their service plans monitoring objectives and performance.
- 9.5 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.
- 9.6 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery and look for opportunities to improve. The Council's complaint / compliment procedure is available on the web site. The following table shows the number of complaints received for the past three years:

	2014/15	2015/16	2016/17
Stage 1 Complaints	387	293	
Stage 2 Complaints	50	34	
Complaints to Ombudsman	8*	9	
Customer Feedback / Compliments	227	128	

* The Ombudsman reviewed the complaints but did not investigate any of them

- 9.7 The Customer Services Strategy included a target of increasing the number of people using online services – monitored by Customer Service and Digital Innovation service plan within Streetscene and City Services.
- 9.8 And where things are not working as well, the Performance Board recognised the shared role of Cabinet Members in performance against Improvement targets. The Performance Board also recognised the role of scrutiny in looking at any systematic failures. Newport is learning from its mistakes. The implementation of action plans continued across the board with the Corporate Assessment, Improvement Plan, Estyn Inspections, service plans and internal audit reports.

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

- 10.1 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.
- 10.2 There is an on-going programme of events for Members involved in Planning & Licensing Committees and Sub Committees. In February 2016, the Democratic Services Committee responded to a WLGA document on what they considered to be mandatory training for Members.
- 10.3 Embedded Appraisal arrangements for Chief Officers are in place, including:-
- Chief Executive's Annual Appraisal;
 - Chief Executive's one to one meetings with Strategic Directors;
 - Executive Directors' one to one meetings with Heads of Service;
 - Appraisal of Chief Officers (Heads of Service).
- 10.4 The majority of employees have undertaken the 'my review' process. This ensures that all officers and managers reflect on continued professional development (CPD) opportunities which are needed to improve their skill, knowledge and understanding base. Corporate Health Measures were taken to the Performance Board in June 2015.
- 10.5 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.

- 10.6 Management Capacity is being developed through:-
- A mandatory introduction to Management programme for new line managers;
 - Further In-house management development modules for middle managers
 - Aspiring Leaders Programme delivered in partnership with the University of South Wales
- 10.7 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.
- 10.8 Scrutiny is leading a programme of training and support aimed at improving challenge and scrutiny. The Gwent Scrutiny Challenge is being undertaken in partnership with Gwent colleagues and with support from Welsh Government's Scrutiny Development Fund, Wales Audit Office, Welsh Local Government Association and Centre for Public Scrutiny.
- 10.9 Developing the Relationship between Cabinet and Scrutiny was a major focus of both the National Scrutiny Study and the Corporate Assessment, highlighting the need to clarify roles and responsibilities of Cabinet and Scrutiny. Regular meetings have taken place to further develop the relationship between Scrutiny and the Executive.
- 10.10 The scheme of delegation in the constitution sets out the various responsibilities of Members and Officers. This is updated as required via the Democratic Services Committee. Standing Orders and the Constitution were updated to take account of the requirements of the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations in July 2014.
- 10.11 The Democratic Services Committee reviewed the Constitution (September 2015), taking into account the outcome of the Council's Corporate Assessment and proposed a new more logical structure. The role descriptions were further reviewed during the year.
- 10.12 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.
- 10.13 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; authors of all scrutiny, Audit Committee, Cabinet, Council reports need to obtain comments from the Monitoring Officer, Chief Finance Officer and the Head of People and Business Change before submission. All reports taken in 2016/17 included such comments.
- 10.14 A protocol on Members / Officers relations is included within the Council's Constitution and this was reviewed by the Standards Committee during 2013/14. 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 is also in place.
- 10.15 Remunerating Members - The Members' scheme is now determined by the Independent Remuneration Panel. A report on any discretionary payments is presented to the Council following consideration by the Democratic Services Committee. The Schedule of Member Remuneration 2015/16 was published on the website.
- 10.16 In order to effectively monitor service delivery, the Performance Board monitors the Improvement Plan and addresses areas of under-performance; Performance Board agendas and minutes. Service plans are monitored by the Scrutiny Committees as evidenced in minutes.

Partnerships / Collaboration Working

- 10.17 Partnership and Co-operative Principles (Outcome Agreement) is included within the Council's Improvement Plan with its aim being to support the delivery of public sector reform by working collaboratively with our partners to improve outcomes for the City. A single plan for partnership working in Newport is being delivered via the "One Newport" Public Services Board (Single Integrated Plan) – current themes are Economy and Skills, Health and Wellbeing, and Safe and Cohesive Communities.
- 10.18 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.
- 10.19 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).
- 10.20 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.
- 10.21 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.
- 10.22 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 will be reviewed in 2017/18 at the first meeting following a local government election as required by the WFG Act,
- 10.23 The South East Wales Improvement Collaborative (SEWIC) Fostering Group is a working group to develop a marketing strategy, with the objective of creating a unified brand to represent all 10 of the local authorities in South East Wales. It reports to SEWIC Board of Social Services Directors.
- 10.24 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.
- 10.25 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 Authority, Monmouthshire County Council, Torfaen County Borough Council (TCBC) and more recently Blaenau Gwent County Borough Council. The SRS is underpinned by a Memorandum of Understanding (MoU) that enables a single management structure across the board.
- 10.26 Between 25th January and 9th February 2017 Council approval was received from each of the ten authorities, including Newport City Council, within the Cardiff Capital Region for the establishment of a Cardiff Capital Region Joint Cabinet to deliver the commitments in the City Deal Heads of Terms document. 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.

10.27 There is a Council policy on information sharing along with numerous information sharing protocols with our partners. Information sharing is key to joined up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Newport signed up to this in January 2011. The Council is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.

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

11.1 A revised performance management reporting framework was proposed and agreed at Cabinet in September 2016; the Performance Board came to an end, but to ensure the Council continued to meet its statutory duty to demonstrate continuous improvement the monitoring was reallocated through Cabinet, Cabinet Members and Scrutiny Committees.

11.2 The year end Performance Analysis for 2015/16 was taken through Cabinet in October 2016 which showed

- 55% of measures have performed better than target.
- 52.5% of our service plan measures have performed better than last year.
- 40% of our service plan measures have performed better than Wales's average.
- Performance management arrangements had been improved with regular monitoring by the Cabinet and Cabinet Members as well at officer level. The Authority had made its targets more difficult to achieve in an effort to push the organisation into improving services. Most indicators in the bottom quartile were improving.

11.3 Mid Year Performance Analysis for 2016/17 was taken through Cabinet in December 2016. 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.

- 63% of Service Plan measures are meeting or exceeding their targets
- 53% of the national measures, met or exceeded the Wales Average for 2015/16
- 71% of the national measures were performing better than the lower quartile level for 2015/16
- 71% of the national measures have improved performance when compared to 15/16 year end
- 71% of the Improvement Plan measures are meeting or exceeding target

11.4 A report was taken through Cabinet in October 2016 regarding pupil performance for Foundation Phase, Key Stage 2 and Key Stage 3 at the end of the academic year 2014/15 for schools in Newport. The Cabinet Member referred to excellent performance in the foundation phase. This had improved from 88.1% in 2015, to 89.1%; Key Stage 2 performance remained good with 88.8% pupils achieving the core subject indicator (CSI); Key Stage 3 performance was adequate.

11.5 Cabinet were informed of verified pupil performance data at Key Stage 4 and Key Stage 5 in February 2017. The proportion of pupils achieving the Level 2 threshold inclusive of English/Welsh first language and mathematics has improved from 54.2% in 2015 to 57.3% in 2016. The percentage of A levels (A* to E) achieved this year was 96.9%, a decline on last year.

11.6 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.

- 11.7 Minutes, Agendas & Reports along with their subsequent decision schedules and questions to Cabinet Members are all available on the web site. Council, Cabinet, Scrutiny and Audit Committee reports are available on the Council's website.
- 11.8 The Democratic Services Committee undertook a review of the Council's three scrutiny committees during 2015/16 looking at a re-focus of work programmes in order to achieve a more efficient and effective scrutiny process. The former scrutiny committees will be replaced with 3 new ones in 2017/18 to better represent the Council's structure; Partnerships, People and Place and Corporate. There will also be an Overview and Scrutiny Management Committee.
- 11.9 Audit Committee meets regularly and its activities can be seen via the Council's website; it met 6 times in 2016/17. It received
- The Annual Internal Audit Report 2015/16
 - The Annual Internal Audit Plan 2016/17
 - The Draft Annual Internal Audit Plan 2017/18
 - 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 2015/2016 Financial Statements, including the Annual Governance Statement
 - 6 monthly updates on Internal Audit low assurance opinions
 - Regulatory Reports Summary and other WAO reports
 - Feedback from the Audit Committee self evaluation exercise
- 11.10 It challenged the Head of Street Scene and City Services where issues had not been addressed following 2 audit reviews.
- 11.11 To enable good, quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs, a report template has been developed which helps authors to consider relevant issues in report writing and insists that statutory officers are consulted. Minutes, Agendas & Reports along with decision schedules are all available on the website. Legal / Finance / HR officers attend key meetings to respond to questions as required.

Risk Management

- 11.12 The Council's Corporate Risk Register was updated and taken through Cabinet in June 2016, with 1 high risk and 6 medium risks. It was further updated and presented to Cabinet in September 2016 (8 medium risks), December 2016 (8 medium risks, no changes), April 2017 (1 high and 7 medium risks); updates were also presented to Audit Committee during the year.
- 11.13 Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. The major risks Newport has identified, following an assessment of current controls or mitigation in place; the top 7 risks facing the Council as at March 2016 were as follows:

Annual Governance Statement

Statement of Accounts 2016/17

Newport City Council

	Risk	Risk Assessment	Risk Assessment	Risk Assessment
		August 2016	December 2016	March 2017
1	Legislative Requirements - Medium	12	12	12
2	Increasing Ageing Population - High	12	12	16
3	Capacity and capability to meet the councils objectives - Medium	12	12	12
4	Budget Challenge - Medium	12	12	12
5	Safeguarding - Medium	8	8	8
6	Investment in Friars Walk Development - Medium	9	12	12
7	City Deal - Medium	9	9	9
8	Brexit - Medium	9	9	9

- 11.14 The above figures relate to a likelihood versus impact score where the higher the number, the higher the risk.
- 11.15 The Audit Committee felt that managing the risks faced by service areas was an important aspect of the manager's role and should be part of his / her day to day responsibilities. Further work was required to ensure that risk management became fully embedded within Council operations so that it became more of a living document so that operational managers took greater responsibility for owning and dealing with the risks identified in their areas.
- 11.16 A report template for all formal member and scrutiny reports requires authors to consider risk and its management or mitigation when writing reports.
- 11.17 Heads of Service submitted their 2016/17 service plans to the respective scrutiny forum in July 2016. The plan included an overview of the service area, budget information and links to the medium term financial plan, an understanding of its customers' needs, service area outcomes, service improvement priorities, performance measures, links to corporate priorities and equalities assessments. The key risks for each service area were identified in each of the service plans. Service Plans were reviewed by Scrutiny members in November 2016 to ensure that the delivery of the service was on track and key objectives were being met. These will continue to be reviewed.
- 11.18 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

- 11.19 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 2015/16 report was received by Scrutiny in [June 2016](#) and reported to the Deputy Leader with the Scrutiny Committee comments in July 2016. The 2016/17 report is currently in draft with the Information Governance Group.

11.20 The Annual Information Risk Report forms an important element of information risk management, and includes an action plan. Progress on the actions reported in the 2015/16 report included:

- 550 staff trained on information security since April 2014;
- Information Governance group continues to meet quarterly (Chair changed in line with Wales Audit Office recommendations);
- Further development of a number of policies including Records Management and Incident Reporting;
- High level risks information risk now included in the Corporate Risk Register;
- PSN (Public Services Network) compliance renewed;
- Actions taken to ensure Payment Card Industry standards (PCI-DSS) fully compliant;
- New Information Sharing protocols developed.

(Link) [Annual Information Risk Report 2015](#)

11.21 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.

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

Financial Stewardship

11.23 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.

Procurement Gateway Process

11.24 In 2015 NCC introduced a 'Procurement Gateway Process' mandatory to follow if seeking to commission or procure goods, services or works over £3,000 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.

11.25 The Gateway process was implemented due to major reforms in EU legislation for procurement and the Introduction of the National Procurement Service for Wales (NPS), ensuring compliance and transparency.

11.26 The Council needed to ensure that it is in compliance with the new Directives and that it is not purchasing anything that must be sourced via collaborative arrangements such as those by NPS.

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

Thresholds:

11.28 Up to £3,000 it is necessary only to demonstrate and record that value for money is being achieved.

11.29 From £3,000 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.

11.30 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.

11.31 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

11.32 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year. The updated MTFP and budget monitoring reports were presented to and approved by Cabinet June 2016, September 2016, November 2016, December 2016, January 2017 and February 2017. The 2016/17 Budget consultation and MTFP were submitted to Council in February 2016; 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 2016/17 budget proposals.

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

12.1 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.

12.2 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 3 proposals for improvement and determined that the Council has made progress against all the recommendations made in the Corporate Assessment follow-up report, but some further work remains to ensure these are addressed fully.

12.3 In December 2016 Cabinet was presented with progress against the action plan **to address the Wales Audit Office recommendations and proposals for improvement (Corporate Assessment)**. The Leader stated that good progress is being made towards achieving the actions and embedding the changes made into our everyday work. The improvement was continuing despite financial and legislative pressures. Quarterly monitoring reports will be presented to Cabinet on the progress towards meeting recommendations and proposals for improvement.

13 Action Plan

- 13.1 The Wales Audit Office have undertaken a Corporate Assessment and a follow up assessment of Newport City Council. The Corporate Management Team on behalf of the Council, is working on an action plan to incorporate the recommendations of these assessments to further improve and strengthen the governance arrangements and their effectiveness in future years.

14 Conclusion

- 14.1 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:Date..... 2017

Leader

Signed:Date..... 2017

Chief Executive

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

Statement of Accounts 2016/17

Newport City Council

Expenditure and Funding Analysis

Newport City Council

Statement of Accounts 2016/17

Newport City Council

The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources by Local Authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17	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	21,214	1,241	22,455
Adults and Community	40,266	2,153	42,419
Education	14,300	6,428	20,728
Schools	90,001	12,393	102,394
Regen Investment + Housing	9,966	5,809	15,775
Streetscene and City Services	18,929	10,817	29,746
Corporate Services	15,610	3,465	19,075
Other Non Department Costs (Non Service)	31,631	(31,509)	122
Net Cost of Service	241,917	10,797	252,714
Other Income and Expenditure	(241,917)	(634)	(242,551)
(Surplus) or Deficit	-	10,163	10,163
Opening General Fund as at 31 March 2016	(6,500)		
Surplus / Deficit on the General Fund	-		
Transfer between Earmarked reserve and general funds	-		
Closing General Fund as at 31 March 2017	(6,500)		

2015/16	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	20,524	1,117	21,641
Adults and Community	38,500	2,278	40,778
Education	13,505	15,185	28,690
Schools	85,418	(1,885)	83,533
Regen Investment + Housing	9,287	5,917	15,204
Streetscene and City Services	17,173	13,833	31,006
Corporate Services	15,498	4,769	20,267
Other Non Department Costs (Non Service)	38,746	(40,338)	(1,592)
Net Cost of Service	238,651	876	239,527
Other Income and Expenditure	(239,595)	6,846	(232,749)
(Surplus) or Deficit	(944)	7,722	6,778
Opening General Fund as at 31 March 2015	(8,926)		
Surplus / Deficit on the General Fund	(944)		
Transfer between Earmarked reserve and general funds	3,370		
Closing General Fund as at 31 March 2016	(6,500)		

Comprehensive Income and Expenditure Statement

Statement of Accounts 2016/17

Newport City Council

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

Gross Expenditure £'000	2015/16 (Restated) Gross Income £'000	Net Expenditure £'000	Notes	Gross Expenditure £'000	2016/17 Gross Income £'000	Net Expenditure £'000
25,064	(2,998)	22,066		25,293	(2,838)	22,455
64,770	(24,417)	40,353		68,722	(26,303)	42,419
45,394	(16,704)	28,690		25,849	(5,121)	20,728
98,132	(14,598)	83,534		128,334	(25,940)	102,394
36,516	(21,313)	15,203		33,139	(17,364)	15,775
45,032	(14,025)	31,007		49,431	(19,685)	29,746
25,841	(5,575)	20,266		23,753	(4,678)	19,075
58,262	(59,854)	(1,592)		57,657	(57,535)	122
399,011	(159,484)	239,527		412,178	(159,464)	252,714
20,025	(72)	19,953	11	20,714	(1,157)	19,557
27,919	(7,721)	20,198	12	23,960	(4,029)	19,931
		-			-	-
	(272,900)	(272,900)	13	-	(282,039)	(282,039)
446,955	(440,177)	6,778		456,852	(446,689)	10,163
		(41,564)				(7,430)
		19,578				33,573
	(21,986)					26,143
	(15,208)					36,306

Movements in Reserves Statement

Statement of Accounts 2016/17

Newport City Council

This statement shows the movement in the year on the different reserves held by the Authority, 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 Authority'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 Authority.

	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Restated						
Balance at the 31 Mar 2015 carried forward	(8,926)	(73,933)	(6,968)	(89,827)	43,940	(45,887)
Movement in reserves during 2015/16						
(Surplus) / deficit on the provision of services	6,778	-	-	6,778	-	6,778
Other comprehensive Income and Expenditure	-	-	-	-	(21,986)	(21,986)
Total Comprehensive Income and Expenditure	6,778	-	-	6,778	(21,986)	(15,208)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(17,171)	-	(1,091)	(18,262)	18,262	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(10,393)	-	(1,091)	(11,484)	(3,724)	(15,208)
Transfer to / from Earmarked Reserves	12,819	(12,819)	-	-	-	-
Increase / Decrease in 2015/16	2,426	(12,819)	(1,091)	(11,484)	(3,724)	(15,208)
Balance at the 31 Mar 2016 carried forward	(6,500)	(86,752)	(8,059)	(101,311)	40,216	(61,095)
Balance at the 31 Mar 2016 carried forward	(6,500)	(86,752)	(8,059)	(101,311)	40,216	(61,095)
Movement in reserves during 2016/17						
(Surplus) / deficit on the provision of services	10,163	-	-	10,163	-	10,163
Other comprehensive Income and Expenditure	-	-	-	-	26,143	26,143
Total Comprehensive Income and Expenditure	10,163	-	-	10,163	26,143	36,306
Adjustments between accounting basis and funding basis under regulations (Note 9)	(12,360)	-	(3,683)	(16,043)	16,043	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(2,197)	-	(3,683)	(5,880)	42,186	36,306
Transfer to / from Earmarked Reserves (Note 10)	2,197	(2,197)	-	-	-	-
(Increase) / Decrease in 2016/17	0	(2,197)	(3,683)	(5,880)	42,186	36,306
Balance at the 31 Mar 2017 carried forward	(6,500)	(88,949)	(11,742)	(107,191)	82,402	(24,789)

Balance Sheet

Statement of Accounts 2016/17

Newport City Council

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31-Mar-16		Notes	31-Mar-17
£'000			£'000
(Restated)			
495,129	Property, Plant and Equipment	14	497,805
15,273	Heritage Assets	15	17,977
10,380	Investment Property	16	10,396
251	Long Term Investments	17	251
11,377	Long Term Debtors	17	12,185
532,410	Long Term Assets		538,614
656	Assets Held for Sale	21	408
207	Inventories	18	184
130,754	Short Term Debtors	19	126,618
3,191	Cash and Cash Equivalents	20	2,365
134,808	Current Assets		129,575
(6,727)	Bank Overdrafts	20	(2,837)
(35,585)	Short Term Borrowing	17	(65,472)
(25,955)	Short Term Creditors	22	(36,462)
(5,661)	Provisions	23	(5,700)
(73,928)	Current Liabilities		(110,471)
(9,371)	Long Term Creditors	17	(8,389)
(5,751)	Long Term Provisions	23	(5,803)
(187,696)	Long Term Borrowing	17	(146,591)
(279,721)	Pension Liability	40	(324,744)
(49,656)	Other Long Term Liabilities	17	(47,402)
(532,195)	Long Term Liabilities		(532,929)
61,095	Net Assets		24,789
(101,311)	Usable Reserves	24	(107,191)
40,216	Unusable Reserves	25	82,402
(61,095)	Total Reserves		(24,789)

Cash Flow Statement

Statement of Accounts 2016/17

Newport City Council

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

2015/16		Note	2016/17
£'000			£'000
(Restated)			
6,778	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		10,163
(1,088)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	(45,331)
18,826	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	19,720
24,516	Net cash flows from Operating Activities		(15,448)
5,326	Investing Activities	27	(1,089)
(28,121)	Financing Activities	28	13,473
1,721	Net (increase) or decrease in cash and cash equivalents		(3,064)
(1,815)	Cash and cash equivalents at the beginning of the reporting period	20	(3,536)
(3,536)	Cash and cash equivalents at the end of the reporting period	20	(472)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

I ACCOUNTING POLICIES

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Public Accounts and Audit (Wales) Regulations 2005, and in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 Authority 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 Authority;
- Revenue from the provision of services is recognised when the Authority 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 Authority;
- 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 that mature in three months or less from the date of acquisition and that 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 Authority'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 Authority's service provision or on the Authority's net expenditure; and the operation has clearly defined assets, liabilities, income and expenditure on operations for operational and financial reporting purposes.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 Authority'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 Authority'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 Authority 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 Authority.

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 Authority. 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. 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 Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Torfaen County Borough (Greater Gwent) pension fund attributable to the Authority 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 Authority 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 authority – 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 Authority 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 Authority 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:

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

- 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 authority 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 authority 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 authority 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 authority 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 authority'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 authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Financial Instruments

Financial Liabilities

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

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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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

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

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

Financial Assets

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

The Authority does not issue loans to external organisations at interest rates less than market rates.

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

Government Grants and Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income. Capital Grants are reversed out to the capital adjustment account as expenditure is incurred. Unused capital grants are held within the Capital Grants Unapplied Reserve. Grants or contributions requiring return if conditions are not satisfied, are held on the balance sheet as grants received in advance 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 Authority's Heritage Assets are held in a number of collections in varying locations across the Authority. The Authority holds collections of heritage assets in order to increase the knowledge, understanding and appreciation of the history and culture of the Authority's local area.

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

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 Authority'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 Authority 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 Authority's policy on valuations of art collections.

Public Art and Features

The Authority 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 Authority'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 Authority 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 Authority 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 Authority 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 Authority's acquisitions principally relate to the ancient ship discovered in the early 1990's. The Authority 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 Authority's general policies on impairment – see impairment note in this summary of significant accounting policies.

The Authority 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 Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the Statement of Accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see later notes in this summary of significant accounting policies).

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Interest in Companies and Other Entities

The Authority 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

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Authority does not recognise on its Balance Sheet the assets that it controls and the liabilities that it incurs and it debits and credits the Comprehensive Income and Expenditure Statement with the only expenditure and income it incurs directly with the operation. It does not include the share of expenditure with or income it earns from the activity of the operation. As a result these have not been incorporated into the 2015/16 or 2016/17 Statement of Accounts.

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

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

Leases

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

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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 Authority 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 Authority 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 authority at the end of the lease period).

The Authority 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 Authority as Lessor

Finance Leases

Where the Authority 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 Authority'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 Authority currently recognises one such lease debtor in the accounts.

The Authority 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.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 Authority 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 disclosure 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 Authority 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 Authority maintains a de minimus cost of £10,000 for any asset to be capitalised. However where groups of assets e.g. PCs are purchased individually fall below the de minimus level, these will be considered for capitalisation as a group of assets on a case by case basis.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 Authority 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 Eirian Jones (MRICS), Senior Estates Portfolio Officer at Newport Norse Ltd.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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
New roads	Straight line depreciation on estimated remaining life	40 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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 Authority'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.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 Authority is deemed to control the services provided under its PFI schemes and as ownership of the property, plant and equipment passes to the Authority at the end of the contract, the Authority 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 Authority.

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 Authority receives government grants to support its financing liabilities each year. In the early years of such contracts this income exceeds the Authority's net expenditure on these schemes. The Authority 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 Authority 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 Authority 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 Authority;
- 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.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 Authority 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 Authority 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 Authority's budget approval process.

Earmarked Reserves:

The Authority 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 8. 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 Authority, 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 Authority 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 Authority'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 authority is required to participate in the Carbon Reduction Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowance. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority'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. None of the new or amended standards within the 2017/18 Code are expected to have a material impact on the information provided in the financial statements however CIPFA has determined that there will be a change in the presentation of the Narrative Report so that the content adheres to specific key principles.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority 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 Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority 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 Authority 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 Authority 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 20 schools from the Authority'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 16th June 2017. Events taking place after this date are not reflected in the financial statements or notes.

Between the date balance sheet date and date of authorisation the successful sale of Friars Walk took place on 9th June 2017.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 Authority 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 Authority's Balance Sheet at 31 March 2017 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	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the senior external valuer).</p>	<p>The authority uses a selection of valuation methods to measure the fair value of its surplus assets, investment properties and financial assets and liabilities.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement particularly for the investment properties.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p>	<p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>The actuary has advised the effects of a 0.5% increase in the following criteria:</p> <p>Discount Rate – £78.2m decrease to liability.</p> <p>Salary Increase Rate – £13.0m increase to liability.</p>

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

		Pension Increase Rate - £64.0m increase 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 Authority 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 2017, the Authority 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 2016/17 (nil for 2015/16)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2016/17	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
Adjustments Between Funding and Analysis Basis	£'000	£'000	£'000	£'000	£'000
Children and Young People	(10)	1,031	7	215	1,243
Adults and Community	634	1,148	(9)	379	2,152
Education	5,194	311	1,033	(110)	6,428
Schools	9,434	2,153	-	808	12,395
Regen Investment + Housing	4,515	1,257	23	14	5,809
Streetscene and City Services	9,590	911	(7)	322	10,816
Corporate Services	1,362	1,426	21	654	3,463
Other Non Department Costs (Non Service)	(18,722)	(6,596)	-	(6,191)	(31,509)
Net Cost of Service	11,997	1,641	1,068	(3,909)	10,797
Other Income and Expenditure from Funding Analysis	(9,814)	9,812	-	(632)	(634)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit	2,183	11,453	1,068	(4,541)	10,163

2015/16	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
Adjustments Between Funding and Analysis Basis	£'000	£'000	£'000	£'000	£'000
Children and Young People	203	789	-	125	1,117
Adults and Community	989	940	260	89	2,278
Education	17,879	1,629	(4,353)	30	15,185
Schools	(2,612)	502	-	225	(1,885)
Regen Investment + Housing	3,543	647	318	1,409	5,917
Streetscene and City Services	12,445	836	76	476	13,833
Corporate Services	570	1,259	196	2,744	4,769
Other Non Department Costs (Non Service)	(18,455)	(6,342)	-	(15,541)	(40,338)
Net Cost of Service	14,562	260	(3,503)	(10,443)	876
Other Income and Expenditure from Funding Analysis	7,987	-	-	(1,140)	6,847
Difference between General Fund surplus or deficit and CIES Surplus or Deficit	22,549	260	(3,503)	(11,583)	7,723

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 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 receiveable in the year to those receiveable 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 receiveable 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 authority 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

Other Differences

- 3) Other differences between the amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payables / receiveable to be recognised under statute:
 - a. For financing and investment income and expenditure the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts
 - b. The charge under Taxation and non specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any different will be brought forward in future Surpluses or Deficits on the collection fund.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

8 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2015/16	2016/17
Expenditure	£'000	£'000
Employee Benefits Expenses	161,509	171,145
Other Services recharges	206,946	213,861
Depreciation, Amortisation, Impairment	30,556	27,175
Interest Payments	27,919	23,960
Precepts and Levies	20,025	20,711
Total Expenditure	446,955	456,852
Income		
Gain on Disposal of assets	(337)	(1,153)
Fees, Charges and other service income	(127,185)	(126,052)
Interest and investment income	(7,721)	(4,029)
Income from Council tax and non-domestic rates	(95,412)	(267,411)
Government grants and contributions	(209,787)	(48,044)
Total Income	(440,442)	(446,689)
(Surplus) or Deficit on the Provision of Services	6,513	10,163

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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

2016/17

	Usable Reserves		
	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	(2,744)	-	2,744
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	(17,578)	-	17,578
Charges for depreciation and impairment of non-current assets	(27,027)	-	27,027
Revaluation losses on PPE & Assets Held for Sale	(184)	-	184
Movements in the fair value of Investment Properties	(727)	-	727
Capital grants and contributions applied	17,529	-	(17,529)
Revenue expenditure funded from capital under statute	(6,065)	-	6,065
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(1,104)	-	1,104
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	14,834	-	(14,834)
Statutory provision for the financing of capital investment	12,937	-	(12,937)
Capital expenditure charged against the General Fund	1,897	-	(1,897)
Adjustments primarily involving the Capital Receipts Reserve:	5,050	(3,683)	(1,367)
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	5,050	(5,050)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,367	(1,367)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:	(2,789)	-	2,789
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,789)	-	2,789

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Adjustment primarily involving the Financial Instruments Adjustment Account:

	643	-	(643)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	643	-	(643)

Adjustments primarily involving the Pensions Reserve:

	(11,452)	-	11,452
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(26,080)	-	26,080
Employer's pensions contributions and direct payments to pensioners payable in the year	14,628	-	(14,628)

Adjustment primarily involving the Accumulated Absences Account:

	(1,068)	-	1,068
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,068)	-	1,068

TOTAL ADJUSTMENTS

(12,360)	(3,683)	16,043
----------	---------	--------

2015/16 Comparative figures (Restated)

	Usable Reserves		Movement in Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	(13,721)	-	13,721
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	(28,192)	-	28,192
Charges for depreciation and impairment of non-current assets	(20,729)	-	20,729
Revaluation losses on Property Plant and Equipment	(9,803)	-	9,803
Movements in the market value of Investment Properties	2,433	-	(2,433)
Capital grants and contributions applied	13,404	-	(13,404)
Revenue expenditure funded from capital under statute	(7,996)	-	7,996
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	(5,501)	-	5,501

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	14,471	-	(14,471)
Statutory provision for the financing of capital investment	12,929	-	(12,929)
Capital expenditure charged against the General Fund	1,542	-	(1,542)
Adjustments primarily involving the Capital Receipts Reserve:	1,682	(1,091)	(591)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,682	(1,682)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	591	(591)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:	3,791	0	(3,791)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,791	0	(3,791)
Adjustment primarily involving the Financial Instruments Adjustment Account:	(4,434)	-	4,434
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	(4,434)	-	4,434
Adjustments primarily involving the Pensions Reserve:	(7,991)	-	7,991
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(22,179)	-	22,179
Employer's pensions contributions and direct payments to pensioners payable in the year	14,188	-	(14,188)
Adjustment primarily involving the Accumulated Absences Account:	3,502	-	(3,502)
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	3,502	-	(3,502)
TOTAL ADJUSTMENTS	(17,171)	(1,091)	18,262

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

10 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund as balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2016/17.

	Balance at 31-Mar-16	Movements between Reserves		Via Comprehensive I&E Account		Balance at 31-Mar-17	Reserve Type
		Transfers Out	Transfers In	Transfers Out	Transfers In		
	£'000	£'000	£'000	£'000	£'000	£'000	
Council Fund	(6,500)	-	-	-	-	(6,500)	General
Balances held by schools for future use	(5,881)	-	-	1,050	-	(4,831)	Schools
Earmarked Reserves:		-					
Capital Expenditure	(7,084)	-	-	1,500	(233)	(5,817)	Risk
Insurance Reserve	(1,925)	-	-	469	(250)	(1,706)	Risk
MMI Insurance Reserve	(352)	-	-	-	(250)	(602)	Risk
Legal Claims	(100)	-	100	-	-	-	Risk
Health & Safety	(16)	-	-	-	-	(16)	Risk
Music Service	(205)	-	-	38	-	(167)	Risk
Council Tax Reduction	(500)	-	500	-	-	-	Risk
Education Achievement Service	(92)	-	-	-	-	(92)	Risk
Schools Redundancies	(453)	-	-	-	(255)	(708)	Risk
Friars Walk	(6,176)	-	-	-	(3,809)	(9,985)	Risk
Gem Services Reserve	(100)	-	-	100	-	-	Risk
European Funding I2A & CFW	-	-	-	-	(79)	(79)	Risk
Metro Bus	-	-	-	-	(9)	(9)	Risk
Pay Reserve	(1,948)	-	-	530	-	(1,418)	Enabling / Risk
Invest to Save	(12,838)	-	-	1,959	(170)	(11,050)	Enabling
Super Connected Cities	(748)	-	-	78	-	(670)	Enabling
Landfill Reserve	(131)	-	-	-	(214)	(345)	Enabling
Christmas Lights	(47)	-	-	32	-	(15)	Enabling
Usable Capital Receipts	(8,059)	-	-	1,367	(5,050)	(11,742)	Enabling
STEP School Computers	(638)	-	-	200	(35)	(473)	Smoothing
Municipal Elections	(120)	-	-	-	(34)	(154)	Smoothing
Local Development Plan	(528)	-	-	-	(44)	(572)	Smoothing
Glan Usk PFI	(972)	-	-	-	(527)	(1,499)	Smoothing
Southern Distributor Road PFI	(44,498)	-	-	-	(17)	(44,515)	Smoothing
Works of art	(21)	-	-	-	-	(21)	Other
School Works	(272)	-	-	-	(273)	(545)	Other
Theatre & Arts Centre	(232)	-	-	-	-	(232)	Other
Cymorth Income	(38)	-	-	5	-	(33)	Other
Pupil Referral Unit	(60)	-	-	-	-	(60)	Other
Gypsy and Traveller Site	(7)	-	-	-	-	(7)	Other
Homeless Prevention	(38)	-	-	-	-	(38)	Other
Environmental Health - Improve Air Quality	(50)	-	-	1	-	(49)	Other
Refurbishment of a Children / Older People Homes	(115)	-	-	85	(72)	(102)	Other
Apprenticeship Scheme Reserve	(80)	-	-	-	-	(80)	Other
City Economic Development	(195)	-	-	105	-	(90)	Other

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Reserve							
Welsh Language Standards	(240)	-	-	-	-	(240)	Other
YS Dilapidation Costs							
Information Shop	(51)	-	-	-	-	(51)	Other
School Reserve Other	-	-	-	-	(1,100)	(1,100)	Other
Port Health	-	-	-	-	(3)	(3)	Other
CRM	-	-	-	-	(21)	(21)	Other
WCCIS	-	-	-	-	(54)	(54)	Other
Investment Reserve	-	-	(600)	-	(900)	(1,500)	Other
Total	(101,311)	-	-	7,519	(13,399)	(107,191)	

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 Authority's insurance risks. To meet excesses and costs of claims against the Authority and to provide cover on self-insured risks;
- **MMI Insurance reserve** - established to assist with potential future funding requirements of MMI in line with the agreed 'Scheme of Arrangement';
- **Pay reserve** - established to fund potential pay liabilities in future years;
- **Usable capital receipts reserve** - holds proceeds from sale of property, plant and equipment, used to finance new capital expenditure;
- **Southern Distributor Road and Glan Usk PFI reserves** - smoothes out funding differences that arise between the funding available and the capital payments made to the contractor. The reserve will balance over the life of the project;
- **Friars Walk reserve** - established to assist with any potential future funding needs for the Friars Walk scheme.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

11 OTHER OPERATING EXPENDITURE

31-Mar-16		31-Mar-17
£'000		£'000
(Restated)	Precepts and levies:	
239	Community Councils	250
6,817	South Wales Fire Authority	6,892
762	Caldicot and Wentlooge Drainage Board	755
160	Home Office	168
289	Gwent Archives	290
11,758	Police and Crime Commissioner for Gwent	12,355
(101)	(Gains) and Losses on assets held for sale	4
29	Loss / (Profit) on the disposal of non-current assets	(1,157)
19,953	Total	19,557

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

31-Mar-16		31-Mar-17
£'000		£'000
19,599	Interest Payable and similar charges	14,148
8,320	Pensions interest cost and expected return on pensions assets	9,812
(4,207)	Interest receivable and similar income	(3,986)
(3,514)	Income and expenditure in relation to investment properties and changes in their fair value	(43)
20,198	Total	19,931

13 TAXATION AND NON SPECIFIC GRANT INCOME

31-Mar-16		31-Mar-17
£'000		£'000
(54,320)	Council tax income	(58,269)
(41,092)	Non domestic rates	(42,806)
(169,693)	Non-ring fenced government grants	(166,336)
(7,795)	Capital grants and contributions	(14,628)
(272,900)	Total	(282,039)

National Non-Domestic Rates (NNDR)

The total rateable value for non-domestic rates was £157,719,588 at 31 March 2017 (£154,979,373 at 31 March 2016). The rate poundage for occupied properties was 48.6p per £ of rateable value (48.2p in 2015/16) with empty properties being charged at 48.6p (48.2p in 2015/16).

£'000		£'000
(64,162)	NNDR collectable	(64,240)
63,205	Payments to NNDR pool	63,005
641	NNDR bad debts written off and/or provided for	917
316	NNDR cost of collection allowance	318
-		-

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

In 2016/17 Newport received £42.806m from the Welsh NNDR pool in support of its services (£41.092m – 2015/16).

LOCAL TAXATION

Council Tax Collection

	31-Mar-16 £'000	31-Mar-17 £'000
INCOME		
Council Taxes (net of Council Tax benefits)	(54,687)	(58,537)
Council Tax benefits	(10,579)	(10,672)
Total income	<u>(65,266)</u>	<u>(69,209)</u>
EXPENDITURE		
Precepts payable		
- Gwent Police Authority	11,758	12,355
- Community Councils	239	250
Newport Council Fund requirement	52,117	54,720
Council tax written off and provided for	368	269
Total expenditure	<u>64,482</u>	<u>67,594</u>
Net surplus for the year	<u>(784)</u>	<u>(1,615)</u>

Council Tax Requirement

	31-Mar-16 Dwellings	31-Mar-16 Tax Base	31-Mar-17 Dwellings	31-Mar-17 Tax Base
Total number of properties on valuation list	65,247	65,247	65,975	65,975
Adjusted as follows				
Less exempt properties @ 100%	1,929	(1,929)	2,070	(2,070)
Less single discounts @ 25%	5,949	(5,949)	6,022	(6,022)
Less multiple discounts @ 50%	575	(575)	552	(552)
Band D conversion		(245)		(186)
Losses on collection		(989)		(1,000)
Tax Base		<u>55,560</u>		<u>56,145</u>
		£		£
Council tax requirement		64,113,419		67,576,058
Less payable to Gwent Police		(11,757,615)		(12,355,409)
Less payable to Community Councils		(239,145)		(250,337)
Net requirement Newport City Council		<u>52,116,659</u>		<u>54,970,312</u>
Band D tax for the year		<u>938</u>		<u>979</u>

This basic amount of £979.07 for a band D property (£938.03 in 2015/2016) is multiplied by the proportion specified for the particular band to give the individual amount due:

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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

14 PROPERTY, PLANT AND EQUIPMENT

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2016	313,724	33,297	210,546	573	6,338	13,077	577,555	71,139
Additions	5,127	2,116	1,128	10	-	18,370	26,751	-
Re-classifications	8,225	-	-	9	484	(9,664)	(946)	-
Revaluations	(1,806)	-	-	-	1,335	-	(471)	-
Impairments	(2,761)	-	(118)	-	-	-	(2,879)	-
Disposals	(11)	(555)	-	-	(648)	-	(1,214)	-
At 31 March 2017	322,498	34,858	211,556	592	7,509	21,783	598,796	71,139
Accumulated Depreciation								
At 1 April 2016	(8,902)	(19,238)	(54,286)	-	-	-	(82,426)	(16,448)
Depreciation Charge in Year	(11,003)	(3,734)	(6,215)	-	(1)	-	(20,953)	(1,852)
Re-classifications	-	-	-	-	-	-	-	-
Revaluation Impact	1,832	-	-	-	1	-	1,833	-
Disposals	-	555	-	-	-	-	555	-
At 31 March 2017	(18,073)	(22,417)	(60,501)	-	-	-	(100,991)	(18,300)
Net Book Value								
At 1 April 2016	304,822	14,059	156,260	573	6,338	13,077	495,129	54,691
At 31 March 2017	304,425	12,441	151,055	592	7,509	21,783	497,805	52,839

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

	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 2015	297,898	29,869	209,286	574	6,506	9,163	553,296	70,939
Additions	7,686	3,725	1,260	-	-	8,640	21,311	200
Re-classifications	(4,345)	2,418	-	(1)	2,342	(4,726)	(4,312)	-
Revaluations	17,339	-	-	-	(2,510)	-	14,829	-
Impairments	(4,841)	-	-	-	-	-	(4,841)	-
Disposals	(13)	(2,715)	-	-	-	-	(2,728)	-
At 31 March 2016	313,724	33,297	210,546	573	6,338	13,077	577,555	71,139
Accumulated Depreciation								
At 1 April 2015	(15,698)	(19,573)	(48,093)	-	-	-	(83,364)	(14,589)
Depreciation Charge in Year	(8,165)	(1,984)	(6,193)	-	(4)	-	(16,346)	(1,859)
Re-classifications	257	-	-	-	(257)	-	-	-
Revaluation Impact	14,704	-	-	-	261	-	14,965	-
Disposals	-	2,319	-	-	-	-	2,319	-
At 31 March 2016	(8,902)	(19,238)	(54,286)	-	-	-	(82,426)	(16,448)
Net Book Value								
At 1 April 2015	282,200	10,296	161,193	574	6,506	9,163	469,932	56,350
At 31 March 2016	304,822	14,059	156,260	573	6,338	13,077	495,129	54,691

The Authority 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 Authority. Although these schools are recognised as located within the Authority's boundary, they are not disclosed within the Balance Sheet as they are not Authority owned assets.

Depreciation

Assets are depreciated on a straight line basis using the following useful asset lives:

ASSET	POLICY	LIFE
Land	No depreciation charged	
Buildings	Straight line depreciation on estimated remaining life	As advised by Valuer
New Roads	Straight line depreciation on estimated remaining life	40 years
Vehicles and 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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Capital Commitments

The Authority continued its programme of capital investment in 2016/17 to improve the infrastructure and facilities in Newport. Of this programme, the Authority is contractually committed to carry out works as follows:

Capital Commitments	31-Mar-16	31-Mar-17
	£'000	£'000
Central Services	-	-
Cultural & Related Services	-	-
Education	1381	2,491
Environmental Services	-	-
Highways, Roads & Transport	6	271
Housing (General Fund)	-	-
Planning & Development Services	37	838
	1,424	3,600

Revaluations

The Authority 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 internally. 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	138	34,858	211,556	10	-	21,783	268,345
Valued at fair value as at:							
31 March 2017	13,715	-	-	-	7,509	-	21,224
31 March 2016	205,186	-	-	-	-	-	205,186
31 March 2015	3,813	-	-	75	-	-	3,888
31 March 2014	19,937	-	-	363	-	-	20,300
31 March 2013	79,709	-	-	144	-	-	79,853
Total Cost or Valuation	322,498	34,858	211,556	592	7,509	21,783	598,796

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Fair Value Measurement of Surplus Assets

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2017 are as follows:

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

Comparative figures as at 31 March 2016 were:

<i>Recurring fair value measurements using:</i>	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£000	£000	£000
Residential properties	331	935	1,266
Commercial units/Land	3,153	1,918	5,071
Total	3,484	2,853	6,337

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 authority 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 authority'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 2016/17, there has been no change in the valuation techniques used during the year for surplus assets.

The fair value of the authority'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 Authority's Finance Officers.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

15 Heritage Assets

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

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

	Museum Collection	Tredegar House & Park	Public Art & Features	Archaeology	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2015	8,005	1,930	2,917	103	12,955
Revaluations	2,196	-	140	-	2,336
At 31 March 2016	10,201	1,930	3,057	103	15,291
Accumulated Depreciation and Impairment					
At 1 April 2015	-	(9)	-	-	(9)
Depreciation charge in year	-	(9)	-	-	(9)
At 31 March 2016	-	(18)	-	-	(18)
Net Book Value					
At 1 April 2015	8,005	1,921	2,917	103	12,946
At 31 March 2016	10,201	1,912	3,057	103	15,273

Further information on the collections held

Museum Collection

The Authority 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.

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 Authority 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 Authority 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.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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 2016/17. 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-16	31-Mar-17
	£'000	£'000
Rental income from investment property	(1,237)	(1,264)
Direct operating expenses arising from investment property	156	156
Net (gain) / loss	(1,081)	(1,108)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority 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-16	31-Mar-17
	£'000	£'000
	(Restated)	
Balance at start of the year	7,237	10,380
Disposals	(3,419)	-
Net gains/ (losses) from fair value adjustments	2,433	(727)
Transfers:		
- to/ from Property, Plant and Equipment	4,129	713
- to/ from Assets Held for Sale	-	30
Balance at end of the year	10,380	10,396

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Fair Value Measurement of Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2017 are as follows:

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

Comparative figures as at 31 March 2016 were:

<i>Recurring fair value measurements using:</i>	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£000	£000	£000
Office units	-	274	274
Commercial units	4,972	8,553	13,525
Total	4,972	8,827	13,799

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 authority 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 authority'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-17 £000	Valuation technique used to measure fair value	Unobservable inputs and Sensitivity
Office Units	393	Hardcore and Topslice	Rental growth, Collection of rent, Discount rate, Basis of occupation
Commercial Units	8,244	Term and Reversion, Hardcore and Topslice	Rental growth, Special purchaser, Discount rate

The fair value of the authority'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 Authority's finance officers.

17 FINANCIAL INSTRUMENTS

a) Financial Instruments – Classifications

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

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Authority 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 Authority.

The Authority's non-derivative financial liabilities held during the year measured at amortised cost and 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 Authority 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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

b) Financial Instruments – Balances

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

	Long-Term		Short-Term	
	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17
Borrowings	£'000	£'000	£'000	£'000
Financial Liabilities at amortised cost	187,502	146,138	35,516	65,548
Financial Liabilities at fair value through profit and loss	334	453	(70)	(76)
Total included in borrowings	187,836	146,591	35,446	65,472
Bank Overdraft	-	-	6,727	2,837
Other Long Term Liabilities				
Southern Distributor Road - PFI	36,944	35,324	1,566	1,620
Glan Usk Primary School - PFI	10,356	9,729	640	627
Finance Leases	130	87	-	-
House Mortgages	20	15	-	-
Total Other Long-Term Liabilities	47,450	45,155	2,206	2,247
Creditors				
Financial Liabilities at amortised cost:				
- Section 106 deposits	4,292	4,849	-	-
- Other long term creditors	5,079	3,540	-	-
Financial Liabilities carried at contract amount	-	-	25,955	36,462
Total Creditors	9,371	8,389	25,955	36,462
TOTAL FINANCIAL LIABILITIES	244,657	200,135	70,334	107,018

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

	Long-Term		Short-Term	
	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17
Debtors	£'000	£'000	£'000	£'000
Loans and Receivables at amortised cost:				
- Tredegar House Lease Premium	7,021	8,039	241	241
- Friars Walk Development	0	0	83,028	83,028
- Kings Hotel Development	0	0	1,860	0
- Officers Car Loan Schemes	0	0	99	34
- Gwent Crematorium	744	744	0	0
- Deferred Debt - Gwent Police	196	0	0	0
- Finance Leases	0	3,154	0	0
- Other long term debtors	262	248	0	0
Financial assets carried at contract amounts	0	0	45,526	43,316
Total Included in Debtors	8,223	12,185	130,754	126,619
Investments				
Loans and Receivables at amortised cost	0	0	3,100	2,300
Unquoted equity investment at cost (Newport Transport Ltd)	251	251	0	0
Total Investments	251	251	3,100	2,300
TOTAL FINANCIAL ASSETS	8,474	12,436	133,854	128,919

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

c) Financial Instruments – Gains and Losses

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

	Financial Liabilities		Financial Assets		
	Amortised Cost	Fair Value through Profit & Loss	Loans & Receivables	2016/17 Total	2015/16 Total
	£000	£000	£000	£000	£000
Interest expense	14,044	-	-	14,044	18,838
Losses on derecognition	-	-	-	-	646
Reductions in fair value	-	70	-	70	73
Fee expense	34	-	-	34	42
Interest payable and similar charges	14,078	70	-	14,148	19,599
Interest Income	-	-	(3,986)	(3,986)	(4,206)
Interest and Investment Income	-	-	(3,986)	(3,986)	(4,206)
Net Gain/(Loss) for the year	14,078	70	(3,986)	10,162	15,393

d) Financial Instruments – Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority 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 in 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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

	Fair Value Level	Balance Sheet 31-Mar-16 £000	Fair Value 31-Mar-16 £000	Balance Sheet 31-Mar-17 £000	Fair Value 31-Mar-17 £000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	72,437	92,917	71,138	99,035
Long-term LOBO loans	2	35,000	52,891	30,000	58,784
Other long-term loans	2	80,259	91,129	45,453	40,133
Lease payables and PFI liabilities	3	49,636	78,809	47,402	79,216
Total		237,332	315,746	193,993	277,168
Liabilities for which fair value is not disclosed*		82,012		113,160	
Total Financial Liabilities		319,344		307,153	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		27,742		36,462	
Short-term borrowing		35,585		65,472	
Bank Overdraft		6,727		2,837	
Long-term creditors		11,938		8,389	
Long-term borrowing		187,696		146,591	
Other long-term liabilities		49,656		47,402	
Total Financial Liabilities		319,344		307,153	

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

Fair values of the Authority'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 Authority at historical cost. Work in progress is included at cost. An analysis is as follows:

	31-Mar-16 £'000	31-Mar-17 £'000
Stocks		
Building Services	134	160
Leisure & Catering	24	3
Museum Shop	7	5
Printing/Stationery	33	7
Monwel Hankinson	9	9
	207	184

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

19 SHORT TERM DEBTORS

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

	31-Mar-16			31-Mar-17		
	Gross £'000	Provision £'000	Net £'000	Gross £'000	Provision £'000	Net £'000
General	111,148	(2,784)	108,364	108,938	(2,723)	106,215
Council tax payers	5,294	(3,175)	2,119	5,352	(3,233)	2,119
NHS bodies	1,021	-	1,021	1,369	-	1,369
Central government bodies*	17,307	-	17,307	14,178	-	14,178
Other local authorities	1,943	-	1,943	2,737	-	2,737
	136,713	(5,959)	130,754	132,574	(5,956)	126,618

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

**Included within general debtors at 31 March 2017 is a loan due from Queensberry Ltd. The value of the loan at 31 March 2017 is £83.03m principal and £8.79m rolled up interest up to the 8 December 2017. On the 9th June 2017, the scheme was sold, as detailed in note 4.

20 CASH AND CASH EQUIVALENTS

The cash held by the Authority represents petty cash balances held by numerous establishments throughout the Authority 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 Authority 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 2017 was a credit balance of £2k (31 March 2015 – credit balance of £272k).

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Short-Term Investments classified as cash equivalent	3,100	2,300
Cash held by the authority	91	65
Bank Current accounts	(6,727)	(2,837)
Total Cash and Cash Equivalents	(3,536)	(472)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

21 ASSETS HELD FOR SALE

	31-Mar-16	31-Mar-17
	£'000	£'000
Assets at the start of the year	5,199	656
Assets newly classified as held for sale:		
Property, Plant and Equipment	449	233
Revaluation losses	(73)	(8)
Revaluation gains	174	4
Assets declassified as held for sale:		
to Property, Plant and Equipment	(266)	-
to Investment Properties		(30)
Assets sold	<u>(4,827)</u>	<u>(447)</u>
Assets at year-end	<u>656</u>	<u>408</u>

22 SHORT TERM CREDITORS

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

	31-Mar-16	31-Mar-17
	£'000	£'000
General	(17,092)	(28,341)
Central government bodies	(4,165)	(3,091)
Prepayments of council tax	(1,046)	(1,173)
NHS bodies	(145)	(79)
Other local authorities	<u>(3,507)</u>	<u>(3,778)</u>
	<u>(25,955)</u>	<u>(36,462)</u>

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

23 PROVISIONS

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

	31-Mar-16	Further provisions	Amounts used	Unused amounts reversed	31-Mar-17
	£'000	£'000	£'000	£'000	£'000
Current Provisions					
Accumulated absence provision	(2,685)	(1,069)	-	-	(3,754)
Insurance / MMI Provision	(1,419)	(1,039)	1,126	-	(1,332)
Equal pay - Back pay provision	(966)	-	824	142	-
Landfill Fines	(214)	-	-	214	-
Energy Provision	(345)	(175)	320	-	(200)
Other	(32)	(414)	26	6	(414)
	(5,661)	(2,697)	2,296	362	(5,700)
Long Term Provisions					
Landfill Capping	(5,751)	(422)	370	-	(5,803)

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 Authority. This is therefore not cash backed.
Insurance	Provision for known insurance claims which currently being made against the Authority for a variety of incidents. These insurance claims have been assessed as having either a 'likely' or 'reasonable' chance of payout.
Equal Pay	Provision to comply with recommended practice in respect of equal pay claims. All payments have been made and this provision will not be required going forward.
Landfill Capping	Provision to comply with recommended practice in respect of costs relating to the future capping of Landfill sites once they have been fully utilised. The estimation for the landfill provision is made up of two elements, the estimated cost of capping the site and the aftercare costs once the site has been capped. The Council has undertaken a thorough review of both of these elements during 2016/17 and the estimates have been updated as a result. The aftercare costs are now included at £3,077k and the capping element is £2,726k.
Energy Provision	Amount set aside for energy bills from previous years that are expected to be paid in 2017/18. Due to problems with billing with the energy supplier, the Authority 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.

24 USABLE RESERVES

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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

25 UNUSABLE RESERVES

	31-Mar-16	31-Mar-17
	£'000	£'000
Revaluation Reserve	(127,512)	(130,929)
Capital Adjustment Account	(116,951)	(119,587)
Financial Instruments Adjustment Account	6,367	5,724
Deferred Capital Receipt Reserve	(3,822)	(1,033)
Transport Company Realisation Account	(251)	(251)
Pensions Reserve	279,720	324,745
Accumulated Absence Account	2,665	3,733
	40,216	82,402

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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.

	£'000	£'000
Balance at 1 April	(89,893)	(127,512)
Upward revaluation of assets	(51,304)	(9,741)
Downward revaluation of assets and impairment losses not charged to provision of services	9,740	2,311
Surplus or deficit on revaluation of non-current assets not charged to provision of services	(41,564)	(7,430)
Difference between fair value depreciation and historic cost depreciation	1,056	3,552
Accumulated gains on assets sold or scrapped	2,889	461
Amount written off to the Capital Adjustment Account	3,945	4,013
Balance at 31 March	(127,512)	(130,929)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Capital Adjustment Account

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

	£'000	£'000
	(Restated)	
Balance at 1 April	(126,136)	(116,951)
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	20,729	27,027
Revaluation losses/gains on Property, Plant and Equipment	9,904	180
Amortisation of intangible assets	-	-
Revenue Expenditure Funded from Capital under Statute	7,996	6,065
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	5,501	1,104
	44,130	34,376
Adjusting amounts written out of the Revaluation Reserve	(3,945)	(4,013)
Net written out amount of the cost of non-current assets consumed in the year	40,185	30,363
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(591)	(1,367)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(13,404)	(17,529)
Statutory provision for the financing of capital investment charged against the Council Fund balances	(12,929)	(12,937)
Capital expenditure charged against the Council Fund balance	(1,542)	(1,897)
	(28,466)	(33,730)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,433)	727
Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	(101)	4
Balance at 31 March	(116,951)	(119,587)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Financial Instruments Adjustment Account

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

The Authority 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 Authority tax. In the Authority'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-16	31-Mar-17
	£'000	£'000
Balance at 1 April	1,933	6,367
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	4,566	-
Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(132)	(643)
	<u>4,434</u>	<u>(643)</u>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
Balance at 31 March	<u>6,367</u>	<u>5,724</u>

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 Authority 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-16	31-Mar-17
	£'000	£'000
Balance at 1 April	(31)	(3,822)
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(3,822)	-
Transfer to Capital Receipts Reserve	31	2,789
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	(3,791)	2,789
Balance at 31 March	<u>(3,822)</u>	<u>(1,033)</u>

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority 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 Authority 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 Authority 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.

Pensions Reserve

	31-Mar-16	31-Mar-17
	£'000	£'000
Balance at 1 April	252,151	279,720
Actuarial gains or losses on pensions assets and liabilities	19,578	33,573
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	22,179	26,080
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,188)	(14,628)
Balance at 31 March	279,720	324,745

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-16	31-Mar-17
	£'000	£'000
Balance at 1 April	6,167	2,665
Settlement or cancellation of accrual made at the end of the preceding year	(6,167)	(2,665)
Amounts accrued at the end of the current year	2,665	3,733
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	(3,502)	1,068

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

26 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-16	31-Mar-17
	£'000	£'000
Interest received	(52)	(418)
Interest paid	19,632	13,799
	19,580	13,381

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Depreciation	(16,355)	(20,962)
Impairment and downward valuations	(14,278)	(6,245)
(Increase) / Decrease in creditors	6,678	(5,850)
Increase / (Decrease) in debtors	37,644	1,127
Increase / (Decrease) in stock	(30)	(23)
Pensions liability	(7,991)	(11,452)
Carrying amount of non-current assets sold	(8,655)	(1,104)
Other non cash adjustments	1,899	(822)
	(1,088)	(45,331)

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,504	2,261
Any other items for which the cash effects are investing or financing cash flows	13,322	17,459
Net cash flows from investing activities	18,826	19,720

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-16	31-Mar-17
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	25,011	23,156
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,710)	(5,355)
Other receipts from investing activities	(17,974)	(18,890)
Net cash flows from investing activities	5,327	(1,089)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

28 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-16	31-Mar-17
	£'000	£'000
Cash receipts of short- and long-term borrowing	(123,094)	(141,670)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,116	2,249
Repayments of short- and long-term borrowing	92,857	152,894
Net cash flows from financing activities	(28,121)	13,473

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 Authority's web site. The total allowances and expenses paid in the financial year was £897,901 (2015/16 – £904,430). All members are entitled to the same basic allowance of £13,300 per annum (2015/16 - £13,300). Also additional responsibility allowances are paid to each member holding the following positions:

	31-Mar-16	31-Mar-17
	£	£
Leader of the Council	34,700	34,700
Deputy Leader	20,200	20,200
Cabinet Member (x7)	15,700	15,700
Chair of Scrutiny Forum (x3)	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

The Authority also pays seven lay (unelected) members a total of £1,677 (2015/16: £1,610) to sit on a number of committees. This includes both fees and expenses.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

30 OFFICER REMUNERATION

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

Post Holder Information		Salary/ Payment* £	Car Allowances & Mileage £	Pensions contributions £	Total £
Chief Executive	2016/17	135,985	900	26,109	162,994
	2015/16	134,638	900	25,851	161,389
Strategic Director - People (reduced hours from 30.09.16)	2016/17	88,092	900	16,914	105,906
	2015/16	103,316	900	19,837	124,053
Strategic Director - Place (left the Authority 31.08.16)	2016/17	21,589	375	4,145	26,109
	2015/16	106,875	1,040	20,520	128,436
Strategic Director - Place (Appointed 18.07.16)	2016/17	69,792	634	13,400	83,826
Chief Education Officer	2016/17	90,022	675	17,284	107,981
	2015/16	89,130	675	17,113	106,918
Head of Legal and Regulatory Services (Monitoring Officer)	2016/17	78,726	450	15,115	94,291
	2015/16	77,946	450	14,966	93,362
Head of Finance (Section 151 Officer)	2016/17	78,726	991	15,115	94,832
	2015/16	76,048	450	14,601	91,099
Head of People & Business Change (Appointed 29.03.16)	2016/17	74,618	680	14,327	89,626
Head of People & Business Change (Left the Authority 28.03.16)	2016/17	-	-	-	-
	2015/16	80,465	997	14,845	96,306
Head of Regeneration, Investment & Housing (Appointed as Head of RIH 02.03.15 - 17.07.16)	2016/17	20,593	319	3,954	24,866
	2015/16	62,735	1,090	12,045	75,870
Interim Head of Regeneration, Investment & Housing Services (acting up August 16 - March 2017)	2016/17	34,125	151	6,462	40,738
	2015/16	-	-	-	-
Head of Adult & Community Services (Appointed 28.09.15)	2016/17	72,832	675	13,984	87,491
	2015/16	36,257	343	6,961	43,561
Head of Adult & Community Services (Left the Authority 31.08.15)	2016/17	-	-	-	-
	2015/16	28,149	281	5,404	33,834
Head of Children and Family Services (Staff secondment from Barnardo's)	2016/17	89,095	-	-	89,095
	2015/16	84,342	-	-	84,342
Head of Streetscene & City Services Head of Streetscene (from February 2016) Head of Streetscene (Total inclusive costs of agency staff *)	2016/17	116,048	655	14,668	131,371
	2015/16	9,855	85	1,892	11,832
	2015/16	61,031	-	-	61,031

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Election Returning Officer Fees

During 2016/17 the Chief Executive received £29,142 for his role as the Authorities Returning Officer. (In 2015/16, he received £5,819)

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

The ratio between the Authority's highest paid employee and the median position for 2016/17 was 1:6.9 (2015/16 was 1:6.8). 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 Authority's other employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	31-Mar-16		31-Mar-17	
	Teaching	Other	Teaching	Other
£135,000 - £139,999	0	0	1	0
£115,000 - £119,999	0	0	0	0
£105,000 - £114,999	1	0	1	0
£100,000 - £104,999	0	0	1	0
£95,000 - £99,999	1	0	1	0
£90,000 - £94,999	1	0	3	0
£85,000 - £89,999	3	1	2	1
£80,000 - £84,999	3	1	2	1
£75,000 - £79,999	3	2	2	0
£70,000 - £74,999	12	0	11	0
£65,000 - £69,999	14	3	14	0
£60,000 - £64,999	18	2	16	3
Total	56	9	54	5

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:

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-17	31-Mar-17	31-Mar-17	31-Mar-17
£0 - £20,000	11	51	62	£ 636,266
£20,001 - £40,000	2	19	21	619,743
£40,001 - £60,000	1	10	11	535,288
£60,001 - £80,000	1	4	5	346,482
£80,001 - £100,000	1	-	1	97,107
Total	16	84	100	2,234,885

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-16	31-Mar-16	31-Mar-16	31-Mar-16
				£
£0 - £20,000				
	46	65	111	842,445
£20,001 - £40,000	4	21	25	681,405
£40,001 - £60,000	-	12	12	600,834
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	1	1	93,747
Over £100,000	-	1	1	121,845
Total	50	100	150	2,340,276

31 EXTERNAL AUDIT COSTS

The Authority 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 Authority's external auditors:

	31-Mar-16	31-Mar-17
	£'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	81	71
Fees for additional audit work from previous financial years		5
Total	378	373

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

32 GRANTS INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	31-Mar-16	31-Mar-17
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	168,162	166,336
Contribution from Non-Domestic Rate	41,092	42,806
Outcome Agreement Grant	1,531	-
Total	210,785	209,142

Credited to Services

	31-Mar-16	31-Mar-17
	£'000	£'000

Education Grants

Education Improvement Grant	5,507	7,065
ISB Funding	7,582	7,741
Pupil Deprivation	4,707	4,739
GEMS	1,477	-
Education Management	126	-
Other	2,788	1,239

Education Contributions

Gwent Music	11	9
Other	361	1,620

Education Donations

	1,109	870
--	-------	-----

Social Services Grants

Supporting People	6,385	6,510
Substance Misuse	4,381	4,411
Preventions	383	365
Families First	1,515	1,346
Youth Offending Service	338	335
Intermediate Care Fund	521	1,197
Welsh Independent Living Grant	637	865
Regional Domestic Violence	395	361
Other	410	622

Social Services Contributions

Section 28A funding	2,095	2,095
Other	990	1,055

Regeneration, Investment & Housing Grants

Communities First Grants	2,377	2,391
Flying Start	5,284	5,624
Families First Youth	427	676
Streets Ahead	32	31
Communities for Work	-	371
Inspire to Achieve	-	1,137
Adult Education	323	329

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Other	780	476
Regeneration, Investment & Housing Contributions	96	31
Regeneration, Investment & Housing Donations	8	1
Streetscene Grants		
Housing Benefit Subsidy	834	786
Sustainable Waste	2,876	2,755
Concessionary Fares	2,683	2,926
Sport & Leisure Management	971	857
Other	744	1,226
Streetscene Contributions	263	47
Corporate Services Grants		
Housing Benefit Subsidy	57,785	56,328
NNDR	316	318
Training	358	360
Other	1,392	1,429
Corporate Service Contributions	185	203
Corporate Service Donations	2	21
Total	119,453	120,767

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.

Within Education, GEMS and Education Management grants are now part of the Education Improvement Grant for 2016/17.

This table has been restated for 2015/16 to include Concessionary fares Grant and contributions which were not included last year. The table for 2015/16 has also been restated to match the current management structure of the Council.

33 RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Welsh Government

The Welsh Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority 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 Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in Note 29. During 2016/17, works and services to the value of £12.745m (2015/16: £22.271m) were commissioned from or paid to companies in which fourteen members had an interest. This included balances of £3.52m paid to Newport Transport Limited (2015/16: £3.56m) which is further disclosed below.

Payments of £3.923m were paid to Newport Norse Ltd in 2016/17 (£10.801m in 2015/16). This is Newport City Council's first joint venture company. Newport Norse has invited one member of the Council on the board in their capacity as an elected member, not as a private individual.

Within these payments, the Authority also made payments to Waste Savers Ltd amounting to £2.64m in 2016/17 (£3.43m in 2015/16). This company is independent from the Authority. There are no members on the board of Wastesavers Ltd but there are two Members 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 £237k in 2016/17, this is a company that has charitable status and is independent from the Authority. 2015/16 was its first year of trading. The company has invited two members of the Council on the board, in their capacity as elected members, not private individuals. Newport Live is contracted by the Council to run its sport and leisure services.

There were no declarations of interest submitted where grants have been paid to voluntary organisations.

Officers

The Head of Children and Young People Services has been seconded from Barnardo's. The Authority also makes payments to Barnardo's and in 2016/17 this amounted to £1.773m (2015/16 £1.522m). These payments relate to grants and contracts that were in existence prior to this agency appointment. The majority of these payments to Barnardo's relate to the following areas:

- a. Family First Grant projects (£0.451m)
- b. the preferred provider Family Support Team partnership arrangements (£0.572m)
- c. the provision of contracts through the Substance Misuse Action Fund Grant (£0.235m)

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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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.

Senior Officers do not hold any positions of seniority within any other Public Sector body.

Entities Controlled or Significantly Influenced by the Authority

Newport Transport Ltd

This is a company wholly owned by the Authority. Newport Transport's board includes four Council Members and one Council officer nominated by the Council. The services provided principally related to maintenance work on the Authority's vehicle fleet. Details of financial transactions are detailed in Note 45 to the Statement of Accounts.

Newport Norse

The Authority's first joint venture company, Newport Norse, was launched on July 1st 2014. The JV company, which now oversees the Authority's property maintenance, estates, facilities management and capital projects design functions, employs over 200 members of staff. Newport Norse and their subsidiary NPS Newport Limited, are Joint Venture Companies in which the Authority has a 20% share and minority representation on the Board. The Authority has a 50% "gain share" in the profits, which reduces the Authority's service charge. The second year's trading (accounting period covering January 2015 to January 2016) delivered a profit share of £223k to Newport City Council, in 2016/17 the provisional profit share is £187k. The Authority made payments to Newport Norse of £3.277m in 2016/17 (£10.801m in 2015/16) and received £294k in 2016/17 (£155k in 2015/16). An extract of Newport Norse's primary statements is shown in Note 45 of the accounts.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Opening Capital Financing Requirement	280,678	281,989
<u>Capital investment</u>		
Property, Plant and Equipment	21,635	26,381
Heritage Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	7,996	6,064
Long Term Debtors	146	-
<u>Sources of finance</u>		
Capital receipts	(591)	(1,367)
Government grants and other contributions	(13,404)	(19,163)
Sums set aside from revenue	(464)	(1,700)
Direct revenue contributions	(1,078)	(197)
Minimum Revenue Provision	(12,929)	(12,937)
Closing Capital Financing Requirement	281,989	279,070
Explanation of movements in year		
Increase in underlying need to borrow:		
Supported by government financial assistance	3,996	4,053
Un-supported by government financial assistance	10,044	5,966
Assets acquired under finance leases	-	-
Bullet Repayment of PFI Liability	-	-
Assets acquired under PFI contracts	200	-
Minimum Revenue Provision	(12,929)	(12,937)
Increase in Capital Financing Requirement	1,311	(2,918)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

35 LEASES

Authority as Lessee

Finance Leases

The Authority 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-16 £'000	31-Mar-17 £'000
Vehicle, Plant, Furniture and Equipment	<u>130</u>	<u>87</u>
	130	87

The Authority 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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31-Mar-16 £'000	31-Mar-17 £'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	43	35
- non-current	87	52
Finance costs payable in future years	<u>10</u>	<u>5</u>
Minimum lease payments	<u>140</u>	<u>92</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000
Not later than one year	48	38	43	35
Later than one year and not later than five years	<u>92</u>	<u>54</u>	<u>87</u>	<u>52</u>
	140	92	130	87

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Operating Leases

The Authority 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-16	31-Mar-17
	£'000	£'000
Not later than one year	1,106	1,164
Later than one year and not later than five years	2,752	2,309
Later than five years	2,735	2,718
	<u>6,593</u>	<u>6,191</u>

Authority as Lessor

Finance Leases

The Authority has a finance lease with the Kingsway Shopping Centre with a remaining term of 244 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

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-16	31-Mar-17	31-Mar-16	31-Mar-17
	£'000	£'000	£'000	£'000
Not later than one year	265	265	-	-
Later than one year and not later than five years	1,060	1,060	-	-
Later than five years	63,335	63,070	3,154	3,154
	<u>64,660</u>	<u>64,395</u>	<u>3,154</u>	<u>3,154</u>

Operating Leases

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

- to enable the Authority 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-16	31-Mar-17
	£'000	£'000
Not later than one year	1,385	1,543
Later than one year and not later than five years	3,427	7,234
Later than five years	83,924	80,629
	<u>88,736</u>	<u>89,406</u>

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

The Authority 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 Authority 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-16	31-Mar-17
	£'000	£'000
Not later than one year	1,257	-
Later than one year and not later than five years	2,005	2,005
Later than five years	472	472
	<u>3,734</u>	<u>2,477</u>

36 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Southern Distributor Road PFI Scheme

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

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

Property Plant and Equipment

The assets used to provide services on the Southern Distributor Road are recognised on the Authority'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 Authority 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 2017 (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 2017/18	711	1,620	4,480	6,811
Payable within two to five years	3,171	6,416	18,697	28,284
Payable within six to ten years	4,251	8,887	24,599	37,737
Payable within eleven to fifteen years	5,004	10,677	24,948	40,629
Payable within sixteen to twenty years	5,477	12,203	25,494	43,174
Payable within twenty one to twenty five years	6,338	13,107	24,118	43,563
Payable within twenty six to thirty years	-	-	-	-
Total	<u>24,952</u>	<u>52,910</u>	<u>122,336</u>	<u>200,198</u>

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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-16	31-Mar-17
	£'000	£'000
Balance outstanding at start of year	40,020	38,510
Payments during the year	(1,510)	(1,566)
Other	-	-
Balance outstanding at year-end	38,510	36,944

Glan Usk Primary School

2016/17 was the eighth 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 Authority'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 Authority 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 2017 (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 2017/18	624	627	745	1,996
Payable within two to five years	1,406	1,189	1,468	4,063
Payable within six to ten years	6,271	3,828	4,925	15,024
Payable within eleven to fifteen years	5,164	2,870	3,558	11,592
Payable within sixteen to twenty years	2,606	1,843	2,066	6,515
Total	16,071	10,357	12,762	39,190

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:

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

	31-Mar-16	31-Mar-17
	£'000	£'000
Balance outstanding at start of year	11,602	10,996
Payments during the year	<u>(606)</u>	<u>(640)</u>
Balance outstanding at year-end	<u>10,996</u>	<u>10,356</u>

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 2016/17 the Authority has recognised the following impairment losses:

	31-Mar-16	31-Mar-17
	£'000	£'000
Land & Buildings	4,841	2,643
Community Assets	-	-
Infrastructure Assets	-	118
Vehicles Plant & Equipment	-	-
Assets Under Construction	-	-
Heritage Assets	-	-
Total	<u>4,841</u>	<u>2,761</u>

38 CAPITALISATION OF BORROWING COSTS

There was no capitalisation of borrowing costs in 2015/16 or 2016/17.

39 TERMINATION BENEFITS

The Authority completed redundancies of 100 employees in 2016/17, incurring liabilities of £2.235m (150 employees at £2.340m in 2015/16). 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 Authority's general services rationalisation and efficiencies programme.

40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority 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 authority 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 Authority 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 2016/17 the Authority paid £8.445m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2015/16 were £7.801m and 14.1% until 1st September when the contribution rate rose to 16.4%. As at the 31 March 2017 contributions of £705,364 were payable (31 March 2016: £691,673).

The Authority 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 Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority 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 authority 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 Authority 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:

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

	Local Government Pension Scheme 31-Mar-16 £'000	Unfunded Teachers Discretionary Benefits 31-Mar-16 £'000	Local Government Pension Scheme 31-Mar-17 £'000	Unfunded Teachers Discretionary Benefits 31-Mar-17 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Current service cost	15,187	-	15,834	-
Past service cost (including curtailments)	391	-	447	-
Effect of settlements	(1,128)	-		-
<i>Financing and Investment Income and Expenditure:</i>				
Interest income on plan assets	(13,338)	-	(13,627)	-
Interest cost on defined benefit obligation	21,300	358	22,984	455
Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services	22,412	358	25,638	455
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Changes in Demographic Assumptions			(19,645)	(963)
Return on assets excluding amounts included in net interest	24,408		(52,549)	
Changes in financial assumptions	215	3	119,977	1,091
Other experience	(7,208)	2,160	(14,046)	(292)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	17,415	2,163	33,737	(164)
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	22,412	358	25,638	455
Actual amount charged against the Council Fund Balance for pensions in the year				
Employer contributions	12,586	-	13,108	-
Contributions in respect of unfunded benefits	504	1,098	1,520	(1,040)
	13,090	1,098	14,628	(1,040)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2017 is a loss of £33.573m (2015/16 showed a loss of £19.578m).

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Assets and Liabilities in Relation to Retirement Benefits

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

	Funded liabilities: Local Government Pension Scheme 31-Mar-16 £'000	Unfunded liabilities: Teachers Discretionary Benefits 31-Mar-16 £'000	Funded liabilities: Local Government Pension Scheme 31-Mar-17 £'000	Unfunded liabilities: Teachers Discretionary Benefits 31-Mar-17 £'000
Opening balance at 1 April	(644,412)	(12,090)	(657,293)	(13,513)
Current service cost	(15,187)	-	(15,834)	
Interest cost on defined benefit obligation	(21,301)	(358)	(22,984)	(455)
Plan participants contributions	(3,912)	-	(4,092)	
Actuarial gains and losses arising on changes in financial assumptions	(215)	(3)	(119,977)	(1,091)
Changes in Demographics Assumptions			19,645	963
Other experience	7,208	(2,160)	14,046	293
Benefits paid	18,330	1,098	20,654	1,040
Past service cost (including curtailments)	(391)	-	(447)	-
Effect of settlements	2,586	-	-	-
Additional Pension Strain not included in actuarial statement	(13)	-	-	-
Closing balance at 31 March	(657,307)	(13,513)	(766,282)	(12,763)

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	31-Mar-16 £'000	31-Mar-17 £'000
Opening balance at 1 April	404,955	391,099
Interest income on plan assets	13,338	13,627
Return on assets excluding amounts included in net interest	(24,408)	52,549
Employer contributions	13,090	14,628
Contributions by scheme participants	3,912	4,092
Benefits paid	(18,330)	(21,694)
Settlements	(1,458)	-
Closing balance at 31 March	391,099	454,301

The actual return on scheme assets in the year was £66.176m (2015/16: £37.746m).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £324.745m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

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

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

- 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 Authority in the year to 31 March 2018 is £12.3m. Expected contributions to the Teachers' Pension Scheme in the year to 31 March 2018 are £8.4m.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits	
	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men (years)	23	21.50	23	21.50
- Women (years)	25.4	23.90	25.4	23.90
Longevity at 65 for future pensioners:				
- Men (years)	25.2	23.60	N/A	23.60
- Women (years)	27.8	26.10	N/A	26.10
Other Assumptions:				
Rate of CPI Inflation	2.2%	-	2.2%	-
Rate of increase in salaries	3.7%	2.80	N/A	N/A
Rate of increase in pensions	2.2%	2.40	2.2%	2.40
Rate for discounting scheme liabilities	3.5%	2.60	3.5%	2.60
Take-up of option to convert annual pension	50.0%	50.00	N/A	N/A

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Equities	75,465	85,806
Investment Funds	288,085	342,656
Property	11,525	11,542
Alternatives	13,159	12,046
Cash	2,865	2,251
	391,099	454,301

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Authority'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 Authority 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 Authority'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 Authority 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 Authority'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 Authority has no recent experience of non-payment of its investments and therefore assesses its credit risk in this area as negligible.

The Authority 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 Authority 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 Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority 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 2017 £'000	Historic experience of default %	Estimated Exposure to non- repayment March 2017 £'000	Estimated Exposure at 31 Mar 2016 £'000
Council tax debts	5,352	1.10	59	58
Trade debtors	5,409	1.52	82	91
			141	149

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

The Authority expects repayment of its general debt within 30 days. However, £3.067m of the £5.970m is past this due date. The general debt is analysed as:

	31-Mar-16	31-Mar-17
	£'000	£'000
Less than thirty days	2,903	3,147
Less than three months	953	675
Three months to one year	1,118	709
More than one year	996	878
	<u>5,970</u>	<u>5,409</u>

The Authority has also provided loan agreements to third party organisations who are undertaking city regeneration. The majority of these loans relate to Friars Walk retail development. The loans are subject to the usual commercial warranties to ensure security of assets. The Authority 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 Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Authority 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 Authority 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-16	31-Mar-17
	£'000	£'000
<u>Loan maturity</u>		
Less than one year	35,660	65,472
Between one and two years	39,975	-
Between two and five years	42,316	48,812
More than five years	105,330	97,779
	<u>223,281</u>	<u>212,063</u>

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

Market Risk

Interest Rate Risk

The Authority 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 Authority's Income and Expenditure account and therefore it's Council Fund Balances.

The Authority 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 Authority will, during falling interest rates, repay early high cost fixed rate loans to limit loss exposure.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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

Price Risk

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

Foreign exchange risk

The Authority 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 2017:

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

In April 2013, Ernst & Young, the Scheme Administrators advised that the levy to be paid by Members had been set at the mid-point (15%) of the potential ranges of between 9.5 % and 28%. The 15% levy at £463k (based on the Authority's current claims value of £3.085m) was paid during the financial year. In March 2016, the Scheme Administrators then recommended that the levy should be increased to 25%, meaning that Newport City Council had an additional levy of 10% requested. This equated to £347k, and this was paid in 2016/17. A reserve was established in 2013/14 which now totals £602k to manage the risk of the levy ultimately being set at 35%. In addition, a provision of £150k, as detailed in note 23 is available for any outstanding claims for which Newport is responsible.

- **Insurance Claims** - The Authority manages current insurance claims made against it on an on-going basis. As at 31 March 2016 the total claims outstanding were £3.445m. Claims totalling £1.182m have been included as a provision in Note 23. However, the remaining claims totalling an estimated £2.1m (2015/16: £2.22m) were un-finalised with significant uncertainty remaining over their final liability, and hence are shown here as a contingent liability. A reserve of £1.706m has been established to manage this risk. This does however, include a specific reserve for £250k for 'Trees Claims'. There are a number of claims against the authority that are not included within the insurance cover. These relate to discrimination, employment tribunals, copyright claims and civil litigation, it is difficult to quantify the amount of these claims and the likelihood of the liability, and the Authority is disputing all of the claims.
- **Newport City Homes** - As part of the legal agreements associated with the transfer of the housing stock, the Authority provided a number of property-related, employment, planning, environmental and other warranties to Newport City Homes and its funders. The property-related warranties are limited to £9,000 per property, 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 Authority 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 Authority; however there remains a potential liability in future years.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

44 CONTINGENT ASSETS

No contingent assets were identified at 31 March 2017.

45 LIMITED COMPANIES

The South East Wales Education Achievement Service Ltd

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

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

An extract of the key figures from the draft unaudited accounts of the company for the year-ending 31 March 2017 is reproduced below.

EAS	31-Mar-16	31-Mar-17
Draft accounts	£'000	£'000
Profit and Loss Account		
Turnover	(8,920)	(8,102)
Cost of sales	8,818	7,997
Gross profit	(102)	(105)
Expenses, interest and taxation	-	-
Retained (profit) / loss for the year	(102)	(105)
Balance Sheet		
Long term assets	33	5
Current assets	8,145	10,102
Creditors: due within 1 year	(2,240)	(1,289)
Creditors: due after 1 year	-	-
Provisions for liabilities/charges	(144)	(182)
Pension liability	(5,563)	(8,328)
Net Assets	231	308
Share capital	-	-
Profit & loss account	231	308
Shareholders' Funds	231	308

Payments of £1.182m were made to the South East Wales Education Achievement Service Ltd by the Authority in 2016/17.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Newport Transport Ltd

This is a wholly owned “arms-length” company of the Authority set up under the Transport Act 1985 to run a passenger bus service. The accounts for Newport Transport are consolidated into the Group Accounts starting on page 131 .

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

Newport Norse

The Authority’s first joint venture company, Newport Norse, was launched on July 1st 2014. The new JV company, which now oversees the Authority’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 Authority has a 20% share and minority representation on the Board. The Authority has a 50% “gain share” in the profits, which reduces the Authority’s service charge. Second year’s trading (accounting period covering January 2015 to January 2016) delivered a profit share of £223k to the Authority. The draft set of accounts are detailed below

Draft accounts	31-Mar-16	31-Mar-17
Profit and Loss Account	£'000	£'000
Turnover	(11,714)	(10,691)
Cost of sales	9,503	8,975
Gross profit	(2,211)	(1,716)
Administrative expenses	1,856	1,494
Operating profit	(355)	(222)
Profit on Ordinary Activities before taxation	(355)	(222)
Tax on profit on ordinary activities	69	59
(Profit) for the Financial period	(286)	(163)
Balance Sheet		
Tangible Fixed Assets	79	76
Current Assets		
Stock	343	198
Debtors	1,387	1,461
Cash at Bank	20	5
Short term Creditors	(1,376)	(1,135)
Net Current (LIabilities) / Assets	453	605
Long Term Liabilities		
Deferred Tax	-	10
Net Assets	453	615
Share Capital (£10)	-	-
Profit & Loss account	(453)	(615)
Shareholders' Funds	(453)	(615)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

46 POOLED BUDGETS

The Authority has entered into two pooled budget arrangements:

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

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

	31-Mar-16	31-Mar-17
	Total	Total
	£'000	£'000
Expenditure		
Staff	87	138
Non-Staff	2,594	3,078
Total Expenditure	2,681	3,216
Funding		
Blaenau Gwent County Borough Council	(276)	(246)
Caerphilly County Borough Council	(505)	(455)
Monmouthshire County Borough Council	(350)	(286)
Newport City Council	(439)	(324)
Torfaen County Borough Council	(467)	(813)
Aneurin Bevan Health Board	(496)	(702)
Contribution to Lead Commissioner - LAs	(61)	(116)
Contribution to Lead Commissioner - LHBs	(26)	(23)
Community Resource Team (Frailty Project)	(62)	(252)
Total	(2,682)	(3,217)

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

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

	31-Mar-16	31-Mar-17
	Total	Total
	£'000	£'000
Expenditure		
Baseline Declarations	8,570	-
Reimbursements	4,479	13,695
Invest to Save	890	830
Central Costs	539	456
Total Costs	14,478	14,981
Funding		
Blaenau Gwent County Borough Council	(536)	(553)
Caerphilly County Borough Council	(2,057)	(2,212)
Monmouthshire County Borough Council	(1,173)	(1,291)
Newport City Council	(1,511)	(1,639)
Torfaen County Borough Council	(755)	(780)
Aneurin Bevan Health Board	(8,237)	(8,964)
Welsh Government Invest to Save	-	-
Total Funding	(14,269)	(15,439)
Net in year (under) / over spend	209	(458)

47 JOINT VENTURES

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

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

The Authority has five such joint arrangements:

- Gwent Joint Records Committee
- Greater Gwent Cremation Committee
- Project Gwyrdd
- Welsh Purchasing Consortium
- Coroners Joint Committee

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Gwent Joint Records Committee	31-Mar-16		31-Mar-17	
	Total	NCC share	Total	NCC share
	£'000	£'000	£'000	£'000
Income & Expenditure Account				
Expenditure	946	293	955	296
Income	(1,003)	(311)	(1,003)	(311)
Net Cost of Service	(57)	(18)	(48)	(15)
Pension interest cost / expected return on assets	-	-	0	0
Net Operating Cost	(57)	(18)	(48)	(15)
Actuarial Gains	-	-	0	0
(Surplus) / Deficit for the Year	(57)	(18)	(48)	(15)
Balance Sheet				
Current Assets	392	122	1,192	370
Current Liabilities	(148)	(46)	(175)	(54)
Pension Liability	-	-	0	0
Total Assets less Liabilities	244	76	1,017	315
Pension Reserve	-	-	0	0
General Reserve	(244)	(76)	(293)	(91)
Total	(244)	(76)	(293)	(91)

Payments of £289k were made to Gwent Joint Records Committee by the authority in 2016/17.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Greater Gwent Cremation Committee	31-Mar-16		31-Mar-17	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
Income & Expenditure Account				
Expenditure	797	219	886	243
Income	(1,722)	(473)	(2,126)	(584)
Net Cost of Service	(925)	(254)	(1,240)	(341)
Pension interest cost / expected return on assets	757	208	753	207
Net Operating Cost	(168)	(46)	(487)	(134)
Actuarial gains	39	11	(145)	(40)
Total Comprehensive I&E	(129)	(35)	(632)	(174)
Balance Sheet				
Fixed Assets	2,260	621	2,171	597
Current Assets	1,343	369	1,945	534
Current Liabilities	(18)	(5)	(14)	(4)
Long Term Creditors	(744)	(204)	(744)	(204)
Pension Liability	(268)	(74)	(153)	(42)
Total Assets less Liabilities	2,573	707	3,205	881
Pension Reserve	268	74	153	42
Capital Adjustment Account	(277)	(76)	(228)	(63)
Revaluation Reserve	(683)	(188)	(683)	(188)
General Reserve	(1,881)	(517)	(2,447)	(672)
Total	(2,573)	(707)	(3,205)	(881)

Payments of £206,000 were made by Greater Gwent Cremation Committee to the Authority in 2016/17.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Project Gwyrdd	31-Mar-16		31-Mar-17	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
Income & Expenditure Account				
Expenditure	157	31	169	34
Income	(27)	(5)	(32)	-
Net Cost of Service	130	26	137	34
Pension interest cost / expected return on assets	-	-	-	-
Net Operating Cost	130	26	137	34
Contributions	(244)	(49)	(160)	(32)
(Surplus) / Deficit for the Year	(114)	(23)	(23)	2
Balance Sheet				
Current Assets	308	62	334	67
Current Liabilities	(4)	(1)	(6)	(1)
Pension Liability	-	-	-	-
Total Assets less Liabilities	304	61	328	66
General Reserve	(304)	(61)	(328)	(66)
Total	(304)	(61)	(328)	(66)

Payments of £37,000 were made to Project Gwyrdd by the Authority in 2016/17.

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

Welsh Purchasing Consortium	31-Mar-16		31-Mar-17	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
Income & Expenditure Account				
Expenditure	428	23	-	-
Income	-	-	-	-
Net Cost of Service	428	23	-	-
Contributions	(7)	-	-	-
(Surplus) / Deficit for the Year	421	23	-	-
Appropriations to / from Reserve	3	-	-	-
(Surplus) / Deficit for the Year	424	23	-	-
Balance Sheet				
Current assets	155	8	-	-
Current liabilities	(155)	(8)	-	-
Total Assets less Liabilities	-	-	-	-
Represented by:				
General Reserve	-	-	-	-
Accumulated Absences Account	-	-	-	-
Earmarked Reserve	-	-	-	-
	-	-	-	-

The Authority did not make a contribution to the Welsh Purchasing Consortium in 2016/17

Notes to the Statement of Accounts

Statement of Accounts 2016/17

Newport City Council

	31-Mar-16	31-Mar-17
Coroners Joint committee	Total	Total
	£'000	£'000
Expenditure		
Employee costs	155	156
Premises	13	13
Supplies and Services	455	480
Total Costs	623	649
Funding		
Blaenau Gwent County Borough Council	(74)	(77)
Caerphilly County Borough Council	(193)	(201)
Monmouthshire County Borough Council	(98)	(102)
Newport City Council	(160)	(167)
Torfaen County Borough Council	(98)	(102)
Total Contribution	(623)	(649)
Net in year (under) / over spend	-	-

48 TRUST FUNDS AND THIRD PARTY ASSETS

Details of trusts are as follows:

	31-Mar-16	31-Mar-17
	£	£
Miscellaneous Education Funds	48,943	33,241

The Authority 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 Authority acts as sole trustee for the remaining Education trust funds.

The Authority operates 147 (2015/16: 142) appointee bank accounts holding £1,055,260 (2015/16: £1,097,399). These relate to third party monies held by the Authority on behalf of its Social Service clients. These figures have been excluded from cash and cash equivalent figures reported in the accounts.

INTRODUCTION

The group accounts that follow comply with the requirement of the 2015/16 Code that a Local Authority 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 Newport City Council are as per the single entity accounts, where Newport Transport differ to those of the Council they have applied the following principal accounting policies:

1. Goodwill

The council's interest in its subsidiary dates back to its inception and therefore there is no goodwill to be accounted for.

2. Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical costs less accumulated depreciation and any accumulated impairment losses. Historical costs includes expenditure that is directly attributable to bringing the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Freehold Property	-	5 - 50 years
Plant & Machinery	-	3 - 10 years
Buses	-	4 - 15 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

3. Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease terms and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

4. Operating Leases

Rentals under operating leases are charged to the Profit and Loss account on a straight line basis over the lease term.

5. Stocks

Stocks are valued at the lower of cost and net realisable value, being the estimated selling price less costs to complete the sale. At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately.

6. Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the same time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

7. Retirement Benefits

Newport Transport Ltd operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to fund in respect of the year.

The company also operates a defined benefits pension scheme and the pension charge is based on the full actuarial valuation dated 31 March 2013.

Group Accounts

Statement of Accounts 2016/17

Newport City Council

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

Gross Expenditure	Group Total 2015/16			Group Total 2016/17		
	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
25,064	(2,998)	22,066	Central services to the public	25,293	(2,838)	22,455
64,770	(24,417)	40,353	Culture and related services	68,722	(26,303)	42,419
45,394	(16,704)	28,690	Environmental and regulatory services	25,849	(5,121)	20,728
98,132	(14,598)	83,534	Planning services	128,334	(25,940)	102,394
36,516	(21,313)	15,203	Education and children's services	33,139	(17,364)	15,775
51,173	(21,218)	29,955	Highways and transport services	55,508	(27,022)	28,486
25,841	(5,575)	20,266	Other housing services	23,753	(4,678)	19,075
58,262	(59,854)	(1,592)	Adult social care	57,657	(57,535)	122
405,152	(166,677)	238,475	Cost of services	418,255	(166,801)	251,454
21,113	(72)	21,041	Other operating expenditure	22,009	(1,157)	20,852
28,294	(7,721)	20,573	Financing and investment income and expenditure	24,313	(4,029)	20,284
-	-	-	(Surplus) / deficit on discontinued operations	-	-	-
56	(272,900)	(272,844)	Taxation and non-specific grant income	59	(282,039)	(281,980)
454,615	(447,370)	7,245	(Surplus) / Deficit on Provision of services	464,636	(454,026)	10,610
		(41,564)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets			(7,430)
		19,548	Actuarial (gains) / losses on pensions assets / liabilities			32,256
		-	Other gains / losses required to be included in the Comprehensive Income and Expenditure Statement			-
		-	Share of other comprehensive income and Expenditure of Subsidiaries			-
		(22,016)	Other Comprehensive Income and Expenditure			24,826
		(14,771)	Total Comprehensive Income and Expenditure			35,436

GROUP BALANCE SHEET AS AT 31 MARCH 2017

2015/16		Notes	2016/17
£'000			£'000
501,665	Property, Plant and Equipment	6	503,362
15,273	Heritage Assets		17,977
10,380	Investment Property		10,396
11,377	Long Term Debtors		12,185
-	Deferred Tax Asset		-
538,695	Long Term Assets		543,920
656	Assets Held for Sale		408
384	Inventories		386
131,352	Short Term Debtors	9	127,010
3,571	Cash and Cash Equivalents	11	2,886
-	Current Tax Asset		-
135,963	Current Assets		130,690
(6,727)	Bank Overdrafts		(2,837)
(35,585)	Short Term Borrowing		(65,472)
(28,122)	Short Term Creditors	10	(38,715)
(5,661)	Provisions		(5,700)
-	Current Tax liability		-
(76,095)	Current Liabilities		(112,724)
(10,841)	Long Term Creditors	7	(9,054)
(5,751)	Long Term Provisions		(5,803)
(187,696)	Long Term Borrowing		(146,591)
(285,826)	Pension Liability	8	(329,679)
(49,656)	Other Long Term Liabilities		(47,402)
(139)	Deferred tax liability		(139)
(539,909)	Long Term Liabilities		(538,668)
58,654	Net Assets		23,218
(101,311)	Usable Reserves		(107,191)
42,657	Unusable Reserves		83,973
(58,654)	Total Reserves		(23,218)

GROUP MOVEMENTS IN RESERVE STATEMENT FOR YEAR ENDING 31 MARCH 2017

	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves inc Group Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
NEWPORT CITY COUNCIL GROUP						
Balance at the 31 Mar 2015 carried forward	(8,926)	(73,933)	(6,968)	(89,827)	45,945	(43,882)
Movement in reserves during 2015/16						
(Surplus) / deficit on the provision of services	6,778	-	-	6,778	467	7,245
Other comprehensive Income and Expenditure	-	-	-	-	(22,016)	(22,016)
Total Comprehensive Income and Expenditure	6,778	-	-	6,778	(21,549)	(14,771)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(17,171)	-	(1,091)	(18,262)	18,262	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(10,393)	-	(1,091)	(11,484)	(3,287)	(14,771)
Transfer to/ from Earmarked Reserves	12,819	(12,819)	-	-	-	-
Increase/ Decrease in 2015/16	2,426	(12,819)	(1,091)	(11,484)	(3,287)	(14,771)
Balance at the 31 Mar 2016 carried forward	(6,500)	(86,752)	(8,059)	(101,311)	42,658	(58,653)
Balance at the 31 Mar 2016 carried forward	(6,500)	(86,752)	(8,059)	(101,311)	42,658	(58,653)
Movement in reserves during 2016/17						
(Surplus) / deficit on the provision of services	10,163	-	-	10,163	447	10,610
Other comprehensive Income and Expenditure	-	-	-	-	24,826	24,826
Total Comprehensive Income and Expenditure	10,163	-	-	10,163	25,273	35,436
Adjustments between accounting basis and funding basis under regulations (Note 9)	(12,360)	-	(3,683)	(16,043)	16,043	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(2,197)	-	(3,683)	(5,880)	41,316	35,436
Transfer to/ from Earmarked Reserves (Note 10)	2,197	(2,197)	-	-	-	-
(Increase) / Decrease in 2016/17	0	(2,197)	(3,683)	(5,880)	41,316	35,436
Balance at the 31 Mar 2017 carried forward	(6,500)	(88,949)	(11,742)	(107,191)	83,974	(23,217)

GROUP CASH FLOW STATEMENT FOR YEAR ENDING 31 MARCH 2017

Restated

Total 2015/16		Note	Total 2016/17
£'000			£'000
7,245	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		10,610
(2,540)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	13	(46,802)
18,631	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13	19,577
23,336	Net cash flows from Operating Activities		(16,615)
5,607	Investing Activities	14	(968)
(27,212)	Financing Activities	15	14,378
1,731	Net (increase) or decrease in cash and cash equivalents		(3,205)
(1,425)	Cash and cash equivalents at the beginning of the reporting period	11	(3,156)
(3,156)	Cash and cash equivalents at the end of the reporting period	11	49

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

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-16	31-Mar-17
£135,000 - £139,999	1	1
£115,000 - £119,999	0	0
£105,000 - £114,999	1	1
£100,000 - £104,999	0	1
£95,000 - £99,999	1	1
£90,000 - £94,999	1	3
£85,000 - £89,999	5	4
£80,000 - £84,999	4	3
£75,000 - £79,999	5	2
£70,000 - £74,999	12	11
£65,000 - £69,999	18	15
£60,000 - £64,999	20	19
Total	68	61

Further information regarding the remuneration of the employees of Newport Bus is contained within the company's 2016/17 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 2016/17 the following fees were paid by the council and its subsidiary in respect of audit and inspection.

	31-Mar-16	31-Mar-17
	£'000	£'000
Fees payable with regard to external audit of accounts	204	206
ees payable in respect of local government measure	105	-
Fees payable for the certification of grant claims and returns for the year	84	74
Fees for additional audit work from previous financial years		
Total	393	280

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

4 LEASING

Operating leases

The Group 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. 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-16	31-Mar-17
	£'000	£'000
Not later than one year	1,106	1,164
Later than one year and not later than five years	2,752	2,309
Later than five years	2,735	2,718
	<u>6,593</u>	<u>6,191</u>

Finance Leases

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	130	87
	<u>130</u>	<u>87</u>

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Finance lease liabilities: (net present value of minimum lease payments)		
- current	43	35
- non-current	87	52
Finance costs payable in future years	10	5
Minimum lease payments	<u>140</u>	<u>92</u>

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

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17
	£'000	£'000	£'000	£'000
Not later than one year	48	38	43	35
Later than one year and not later than five years	92	54	87	52
	140	92	130	87

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-16 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-16 £'000	Newport Transport 31-Mar-16 £'000	Local Government Pension Scheme Newport Council 31-Mar-17 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-17 £'000	Newport Transport 31-Mar-17 £'000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	15,187	-	58	15,834	-	55
Past service cost (including curtailments)	391	-	-	447	-	-
Effect of settlements	(1,128)	-	-	-	-	-
Finance and Investment Income and Expenditure:						
Interest income on plan assets	(13,338)	-	(399)	(13,627)	-	(396)
Interest cost on defined benefit obligation	21,300	358	626	22,984	455	646
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	22,412	358	285	25,638	455	305
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Remeasurement of the net defined benefit liability comprising:						
Changes in Demographic Assumptions				(19,645)	(963)	
Return on assets excluding amounts included in net interest	24,408	-	750	(52,549)	-	(2,857)
Changes in financial assumptions	215	3	(453)	119,977	1,091	1,270
Other experience	(7,208)	2,160	(334)	(14,046)	(292)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	17,415	2,163	(37)	33,737	(164)	(1,587)

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

	Funded liabilities: Local Government Pension Scheme - Newport Council	Unfunded liabilities: Teachers Discretionary Benefits Newport CC	Funded liabilities: Local Government Pension Scheme - Newport Transport	Funded liabilities: Local Government Pension Scheme - Newport Council	Unfunded liabilities: Teachers Discretionary Benefits Newport CC	Funded liabilities: Local Government Pension Scheme - Newport Transport
--	--	---	--	--	---	--

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

	2242	358	285	25,638	455	305
--	------	-----	-----	--------	-----	-----

Actual amount charged against the Council Fund Balance for pensions in the year

Employers' contributions payable To scheme	12,586	-	216	13,108	-	217
Contributions in respect of unfunded benefits	504	1,098	2	1,520	(1,040)	-
	13,090	1,098	218	14,628	(1,040)	217

Assets and Liabilities in Relation to Retirement Benefits

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

	31-Mar-16 £'000	31-Mar-16 £'000	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-17 £'000	31-Mar-17 £'000
Opening balance at 1 April	(644,412)	(12,090)	(20,721)	(657,293)	(13,513)	(19,521)
Current service cost	(15,187)	-	(58)	(15,834)	-	(55)
Interest cost on defined benefit obligation	(21,300)	(358)	(626)	(22,984)	(455)	(646)
Plan participants contributions	(3,912)	-	(12)	(4,092)	-	(11)
Actuarial gains and losses arising on changes in financial assumptions	(215)	(3)	453	(119,977)	(1,091)	(1,270)
Changes in Demographic Assumptions	-	-	-	19,645	963	-
Other experience	7,208	(2,160)	334	14,046	293	-
Benefits paid	18,330	1,098	1,109	20,654	1,040	1,102
Past service cost (including curtailments)	(391)	-	-	(447)	-	-
Effect of settlements	2,586	-	-	-	-	-
Additional Pension Strain not included in actuarial statement	(13)	-	-	-	-	-
Closing balance at 31 March	(657,306)	(13,513)	(19,521)	(766,282)	(12,763)	(20,401)

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

Reconciliation of fair value of the scheme assets:

	Newport CC	Newport Transport	Newport CC	Newport Transport
Local Government Pension Scheme	31-Mar-16	31-Mar-16	31-Mar-17	31-Mar-17
	£'000	£'000	£'000	£'000
Opening balance at 1 April	404,955	13,306	391,099	12,076
Interest income on plan assets	13,338	399	13,627	396
Return on assets excluding amounts included in net interest	(24,408)	(750)	52,549	2,857
Employer contributions	13,090	218	14,628	217
Contributions by scheme participants	3,912	12	4,092	11
Benefits paid	(18,330)	(1,109)	(21,694)	(1,102)
Settlements	(1,458)	-	-	-
Closing balance at 31 March	391,099	12,076	454,301	14,455

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Pension Scheme		Newport City Transport Pension Scheme	
	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17
Mortality assumptions:						
Longevity at 65 for current pensioners:						
- Men (years)	23	21.50	23	21.50	23	21.5
- Women (years)	25.4	23.90	25.4	23.90	25.4	23.9
Longevity at 65 for future pensioners:						
- Men (years)	25.2	23.60	N/A	23.6	25.2	23.6
- Women (years)	27.8	26.10	N/A	26.1	27.8	26.1
Other Assumptions:						
Rate of CPI Inflation	2.2%	-	2.2%	-	2.1%	2.4%
Rate of increase in salaries	3.7%	2.80	N/A	N/A	3.6%	2.8%
Rate of increase in pensions	2.2%	2.40	2.2%	2.40	2.1%	-
Rate for discounting scheme liabilities	3.5%	2.60	3.5%	2.60	3.4%	2.5%
Take-up of option to convert annual pension	50.0%	50.00	N/A	N/A	0.5%	-

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

6 PROPERTY, PLANT & 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 2016	315,111	46,423	210,546	573	6,338	13,211	592,202	71,139
Additions	5,129	2,122	1,128	10	-	18,401	26,790	-
Re-classification	8,225	-	-	9	484	(9,664)	(946)	-
Revaluations	(1,806)	-	-	-	1,335	-	(471)	-
Impairments	(2,761)	-	(118)	-	-	-	(2,879)	-
Disposals	(11)	(1,423)	-	-	(648)	-	(2,082)	-
At 31 March 2017	323,887	47,122	211,556	592	7,509	21,948	612,614	71,139
Accumulated Depreciation and Impairment								
At 1 April 2016	(9,425)	(26,826)	(54,286)	-	-	-	(90,537)	(16,448)
Depreciation Charge in Year	(11,084)	(4,670)	(6,215)	-	(1)	-	(21,970)	(1,852)
Re-classification	-	-	-	-	-	-	-	-
Revaluation Impact	1,832	-	-	-	1	-	1,833	-
Disposals	-	1,423	-	-	-	-	1,423	-
At 31 March 2017	(18,677)	(30,073)	(60,501)	-	-	-	(109,251)	(18,300)
Net Book Value								
At 1 April 2016	305,686	19,597	156,260	573	6,338	13,211	501,665	54,691
At 31 March 2017	305,210	17,049	151,055	592	7,509	21,948	503,363	52,839

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

	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 2015	299,219	42,992	209,286	574	6,506	9,597	568,174	70,939
Additions	7,752	3,739	1,260	-	-	8,702	21,453	200
Re-classification	(4,345)	2,780	-	(1)	2,342	(5,088)	(4,312)	-
Revaluations	17,339	-	-	-	(2,510)	-	14,829	-
Impairments	(4,841)	-	-	-	-	-	(4,841)	-
Disposals	(13)	(3,088)	-	-	-	-	(3,101)	-
At 31 March 2016	315,111	46,423	210,546	573	6,338	13,211	592,202	71,139
Accumulated Depreciation and Impairment								
At 1 April 2015	(16,143)	(26,621)	(48,093)	-	-	-	(90,857)	-
Depreciation Charge in Year	(8,243)	(2,897)	(6,193)	-	-	-	(17,333)	(14,589)
Re-classification	257	-	-	-	(4)	-	253	(1,859)
Revaluation Impact	14,704	-	-	-	(257)	-	14,447	-
Disposals	-	2,692	-	-	261	-	2,953	-
At 31 March 2016	(9,425)	(26,826)	(54,286)	-	-	-	(90,537)	(16,448)
Net Book Value								
At 1 April 2015	283,076	16,371	161,193	574	6,506	9,597	477,317	70,939
At 31 March 2016	305,686	19,597	156,260	573	6,338	13,211	501,665	54,691

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-16	31-Mar-17
	£'000	£'000
Section 106 deposits	4,292	4,849
Other long term creditors	3,609	4,205
	<u>7,901</u>	<u>9,054</u>

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

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

9 DEBTORS

	31-Mar-16			31-Mar-17		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	112,275	(2,784)	109,491	109,331	(2,723)	106,608
Council tax payers	5,294	(3,175)	2,119	5,352	(3,233)	2,119
NHS bodies	1,021	-	1,021	1,369	-	1,369
Central government bodies *	17,307	-	17,307	14,178	-	14,178
Other local authorities	1,943	-	1,943	2,737	-	2,737
	137,840	(5,959)	131,881	132,967	(5,956)	127,011

10 CREDITORS

	31-Mar-16	31-Mar-17
	£'000	£'000
General	(19,790)	(30,595)
Central government bodies	(4,165)	(3,091)
Prepayments of council tax	(1,046)	(1,173)
NHS bodies	(145)	(79)
Other local authorities	(3,507)	(3,778)
	(28,653)	(38,716)

11 CASH AND CASH EQUIVALENTS

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Short-Term Investments classified as cash equivalent	3,100	2,300
Cash held by the authority	471	586
Bank Current accounts	(6,727)	(2,837)
Total Cash and Cash Equivalents	(3,156)	49

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

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-16	31-Mar-17
	£'000	£'000
Interest received	(52)	(418)
Interest paid	19,484	13,696
Loss on disposal of tangible assets	9	19
Taxation	(56)	(59)
	19,385	13,238

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Depreciation	(17,346)	(21,979)
Impairment and downward valuations	(14,278)	(6,245)
(Increase) / Decrease in creditors	6,199	(6,498)
Increase / (Decrease) in debtors	37,741	1,384
Increase / (Decrease) in stock	(42)	2
Pensions liability	(8,058)	(11,540)
Carrying amount of non-current assets sold	(8,655)	(1,104)
Other non cash adjustments	1,899	(822)
	(2,540)	(46,802)

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

	31-Mar-16	31-Mar-17
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,513	2,280
Any other items for which the cash effects are investing or financing cash flows	13,118	17,297
Net cash flows from investing activities	18,631	19,577

Notes to the Group Accounts

Statement of Accounts 2016/17

Newport City Council

14 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-16	31-Mar-17
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,495	2,241
Any other items for which the cash effects are investing or financing cash flows	13,464	17,497
HP Interest Paid	148	103
Net cash flows from investing activities	19,107	19,841

15 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-16	31-Mar-17
	£'000	£'000
Cash receipts of short- and long-term borrowing	(123,094)	(141,670)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,116	2,249
Repayments of short and long-term borrowing	93,766	153,799
Net cash flows from financing activities	(27,212)	14,378

16 TAXATION

Newport Transport Tax Liability is as follows:

	31-Mar-16	31-Mar-17
	£'000	£'000
Corporation tax		
Current tax on profits for the year	-	-
Total Current Tax	-	-
Deferred Tax		
Origination and reversal of timing differences	59	56
Total deferred tax	59	56
Taxation on profit on ordinary activities	59	56

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 – higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are below:

Glossary of Accounting Related Terminology

Statement of Accounts 2016/17

Newport City Council

GLOSSARY OF TERMS

- **Accruals Basis**
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.
- **Actuarial Gains and Losses Re-measurement of Net Defined Benefit Liability**
Actuaries assess financial and non-financial information provided by the Authority 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 Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.
- **Appointed Auditors**
The Audit Commission appoints external auditors to every Local Authority, from one of the major providers of registered auditors. The Welsh Audit Office is the Authority's appointed Auditor.
- **Authorised Limit**
This represents the legislative limit on the Authority's external debt under the Local Government Act 2003.
- **Balances**
The balances of the Authority 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**

Glossary of Accounting Related Terminology

Statement of Accounts 2016/17

Newport City Council

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 Authority 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 Authority'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 Authority 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 Authority that have not been received at the date of the Balance Sheet.

- **Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

- **Depreciation**

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.

- **Derecognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Glossary of Accounting Related Terminology

Statement of Accounts 2016/17

Newport City Council

- **Discounts**
Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.
- **Earmarked Reserves**
The Authority 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 Authority 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 Authority, 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 Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.
- **Impairment**
A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.
- **Infrastructure Assets**
A category of Property, Plant and Equipment which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.
- **International Financial Reporting Standard (IFRS)**
These are the defined Accounting Standards that must be applied by all reporting entities to all Statement of Accounts in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Statement of Accounts of the other entities.
- **Joint Venture**
A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

Glossary of Accounting Related Terminology

Statement of Accounts 2016/17

Newport City Council

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

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

- **Liabilities**

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

- **Materiality**

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

- **Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to an Authority'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 Authority's borrowings less cash and liquid resources.

- **Precept**

The amount levied by various Authorities that is collected by the Authority 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**

Glossary of Accounting Related Terminology

Statement of Accounts 2016/17

Newport City Council

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. 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 Authority 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 Authority controls its cash flow and its borrowing and lending activities.

- **Trust Funds**

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

- **Unsupported (Prudential) Borrowing**

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

Glossary of Acronyms

Statement of Accounts 2016/17

Newport City Council

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 about the Statement of Accounts is available from:

Head of Finance
Civic Centre
Newport
South Wales
NP20 4UR

This is part of the Authority's policy of providing full information about the Authority'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.

This page is intentionally left blank



Report

Audit Committee

Part 1

Date: 26 June 2017

Subject **Work Programme**

Purpose To report the details of this Committee's work programme.

Author Overview and Scrutiny Officer

Ward General

Summary The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

This report presents the current work programme to the Committee for information and details the items due to be considered at the Committee's next two meetings.

Proposal **The Committee is asked to endorse the proposed schedule for future meetings, confirm the list of people it would like to invite for each item, and indicate whether any additional information or research is required.**

Action by Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Head of Law and Regulation
- Head of Finance
- Head of Human People and Business Change

Background

The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

Attached at Appendix 1 is the forward work programme for this Committee. Below are the items scheduled to be presented at the Committee's next two meetings. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item, and indicate whether any additional information or research is required.

21 September 2017

Internal Audit Plan 2017/18 – Progress (Quarter 1)
Statement of Accounts 2016-17
Audit of Financial Statements Report 2016-17
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 1, April to June)
Corporate Risk Register Update (Considered by Cabinet in September)
Referrals to Audit Committee

30 November 2017

Internal Audit Plan 2017/18 – Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Treasury Management Report
Lessons Learned 2016/17
Corporate Risk Register (Considered by Cabinet in October)
Regulatory Reports Summary (every 6 months - May and November)
Report on Audit Committee Self Evaluation Exercise
Referrals to Audit Committee

Financial Summary

Please see comments from Chief Financial Officer below.

Risks

If proper work programming procedures are not put in place, the organisation and prioritisation of the work programme is put at risk. The work of the Audit Committee could become disjointed from the work of the rest of the Council, which could undermine the positive contribution Audit Committee makes to service improvement.

This report is presented to each Committee every month in order to mitigate that risk. The specific risks associated with individual topics on the work programme will need to be addressed as part of the Committee's investigations.

Comments of Chief Financial Officer

There will be financial consequences for some of the reviews undertaken. These will be commented upon as the reports are presented. The preparing and monitoring of the work programme is done by existing staff for which budget provision is available.

Comments of Monitoring Officer

I have no comments, as there are no legal implications.

Staffing Implications: Comments of Head of People and Business Change

There are no staffing implications within this report. Any staffing implications of the reviews in the work programme will need to be addressed in individual reports.

Background Papers

None.

(Audit Committee to meet every other month unless circumstances dictate otherwise)

30 May 2017
Appointment of Chairperson
Internal Audit Annual Report 2016/17
Internal Audit Annual Plan 2017/18
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4, Jan to March)
Treasury Management Year End Report 2016/17
Corporate Risk Register Update (considered by Cabinet in April)
Regulatory Reports
Audit Committee Self Evaluation Exercise
Referrals to Audit Committee

26 June 2017
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Annual Governance Statement
Draft Financial Accounts 2016/17
Referrals to Audit Committee

21 September 2017
Internal Audit Plan 2017/18 – Progress (Quarter 1)
Statement of Accounts 2016-17
Audit of Financial Statements Report 2016-17
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 1, April to June)
Corporate Risk Register Update (Considered by Cabinet in September)
Referrals to Audit Committee

30 November 2017
Internal Audit Plan 2017/18 – Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Treasury Management Report
Lessons Learned 2016/17
Corporate Risk Register (Considered by Cabinet in October)
Regulatory Reports Summary (every 6 months - May and November)
Report on Audit Committee Self Evaluation Exercise
Referrals to Audit Committee

25 January 2018
Internal Audit Plan – Progress (Quarter 3)
Financial Memorandum on the 2016-17 Financial Audit
Treasury Management Report
Corporate Risk Register (Considered by Cabinet in Jan)
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Referrals to Audit Committee

29 March 2018
Annual Audit outline for the 2017/18 Financial Audit
WAO Annual Report on Grants Works 2016-17
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

Unallocated work (Dates to be agreed)
Report on Risks associated with Hosting (IT)
Treasury Management Training
Issues Outstanding – Member Development Self Evaluation Exercise

This page is intentionally left blank