

Agenda

Audit Committee

Date: Thursday, 20 September 2018

Time: 5.00 pm

Venue: Committee Room 4, Civic Centre

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

Item

- 1 Agenda yn Gymraeg / Agenda in Welsh (Pages 3 - 4)
- 2 Apologies for Absence
- 3 Declarations of Interest
- 4 Minutes of the Meeting held on 21 June 2018 (Pages 5 - 12)
- 5 Corporate Risk Register Update (Pages 13 - 80)
- 6 Statement of Accounts 2017/18 (Pages 81 - 246)
- 7 Call in Head of Service to respond to Unsatisfactory Audit Opinions within Streetscene
- 8 Call in Head of Regeneration, Investment & Housing - SO24/Waiving of Contract Standing Orders: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Standing Orders (Pages 247 - 250)
- 9 Audit of Financial Statements Report 2017-18 (Pages 251 - 270)
- 10 Progress Against Internal Audit Plan 2018/19 - Quarter 1 (Pages 271 - 280)
- 11 Public Sector Internal Audit Standards - External Review (Pages 281 - 294)
- 12 SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 1, April - June 2018) (Pages 295 - 308)
- 13 Work Programme (Pages 309 - 314)
- 14 Date of Next Meeting - 22 November 2018

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Date of Issue: Thursday, 13 September 2018



Agenda

Pwyllgor Archwilio

Dyddiad: Dydd Iau, 20 Medi 2018

Amser: 5 y.p.

Lleoliad: Ystafell Bwyllgora, Canolfan Dinesig

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

Eitem

Rhan 1

1. Agenda yn Gymraeg
2. Ymddiheuriadau am absenoldeb
3. Datganiadau o fuddiant
4. Cofnodion y cyfarfod a gynhaliwyd ar 21 Mehefin 2018
5. Diweddariad am y Gofrestr Risg Gorfforaethol
6. Datganiad o Gyfrifon 2017/18
7. Galw Pennaeth Gwasanaeth i mewn yn dilyn Barn Ymchwiliad Mewnol Anffafriol
8. Ffoniwch yn Bennaeth Gwasanaeth – Rheol Sefydlog 24 / Hegor Rheolau Sefydlog Contractau: Adroddiad Chwarterol sy'n adolgu penderfyniadau brys y Cabinet / Aelod Cabinet
9. Archwilio'r Datganiad Ariannol 2017-18
10. Cynllun Archwilio Mewnol 2018/19
11. Asesiad Allanol Safonau Archwilio Mewnol y Sector Cyhoeddus Tîm Archwilio Mewnol Cyngor Dinas Casnewydd
12. Rheol Sefydlog 24/Hegor Rheolau Sefydlog Contractau: Adroddiad Chwarterol sy'n adolgu penderfyniadau brys y Cabinet/Aelod Cabinet neu achosion o hepgor Rheolau Sefydlog Contractau
13. Rhaglen Waith
14. Dyddiad y cyfarfod nesaf – 22 Tachwedd 2018

Person cyswllt: Michèle Chesterman, Governance Officer

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Dyddiad cyhoeddi: 13 Medi 2018

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Minutes



Audit Committee

Date: 21 June 2018

Time: 5.00 pm

Present: Mr J Baker (Chair), Councillors J Guy, J Jordan, K Thomas, H Townsend and R White

In attendance Robert Squance (Audit Manager), Dona Palmer (Audit Manager), Laura Campbell (Senior Finance Business Partner), Keir Duffin (Head of Regeneration, Investment and Housing), Matt Tribbeck, Meirion Rushworth (Head of Finance), Owen James (Assistant Head of Finance - Technical and Development) and Michele Chesterman (Governance Officer)

Apologies: Councillors D Davies and H Thomas

1 **Declarations of Interest**

None.

2 **Minutes of the Meeting held on 24 May 2018**

The minutes of the meeting held on 24 May 2018 were submitted.

The Housing and Assets Manager informed the Committee that he had raised the issue of double invoices from Norse with the Client Manager to raise at the next board meeting in September 2018.

Agreed:

To confirm the minutes of the meeting held on 24 May 2018.

3 **Call in Head of Regeneration, Investment and Housing - SO24: Quarterly report reviewing Cabinet / CM urgent decisions Quarter 4 (January to March 2018)**

Members were reminded that following the presentation of the Chief Internal Auditor on the SO24 quarterly report reviewing Cabinet/CM urgent decisions quarter 4 (January to March 2018) in May 2018, the Audit Committee had agreed to call in the Head of Regeneration, Investment and Housing.

Three urgent reports were submitted:-

1. Living Levels Landscape Partnership Heritage Lottery Fund Offer – Partnership Agreement – 2 February 2018
2. Michaelstone y Fedw Village Hall – 22 March 2018
3. Town Centre Repayable Scheme – 28 March 2018

The Chief Internal Auditor comments on all three reports were that there was no clear justification for the urgency of the decisions recorded in the papers presented.

The Head of Regeneration, Investment and Housing informed the Committee that the Living Levels Landscape Partnership Heritage Lottery Fund Offer did not fall under his remit but sat with the Head of Law and Regulation and Tourism.

With regards the Michaelstone y Fedw Village Hall the Chief Internal Auditor had commented that there was no clear justification for the urgency of the decision recorded in the papers. The Head of Regeneration, Investment and Housing reported that his Department had undertaken the work in connection with the lease but not the installation of the high speed broadband which was undertaken by IT. He agreed to investigate and report back to the next meeting of Audit Committee on 20 September 2018.

A discussion took place on the urgent decision in relation to the Town Centre Repayable Scheme:-

- The Chief Internal Auditor had commented that there was no clear justification for the urgency of the decision recorded in the papers presented. Although comments including 'pressure on timescales to allocate the limited funding available', 'due to the restricted timescale, the first cycle', the funding is available for a limited window, had been stated within the supporting papers, no actual dates or timelines had been included stating when communications were had or decisions taken within the process.
- The Team Manager, Regeneration explained to Committee that the decision needed to be taken urgently because of a condition of the fund. The fund was allocated to unlock problem, derelict urban buildings in order to redevelop properties. The original request for funding was for £1.5m but when the award was made the set allocation was £750k meaning it was not possible to proceed with two indicative projects. With the first project the Council became aware the developer failed on conditions and the second project needed key data which could not be supplied in time. The Welsh Government was flexible allowing the Council to find a similar project rather than lose the investment. A new development was found but it was late in the financial year and the conditions were clear that the funding had to be allocated or returned.
- The Committee noted it was ultimately it was down to timelines. The comments seemed to be indicating a tight time scale but there was no evidence to support that in the report.
- The report was presented on 28 March 2018 just before the year end. Why wasn't it presented earlier? When did the Council receive the approach from the new developer? – The Team Leader, Regeneration explained that the Cabinet Member was approached but had to take advice from the Head of Law and Regulation whether there was a conflict of interests and so it was decided to pass to the Leader. Issue after issue was encountered resulting in it slipping towards the end of the year.
- It was necessary to put that information into the report to say why the decision was taken urgently. If it had been necessary to go outside the usual call-in procedure the Audit Committee needed to know why. It was about documenting the decision rather than a particular basis for the decision. Evidence needed to be contained within the report to explain the timeline with regards the urgency.
- If there was no documentary evidence to say the Cabinet Member had been briefed it was not in accordance with Standing Orders. It was vital to keep minutes of briefings with Cabinet Members and the minutes clearly shown. If internal audit was saying there wasn't an accurate audit trail there would be concern around that - The Head of

Regeneration, Investment and Housing replied that the Department did them very irregularly. Regeneration was a moving feast and there would be new schemes coming on board, developing new individuals. By its nature there would be scheme falling away and new ones being taken on board. It was not detailed but due to the fact that they were done so irregularly.

Agreed

1. The Head of Regeneration, Investment and Housing to attend the Audit Committee meeting on 20 September 2018 to discuss the Michaelstone y Fedw Village Hall urgent Report
2. Head of Finance to raise awareness with Heads of Service in relation to the necessary guidance with regards criteria for urgent reports and decisions

4 Internal Audit Unsatisfactory Audit Opinions (6 monthly report)

Members considered a report identifying the current progress of systems or establishments which had previously been given an unsatisfactory or unsound audit opinion and bringing their attention to any areas which had not demonstrated improvements within the financial control environment. Although there would always be concerns over reviews given an unsatisfactory or unsound audit opinion, managers were allowed sufficient time to address the issues identified and improve the financial internal controls within their areas of responsibility.

During 2016/17 35 audit opinions had been issued; 5 were Unsatisfactory, 1 was Unsound. The new Head of Streetscene & City Services was called into Audit Committee in June 2017 to respond to concerns raised by Members of the Audit Committee regarding further unfavourable audit opinions in that service area. This was reported, in part, to Audit Committee in March 2017.

As at 31 March 2018, during 2017/18 40 audit opinions had been issued; 6 were Unsatisfactory, none were Unsound.

As the audit of the Agency/Overtime – Refuse resulted in a second consecutive Unsatisfactory audit opinion, members were asked to consider calling in the Head of Streetscene and his Cabinet Member in order to gain assurance that appropriate improvements would be made.

Discussions included the following:-

- How were Audit opinions categorised – was it the severity or number of elements which were incurred making them unsound? - There was an audit opinion calculator that balanced off strengths and weaknesses and severity of weaknesses and risk incurred if happened. Audit looked at the proportion of strength and weakness risk in a control environment of those being present. When branding them the aim was to ensure that they fell broadly within the same level of risk.
- Was that process accepted across the board by Audit professionals and should the Council be sharing this as best practice? - Every Audit department would have its own ways of giving opinions but the methodology would be varied. All audits also go through a peer review.
- In each Audit report there would be further information on how the decision was made and an action plan agreed by the Service Manager. Audit worked with them to put appropriate controls in place to address that weakness.

Agreed

1. To note and endorse the report.
2. To call in the Head of Streetscene and City Services – to respond to the Unsatisfactory Audit Opinions within Street Scene at the meeting scheduled for 20 September 2018.

5 Draft Financial Accounts 2017/18

The Senior Finance Business Partner introduced the report on the draft financial accounts for the period 1 April 2017 to 31 March 2018 to Members of the Committee. The report outlined the key statements within the accounts, and issues of interest to provide members with an understanding of the information presented.

The draft accounts along with supporting working papers had already been provided to the Wales Audit Office w/c 18 June 2018, to facilitate early engagement where possible. The Section 151 Officer would be signing the Council's Draft Accounts by the statutory deadline of 30 June 2018. The accounts would be on public display 16 July 2018 to 10 August 2018. Any information and comments from Committee members could, where appropriate, be incorporated into the final signed draft version. If members noticed any errors they were asked to bring them to the attention of Finance. A deadline for comments was requested by 5 September 2018.

The accounts were subject to audit and would be re-presented to the Committee in September 2018 for formal approval and signing following completion of this work. Next year the deadline would be two weeks forward and a further two weeks forward after that. This would require some changes to meet.

Members were informed of the four key statements together with supporting notes detailing the financial performance as follows:-

- **The Comprehensive Income and Expenditure Statement (CIES):** showing the accounting cost year of providing services in accordance with generally accepted accounting practices.
- **The Movement in Reserve Statement:** summarising the Authority's income and expenditure activity and showing how this was adjusted to arrive at the Authority's funding, or council tax position, and how surpluses/deficits had been distributed to reserves.
- **The Balance Sheet:** showing the value as at 31 March 2018 of the assets and liabilities held and recognised by the Authority.
- **The Cash Flow Statement:** showing the movements in cash and cash equivalents of the Authority during the reporting period.

The CIES showed a financial position which looked different to the underspend reported to Cabinet. This was because the Financial Statements were required to make a number of adjustments under the Code. Note 28 provided a reconciliation back to the surplus reported to Cabinet. The Head of Finance's foreword to the account explained this point and the key adjustments/differences.

Discussions included the following issues:

- Members identified a number of typographical errors. There was not a consistent, house style as yet. Sometimes Council had a capital c and sometimes lowercase. Sometimes it was Newport City Council and other times NCC. It was necessary to be consistent with abbreviations. In terms of writing it was too complex in certain areas with sentences taking up whole paragraphs.
- Page 6 (34 of pack) of the accounts, third bullet point 'Newport Council are one of ten local authorities that have committed to the Joint Working Agreement for the 'City Deal'...' There are several numbers and it is possible to get lost in the detail.
- Section 2.8 says £2.4m capital revenue – do we need to clarify that?
- HMT – does this mean Treasury – it could mean different things in different contexts.
- Page 6 – Review of the Year – 'During the year, there were many achievements for the Council ...' then at the end of the paragraph 'the proposals for the significant development of Chartist Tower' – Is a proposal an achievement success from a financial reporting point of view?
- Page 6 bullet point 5 – '... including fro redevelopment of Market'. Need to amend 'fro' to 'for' and insert hyphen in re-development.
- Page 7 – top line 'Cabinet Approved £1299 underspend ...' – is it supposed to be £1299k.
- Page 7 column in top table 'returns to be agreed by Cabinet' – this has already been agreed so needs to be changed.
- Page 7 table – Is it to reserves, not from reserves.
- With regards the capital underspend of £16m, there seems to be a lot of slippage out of £50m. If spending £50m leads reader to think the Council is borrowing to spend. If this is not the case a line needs to explain that.
- Page 13 – Level of reserves – seems to imply something different to the presentation. The paragraph implies there were concerns. The levels of reserves decreased for the first time for a number of years. It was not a worry as reserves will go down. Half way down 'while decreased this still provides the Council with a level of certainty' ... what point is being made here?
- Some diagrams were felt to be not essential.
- Page 43 Table – Suggested might want to look at this again, looks like a working paper table 'Balance - @ - 1.0% WG reduction 2019/20 onwards'.
- Page 77 (Page 105 of pack) – Note 8 Expenditure and Income Analysed by Nature – Expenditure and Income analysed by nature £451,373, likewise income should not be different – Assistant Head of Finance to amend.
- Page 126 (page 154 of pack) – Contingent Liabilities – two insurance contingent liabilities are mentioned with a provision of £150k and a reserve of £602k. In total the money put aside £725k, so therefore saying the balance is contingency. Will more of the £725k be needed going forwards? – This line would be taken out and there was no provision for MMI.
- Page 154 – 'Claims totalling £1.5m have been included as a provision in Note 23' 'A reserve of £1.6m has been established to manage this risk'. Is £1.6m is managing the contingency liability element? – This was about the accounting treatment of what the provision was. Uncertainty or certainty of liability – it was prescribed to put the provision aside.
- Although the Council don't consider the reserve validated the reserve is still put aside? Of the reserve, is there a useable reserve? – Within insurance as soon as a case is known of a reserve is put aside for it. As those claims go through the reserve may be used to top up the provision.

- Why is the figure being put in about the reserve? Surely it is better to say there is a contingent liability of £1.5m? – Head of Finance to look at that and find a form of words that works. Might take out all reference to the reserve. A number of that balance are new claims.
- Page 11 and 12 Pie Charts – it was difficult to understand what they meant – the labelling was insufficient and it was not known what the sectors meant - The narrative report in England was prescribed by the DCLG. Four measures were used – Performance of Newport City Council, Performance Against Target, Performance Against Wales Average, Performance Compared to Last Year. Shows green – good against the rest of Wales.
- Against a challenging background a 1.3m underspend sounded quite good. But could argue if underspent by £1.3m and capital £60m could argue why wasn't more spent. For example £1.3m could be used for front line services – when take rest of narrative £1.3m in background service areas significantly overspent.
- When saying some departments overspent say normal spending pattern for those departments. If say that then fine but then consistent with message coming out.
- First draft good. Audit Committee have to understand that there are going to be amendments with a first draft.
- Finance team to be congratulated on the Accounts also key to acronyms at the back.
- The Head of Finance explained that three new people were doing the accounts this year and he was really proud of the team.

Agreed

To note the draft accounts subject to the comments above

6 Audit Enquiries Checklist

The primary responsibility to prevent and detect fraud rested with both management and 'those charged with governance', which for the Council was the Audit Committee. Management, with the oversight of the Audit Committee, should ensure there was a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, there was a responsibility for obtaining reasonable assurance that the financial statements were free from material misstatement due to fraud or error.

Auditing standards set out a list of questions to be asked and these were distributed to the Head of Finance and Assistant Head of Finance to complete. There was a responsibility to consult sending to Audit for information.

Agreed

To note and forward any further comments to the Head and Assistant Head of Finance

7 Work Programme

Members' attention was drawn to the current work programme for items to be considered at the next two meetings in September and November 2018.

Members to note that at the meeting on 20 September 2018 the Head of Regeneration, Investment and Housing would be called in to discuss the Michaelstone y Fedw urgent report

and Head of Streetscene and City Services to be called in to respond to the Unsatisfactory Audit Opinions within Street Scene.

Agreed

To note the Work Programme.

8 Date of Next Meeting - 20 September 2018

The meeting terminated at 6.40 pm

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Report

Cabinet

Part 1

Date: 20 September 2018

Item No: 5

Subject Corporate Risk Register Update

Purpose To present an update of the Corporate Risk Register

Author Head of People and Business Change

Ward All

Summary The corporate risk register identifies risks that may prevent the council achieving the objectives set out in the Corporate Plan and enables the council to continue to provide services to the citizens and communities of Newport. Robust management of these risks is imperative to the realisation of the council's objectives.

The corporate risk register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs by considering the sustainable development principle set out in the Wellbeing of Future Generations (Wales) Act 2015.

There are 14 risks identified in the risk register made up of 5 high risks and 9 medium risks. During this quarter the risk rating for Risk 12 – Increasing Risk of Cyber Attack has increased from 9 to 12 following recent Home Office advice. The rating for 8 of the risks has remained the same and 4 risk ratings have been reduced as a result of the mitigating actions in place.

Proposal Cabinet is asked to consider the contents of the Corporate Risk Register and request regular updates regarding the planned mitigating actions.

Action by Chief Executive, Strategic Directors and Heads of Service

Timetable Immediate

This report was prepared after consultation with:

- Cabinet
- Deputy Leader
- Audit Committee
- Corporate Management Team
- Head of Law and Regulation
- Head of People and Business Change
- Head of Finance

Signed

Background

1. Corporate Assessment

As part of its governance arrangements the Council has a risk management strategy and a corporate risk register which is monitored quarterly. Through the Corporate Assessment Review 2014 the WAO noted that *“The Council has improved its approach to and presentation of its corporate risk register. The risk register now includes a before and after mitigation risk score at an assessed date and a breakdown of the probability and impact of that risk. The register includes current actions to address each risk and assigns responsibility to senior officers, cabinet member and scrutiny committee”*.

2. Risk Management Strategy

The Corporate Risk Management Strategy has been reviewed and revised to strengthen existing arrangements and support the delivery of the Corporate Plan. Anticipating and preparing for future challenges, trends, threats and opportunities is an essential part of the councils risk strategy and allows for better preparedness and the incorporation of mitigation into planned activities and policies.

The strategy aims to embed the sustainable development principle of the Wellbeing of Future Generations (Wales) Act 2015 into the process and framed each risk as shown below. This helps the council to take a longer-term strategic approach, and makes present policy more resilient to future uncertainty.

3. Role of Audit Committee

Since the introduction of the Local Government Measure 2011 the local authority's Audit Committee have a role in reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. Processes and Strategies about risk management should be reviewed by the Committee however the content of the risk register including setting and changing risks included in the register is *not* the role of the Audit Committee.

4. Community Risk Register

The council also has a Civil Contingencies unit which provides emergency planning and business continuity support services for the council. These plans are detailed on the council's website and are not included in the corporate risk register because they relate to risks to the community, rather than risks to the council achieving its objectives.

5. Summary of risks in this report

The corporate risk register identifies risks that may prevent the council achieving the objectives set out in the Corporate Plan and enables the council to continue to provide services to the citizens and communities of Newport. Robust management of these risks is imperative to the realisation of the council's objectives.

There are 14 risks identified in the risk register made up of 5 high risks and 9 medium risks. During this quarter the risk rating for Risk 12 – Increasing Risk of Cyber Attack has increased from 9 to 12 following recent Home Office advice. The rating for 8 of the risks has remained the same and 4 risk ratings have been reduced as a result of the mitigating actions in place. The tables overleaf provide a summary of risks in the report.

The appendices to the report outline the detailed risks, as monitored in the Council's performance monitoring and risk management system (MI Hub).

Appendix 1 contains the detail and planned mitigating actions for each risk. These take the form of screenshots from the Risk Management Report pages in MI Hub.

6. Summary of risks in this report

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

Direction of Travel - DoT

✔ Green tick - risk rating has decreased

✘ Red cross - risk rating has increased

➔ risk rating remains the same

Ref	Risk	Brief Description	Probability x Impact = Score			DoT	Responsible Officer
			Probability	Impact	Score		
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), includes Well-being of Future Generations Act.	3	4	12	→	Chief Executive
10	Climate Change: Effects on future condition and availability of Council Infrastructure and reducing the future impact of further greenhouse gas emissions.	It is generally accepted that the effects of global warming will result in: · All areas of the UK get warmer and the warming is greater in summer than in winter; · Little change in the amount of precipitation (rain, hail, snow etc.) that falls annually but it is likely that more of it will fall in the winter with drier summers for much of the UK · Sea levels rise – more in the south of the UK than the North.	3	4	12	→	Strategic Director - Place
12	Increasing risk of cyber attacks	Data loss, disaster recovery, impact of possible fines	3	4	12	⚠	Chief Executive
2	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.	3	3	9	✔	Chief Executive
4	Brexit	That the financial implications of leaving the European Union have a negative impact on the council's financial position.	3	3	9	→	Chief Executive

Direction of Travel - DoT

✔ Green tick - risk rating has decreased

⚠ Red cross - risk rating has increased

→ risk rating remains the same

Ref	Risk	Brief Description	Probability x Impact = Score			DoT	Responsible Officer
			Probability	Impact	Score		
Medium Risks							
14	Recruitment and retention of specialist professional staff	Resilience of Council services and ability to retain specialist professional staff and attract new employees in a competitive market place.	3	3	9	↓	Chief Executive
3	Safeguarding	That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm.	2	4	8	→	Strategic Director - People
5	In year financial management	Overspending can undermine service delivery and medium term planning where significant mitigation means services need to defer spending to manage the overall budget.	2	4	8	↓	Chief Executive
11	Increasing demands on IT Services and the modernisation agenda	Increased demand for IT services with a reducing budget poses a risk to the future development of IT infrastructure and the development and delivery of the modernised council agenda.	2	3	6	→	Chief Executive

Direction of Travel - DoT

↓ Green tick - risk rating has decreased

↑ Red cross - risk rating has increased

→ risk rating remains the same

Financial Summary

There are no direct costs associated with this report.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
That the strategy and process are not robust enough to capture all high risks	M	L	Reviewing, testing and embedding processes to ensure that they are fit for purpose	Directors, Heads of Service and Performance Team

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Robust risk management practices increase the chances that all of the council's priorities and plans will be implemented successfully

Options Available and considered

1. To consider the contents of the Corporate Risk Register and request regular updates
2. To request further information or reject the contents of the risk register

Preferred Option and Why

1. To consider the contents of the Corporate Risk Register and request regular updates, this will give the cabinet oversight of the main overarching risks that the council faces in delivering the objectives of the corporate plan.

Comments of Chief Financial Officer

There are no direct financial implications arising from this report. The corporate risk register forms an important part of the governance and budget setting arrangements for the council and the risk register is used to guide the internal audit plan.

Comments of Monitoring Officer

There are no specific legal issues arising from the report. As part of the Council's risk management strategy, the corporate risk register identifies those high level risks that could impact upon the Council's ability to deliver its corporate plan objectives and essential public services. Although Audit Committee are responsible for reviewing and assessing the Council's risk management, internal control and corporate governance arrangements, the identification of corporate risks within the risk register and monitoring the effectiveness of the mitigation measures are matters for Cabinet.

Comments of Head of People and Business Change

There are no direct staffing implications arising from this report.

Risk management is a key element of the council's improvement programme and the Administration's commitment to ensuring strong corporate governance and robust performance management. The risk

strategy and register allow the council to consider the longer term overarching risks to the council fulfilling its objectives and obligations and take action to mitigate the impact and probability of those risks.

Comments of Cabinet Member

The Chair of Cabinet has been consulted and has agreed that this report goes forward to Cabinet for consideration.

Local issues

None

Scrutiny Committees

Audit Committee have a role in reviewing and assessing the risk management arrangements of the authority. Meetings with the committee have resulted in some changes to the processes used to compile and update the risk register, leading to clarity of detail within the report.

Equalities Impact Assessment

Not applicable.

Children and Families (Wales) Measure

Not applicable.

Wellbeing of Future Generations (Wales) Act 2015

Risk management is a key area to implementing the Wellbeing of Future Generations Act (Wales) 2015; the council must ensure that it considers risks in the short, medium and longer term and that it manages risks in a manner that protects current service delivery and communities as well as considering the longer term impact. It supports the delivery of the wellbeing objectives that are identified in the council's Corporate Plan by considering the risks to delivering these objectives and by defining and monitoring actions to mitigate those risks.

The corporate risk register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs by considering the sustainable development principle set out in the Wellbeing of Future Generations (Wales) Act 2015.

Crime and Disorder Act 1998

Not applicable.

Consultation

As above, the Risk Register is also considered by Audit Committee

Background Papers

Corporate Risk Register, Cabinet, 17th January 2018

Corporate Risk Register, Audit Committee, 23rd January 2018

Corporate Risk Register, Cabinet, 23rd May 2018

Corporate Risk Register, Audit Committee, 24th May 2018

Dated: August 2018

Appendix 1.

Corporate Risks

RISK 01 - Legislative Requirements

Responsible Officer	Chief Executive
Lead Cabinet Member	Leader of the Council The Deputy Leader and Cabinet Member for Assets and Member Development

Risk rating prior to mitigation

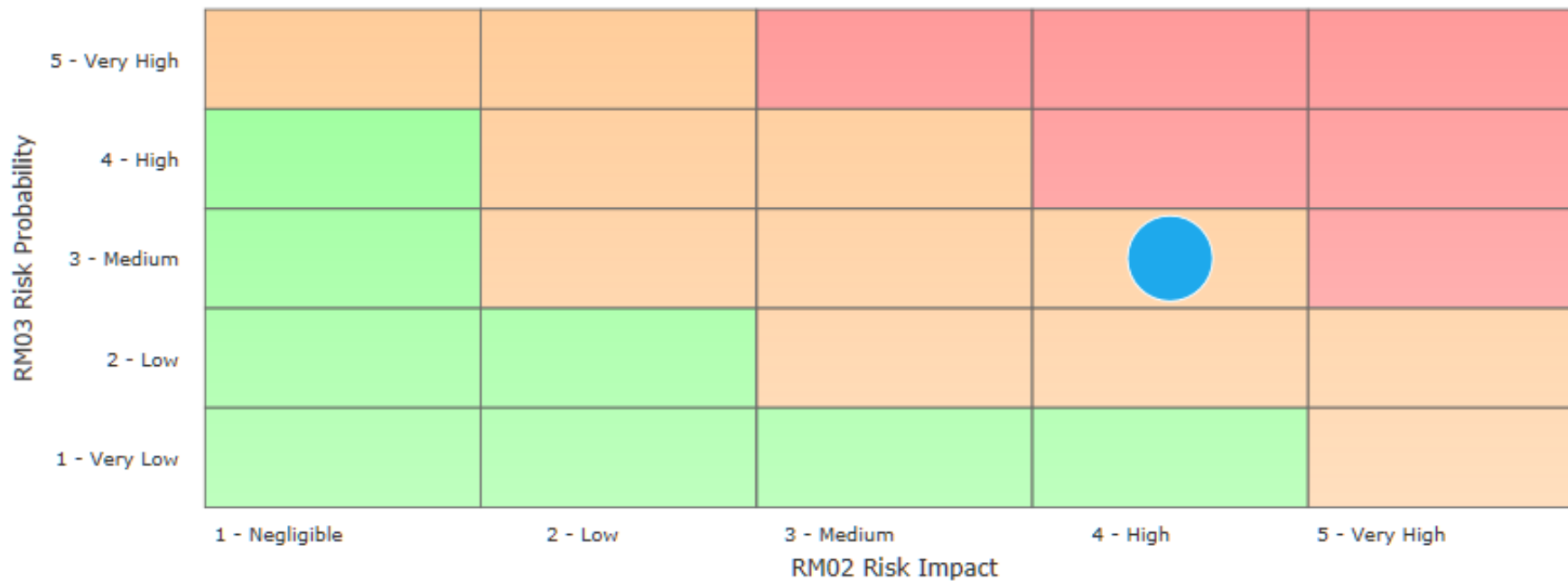
August 2015 - high (16)

Page 20

Risk	Description	Jun 2018	
		Identified	Links To
RISK 01 - 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), includes Well-being of Future Generations Act.	Jun 2015	<ul style="list-style-type: none">Service Planning

Risk 01 - Description/Rationale

- 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), includes Well-being of Future Generations Act.
- Risk of not meeting increasingly challenging nationally set waste management targets.
- The Welsh Government is consulting on local government reform, it is likely that the Welsh Government will repeal or change the Local Government Measure 2009 which will mean changes to the way the council plans and manages its services.
- Welsh Government drive towards regionalisation and collaborative working - including possible legislation.
- Welsh Language Act - gaps in service provision remain, and this remains a reputational risk for the council.
- The General Data Protection Requirement (GDPR) enhances data protection requirements for bodies and offers further protection to individuals. Whilst similar to previous data protection legislation, there are new requirements which the Council will need to meet.



Risk 01 - Assessment Date & Score					
Series					
		Risk Score	Risk Rating		
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Risk Score	12	12	12	12
	Risk Rating	●	●	●	●

Jun 2018	
Risk - Direction of Risk	Direction
There is continued pressure on the council to implement the new duties detailed by new legislation. Whilst significant work is underway, there remain major risk factors.	➔

Planned Mitigation

		Jun 2018
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 01.01	Welsh Language Act: Strategic Equalities Group monitors implementation supported by Welsh Language Group.	Governance arrangements are in place and the Strategic Equalities Group have reviewed the progress we have made on the Welsh Language for 17/18. Annual Report completed and published within Welsh Language Standards time scales.
✓ Risk 01.02	Welsh Language Act: Action plans in place and being monitored. This has shown significant progress.	Action plans have been reported on in the 17/18 Annual report. Progress on the work has been highlighted in the report.
✓ Risk 01.03	Welsh Language Act: Progress includes increasing awareness of the Welsh Language Standards across the authority. Leaflets, posters, desk prompts and video available.	There is a library of materials that are accessible to staff. Additional awareness campaigns and reminders are also carried out. Comms plan in place to ensure staff continue to mainstream Welsh Language into service delivery.
✓ Risk 01.04	Welsh Language Act: Partnership arrangements with another Council now in place and £280k budget allocated, additional resources now available to support service areas and work such as website development now underway.	Translation and proofreading arrangements have been rolled out to key users across the council. Key partners have also been able to access support for translation e.g. Newport Live. Additional projects are being developed with other partners.
✓ Risk 01.05	Welsh Language Act: 5 year strategy developed through consultation.	Completed the delivery of Yr 2 of the strategy. This work continues to be supported internally through the Welsh Language Implementation group.
✓ Risk 01.06	Future Generations Act: Cabinet reports updating members on progress and approach. Awareness raising sessions with officers and members completed and work with consultants to develop organisational readiness for the Act underway.	Awareness raising sessions held with service areas including RIH, Children's services and Newport Norse. Further sessions planned with other service areas as requested. Update on progress provided to CMT in July meeting. Follow up training with Members and others will be arranged over the next few months.
✓ Risk 01.07	Future Generations Act: Formal report, service plan and business case templates updated to ensure the principles of the Act are reflected in all decision making.	All report templates, service plans and business case templates now updated to reflect principles of the Act. PPI team continue to review reports for comments and provide advice and assistance where needed.
✓ Risk 01.08	Future Generations Act: Public Services Board established with agreed Terms of Reference, formal meetings are held at least quarterly.	Formal PSB meetings take place on a quarterly basis. Next meeting will be in October 2018. Membership extended to include Newport Live to ensure cultural sector representation on the PSB to ensure delivery of all aspects of the Well-being Plan.

	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 01.09	Future Generations Act: Draft Wellbeing Assessment in place in conjunction with the assessment required for the Social Services Act. Work being undertaken on a Gwent basis to inform the Wellbeing Assessment and Plan - funding secured from Welsh Government to support this work.	The Newport Well-being Plan was published in May 2018. Work currently taking place on setting up the Intervention Boards and providing a delivery framework for the plan. Over the next six months the Well-being Assessment will be reviewed.
✓ Risk 01.10	Future Generations Act: Development of wellbeing objectives finalised, and aligned with performance reporting.	Well-being Objectives are incorporated into the Corporate Plan and the Service Plans. An Annual Report detailing progress of our achievements towards meeting the well-being objectives will be published by October 2018. This will form part of one annual report and reporting process for the well-being objectives and current improvement objectives. Further work is taking place to agree how the well-being objectives and steps will be monitored in future.
✓ Risk 01.11	Waste Management Legislation/targets: We commenced new contract last week with trade waste diverted for sorting to GD Environmental Services. Dates this financial year run from August 9th 2017 through to March 31st 2018 to divert approx. 2500 tonnes this year.	Currently NCC is on track to meet the 58% recycling rate target for 2018/19. However 2019/20 target of 64% (or further targets of 70%) will not be met without further significant measures. Officers have worked with WG to developed a strategy to meet 70%. This has been submitted to Scrutiny who will advise the Cabinet Member. If no action is taken during 18/19, NCC will fail to meet the 64% target next year, as performance will need to be over 64% for the whole of 2019/20.
✓ Risk 01.12	General Data Protection Requirement (GDPR): The Council is ensuring compliance through the Information Governance Group and a cross-organisation Task and Finish Group, making recommendations and changes as required.	The Council is ensuring compliance through the Information Governance Group and a cross-organisation Task and Finish Group, making recommendations and changes as required. Monitoring of progress is through the Information Governance Group, reporting through CMT and Cabinet Member. NCC follows best practice and undertakes an Annual Report, which is reported through the Scrutiny process.

RISK 02 - Capacity and Capability to Meet the Council's Objectives

Responsible Officer Chief Executive

Lead Cabinet Member Cabinet Member for Community and Resources

Risk rating prior to mitigation

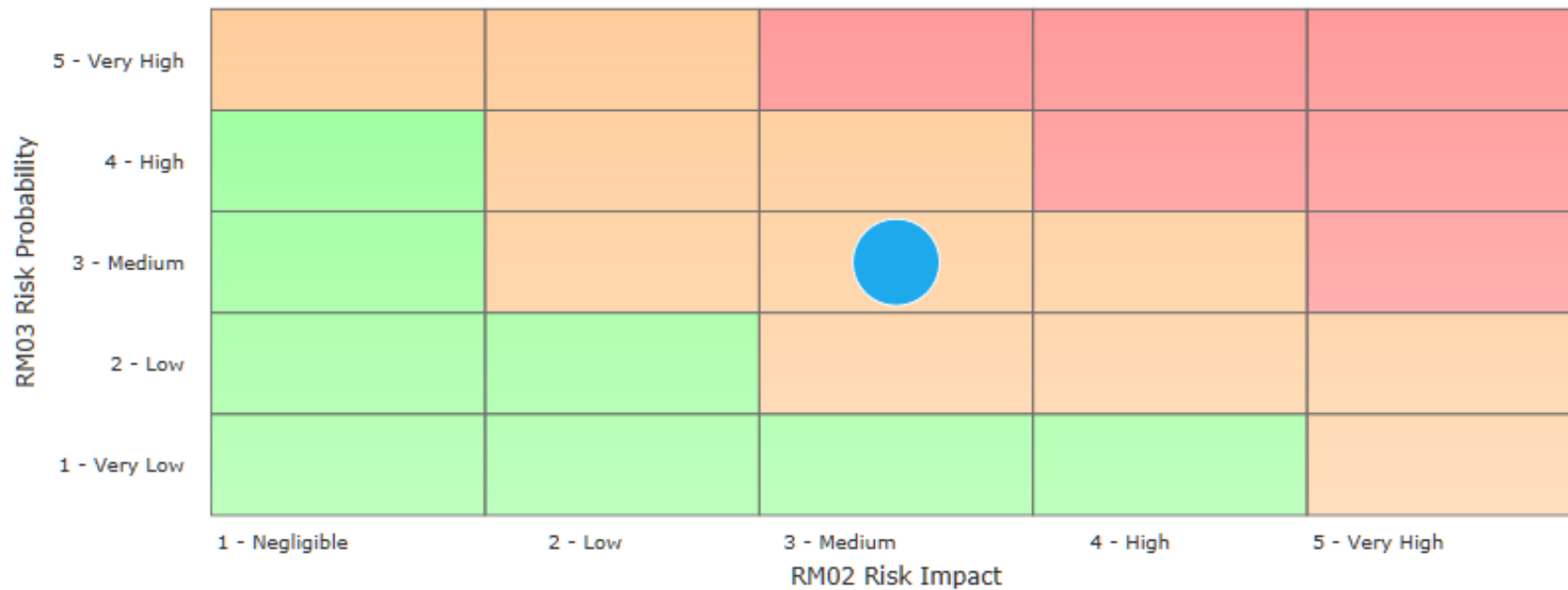
August 2015 - Medium (12)

Risk	Description	Jun 2018	
		Identified	Links To
RISK 02 - Capacity and Capability to Meet the Council's 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.	Jun 2015	<ul style="list-style-type: none"> ▪ Corporate Plan ▪ People and Business Change Service Plan

Risk 02 - Description/Rationale

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.

There are continued capacity and capability gaps across the council; these are more prevalent in some areas than others. Although there are a number of actions (see below) that are being undertaken to remediate this situation, there are still risks going forward which will potentially exacerbate this current situation; these include further required financial savings and issues with recruiting to key position.



Risk 02 - Assessment Date & Score					
Series					
		Risk Score		Risk Rating	
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Risk Score	12	12	12	9
	Risk Rating	●	●	●	●

Jun 2018	
Risk - Direction of Risk	Direction
Planning is underway to introduce a new Talent Management Framework to improve managerial capability. A new range of development opportunity is due to start in September 2018 and all 350 managers across the Council will be expected to engage in the new programme.	↓

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 02.02	People and Business Change will pilot career pathway planning in Autumn 2017 to role model to other service areas.	A restructure has taken place in HR and the creation of entry level posts into the profession have been created and filled with one internal appointment to facilitate internal progression. We are encouraging entry and intermediate level HR qualifications to all levels in the service.
✓ Risk 02.04	Pilot taking place in Education Services for the roll out of greater NVQ/ILM opportunities for those in the workplace wanting to enhance current skill level. Intention to offer to wider workforce in 2017 linked to workforce planning for each service area.	This pilot has been completed and several employees within the Education service achieved their qualifications. We will review the success and benefit brought to the Council in the coming months.
✓ Risk 02.05	Mandatory training will be identified for each post and linked to job descriptions to set out the expectation of ability, skill and experience at the point of recruitment and to form a development path throughout induction, probation and longer term.	This piece of work has not yet started but has been identified as a priority for 2018/19.
✓ Risk 02.06	Additional Investment in Project Management and business change resources.	BIP resources will be reviewed in line with the revised change program which will underpin the new corporate plan. BIP and HR have agreed a programme to work towards upskilling managers in these skills. A combination of e-learning, f2f training and learning exchanges have been discussed with a programme starting in April 2018.
✓ Risk 02.07	Coaching, shadowing and mentoring opportunities delivered as part of the change programme.	The first cohort of ILM Level 5 in Coaching concluded in Summer 2017. We have reviewed the progress and are working towards further programmes of both coaching and mentoring programmes for 2018/19.
✓ Risk 02.08	Specific business support and training provided for business change, project and program management, continuous change and specific tools including business case development and project management.	Project management and business case support building on the support and training provision already in place further development of support has been undertaken to widen the range of support offered to the organisation.
✓ Risk 02.14	People service plan to heavily focus on workforce planning and OD for next 12 months.	It is anticipated that the new People and Culture Strategy 2017-2022 will form the business unit actions for HR and OD in the coming 12 months. Two of the key priorities are OD and Workforce Planning.

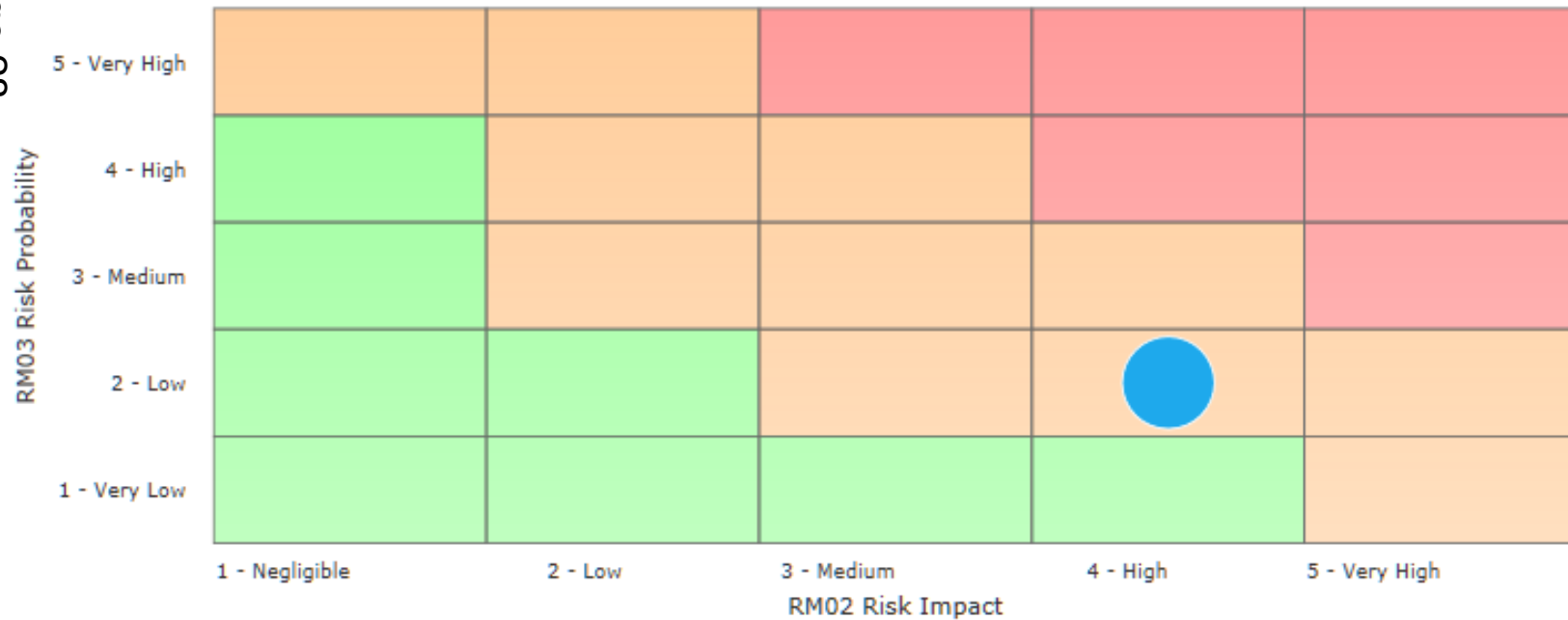
RISK 03 - Safeguarding

Responsible Officer	Strategic Director - People
Lead Cabinet Member	Cabinet Member for Social Services

Risk rating prior to mitigation
 March 2017 - Medium (8)

Risk	Description	Jun 2018	
		Identified	Links To
RISK 03 - Safeguarding	That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm	Jun 2014	<ul style="list-style-type: none"> Corporate Plan Service Planning

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Risk 03 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Risk Score	8	8	8	8
	Risk Rating	●	●	●	●

Jun 2018	
Risk - Direction of Risk	Direction
Unchanged.	➔
<p>The level of risk is manageable because this is an area of absolute priority for the local authority. There are safeguarding manager roles across the council and we have strong links with national and regional safeguarding boards.</p>	

Planned Mitigation

Object Measure Name

All 4 selected

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✔ Risk 03.01</p>	<p>Safeguarding Action Plan agreed and implementation underway.</p>	<p>Implemented</p> <p>The first annual review of the Corporate Safeguarding Report is due to occur in January 2018- this review will establish how efficiently we have met the identified objectives within the safeguarding action plans both corporately and within the specific teams which encompass the Safeguarding Unit of Social Services since the establishment of the Corporate Safeguarding Report in 2016/17. Actions identified as outstanding or newly identified areas of improvement/ development will be identified as part of this review scrutiny cycle and will therefore be timetabled appropriately to address any unmet needs or deficit areas.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✔ Risk 03.02</p>	<p>Continuous review of policies and procedures.</p>	<p>Implemented</p> <p>The suite of Corporate Safeguarding Policies applicable to all service areas within the council are currently under review to appropriately reflect legislative and procedural changes. These documents will have been fully reviewed, ratified, and disseminated via a re-launch of the "Safeguarding involves us all" campaign (the original campaign which launched the Corporate Safeguarding Report in November 2016) prior to the first annual review in January 2018. This ensures that all staff (including voluntary staff, elected members and contractors) are clearly aware of and understand their responsibilities in respect of 'safeguarding'.</p> <p>Within the practice of social work across Children and Adult Services where policies and procedures are identified as requiring review due to changes in legislation/ regulations these items are identifiable through CSMT and ASMT processes and Quality Assurance processes. Appropriate staff are identified to undertake the review or development of the required policy/ procedure and timescales are set in order to ensure the required work is completed, the policy is then launched and fully disseminated to the service area for practitioners to use and the documents are stored within the document library of the intranet for easy access.</p> <p>There is also the continuous review process of national and regional policies as identified by the SEWSCB, GWASB and VAWDASV safeguarding boards via the "protocols and procedures" sub group. Work is undertaken on a regional basis and the policies/ procedures/ guidance produced is then agreed and adopted by the 5 local authorities. This ensures a robust compliancy in terms of national policies/ procedures used within regional and local practice are up to date.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✓ Risk 03.03</p>	<p>Raising awareness of policies and procedures with staff.</p>	<p>Implemented</p> <p>Within Children's Services there has been a review of the processes in how policies/ procedures are disseminated to staff and the current use of the document library for policies/ procedures currently available on the intranet. A Children's Services Hub Page is currently being developed by the Safeguarding Unit and SRS team to improve how staff locate and access the documents they require for practice. The Hub will be the focal access point for Children's Social Care staff to locate all relevant policies, procedures, forms- this will assist in version control of documents; the regular review and publication of new policies/ procedures/ guidance; and a central place for staff to locate all of the required information and documents. This project will therefore aid in raising awareness of policies and procedures with staff but will also provide a more robust approach to ensuring that the information being provided to staff is up to date and readily accessible.</p> <p>Future development of the Hub page will also be extended to include induction processes and team specific intranet pages which can host team blogs, news and updates. This project can also be replicated for Adult Services.</p>
<p>✓ Risk 03.04</p>	<p>Partnership working.</p>	<p>Implemented</p> <p>Development of the Safeguarding Intelligence Hub (SIH), Newport is the pilot authority in Gwent for this project which will bring together all public safeguarding services in a single point of entry where safeguarding referrals can be holistically assessed. The Intelligence hub model will facilitate earlier intervention and preventions to limit the need for a more intensive intervention at a later stage by managing cases in a co-ordinated manner. The Intelligence Hub will also foster closer partnership working and clear accountability with agencies, providing faster, more robust and co-ordinated and consistent responses to safeguarding concerns, ensuring citizens are kept safe with their well-being outcomes met.</p> <p>Strong links with the regional safeguarding boards are already in place and will continue.</p> <p>The regional service hosted by Health in regard to legislative requirements for Newport council under the Mental Capacity Act, continues to be delivered collaboratively for all Deprivation of Liberty Safeguards for citizens of Newport over the age of 18.</p>

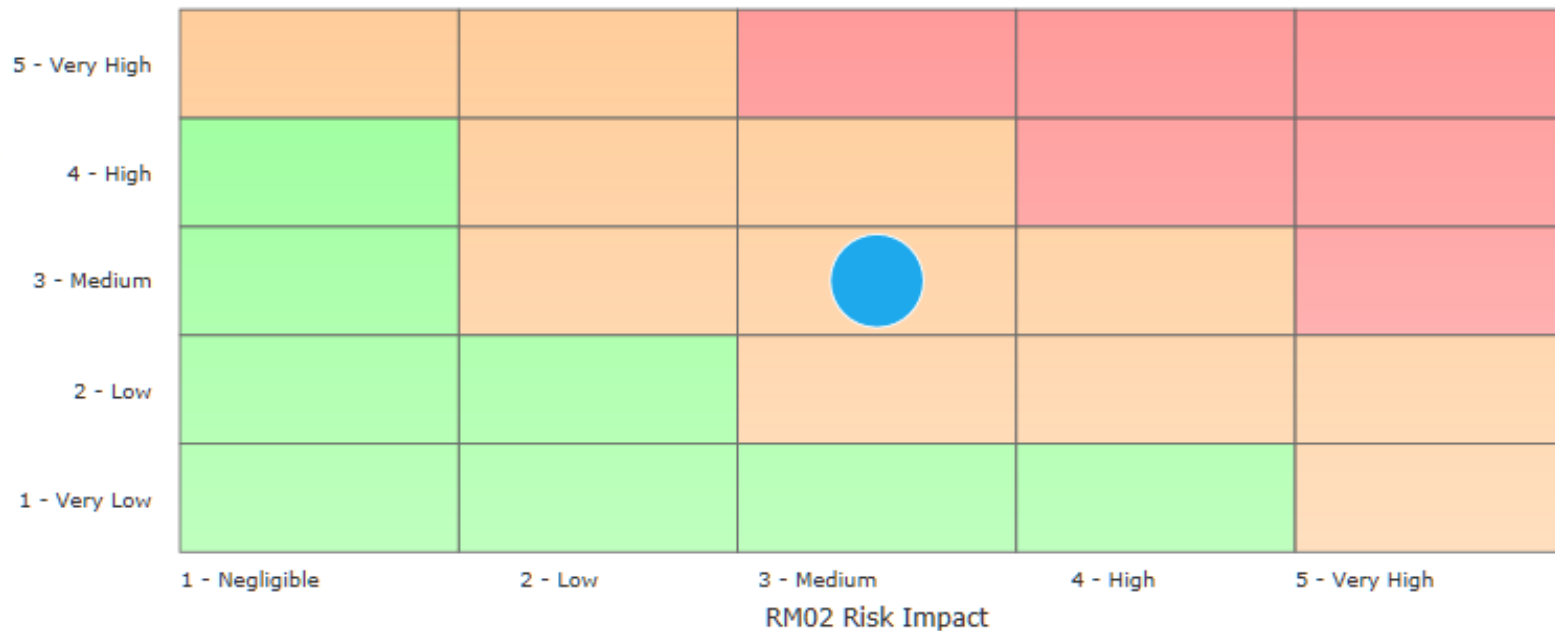
RISK 04 - Brexit

Responsible Officer	Chief Executive
Lead Cabinet Member	Leader of the Council

Risk rating prior to mitigation

August 2017 - Medium (9)

Risk	Description	Jun 2018	
		Identified	Links To
RISK 04 - Brexit	That the financial implications of leaving the European Union have a negative impact on the councils financial position.	Jun 2016	<ul style="list-style-type: none"> Corporate Plan Service Plans



Risk 04 - Assessment Date & Score					
Series					
Actual		Risk Rating			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Actual	9	9	9	9
	Risk Rating	●	●	●	●

Jun 2018	
Risk - Direction of Risk	Direction
Unchanged.	→
The WLGA will shortly be facilitating a workshop with CMT to look at potential risks to the organisation following Brexit. Further mitigating actions may arise following this.	

Planned Mitigation

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Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 04.01	This needs to be monitored carefully. The result of the referendum in June 2016 has resulted in further uncertainty for the overall financial outlook for the UK. This may have an impact on future funding for the council. (see risks 5 and 6).	The situation continues to be monitored. This may have an impact on future funding for the council (see risks 5 and 6).
✓ Risk 04.02	A good deal of our activity is also guided by EU regulation. It remains unclear when the UK will formally exit the EU and how these regulations may change.	A good deal of our activity is also guided by EU regulation. It remains unclear when the UK will formally exit the EU and how these regulations may change.
✓ Risk 04.03	This remains uncertain, further discussion and engagement from the Welsh Government and UK Government is needed to confirm timescales.	This remains uncertain, further discussion and engagement from the Welsh Government and UK Government is needed to confirm timescales.

Risk 05 - In Year Financial Management

Responsible Officer	Chief Executive Directors Heads of Service
Lead Cabinet Member	Leader of the Council

Risk rating prior to mitigation

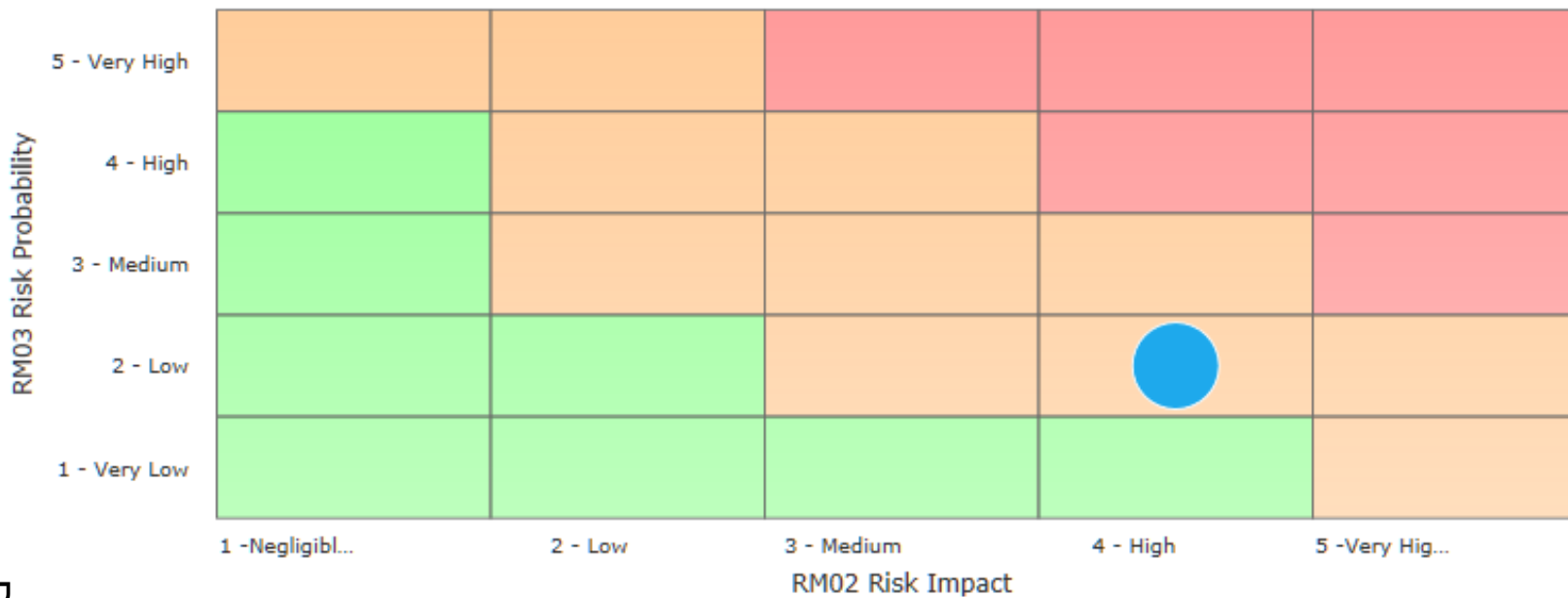
August 2017 - Medium (12)

Risk	Description	Jun 2018	
		Identified	Links To
Risk 05 - In Year Financial Management	Overspending can undermine service delivery and medium term planning where significant mitigation means services need to defer spending to manage the overall budget.	Sep 2017	<ul style="list-style-type: none"> All services depending on severity & mitigation put in place

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Risk 05 - Description/Rationale

- Historical overspending in key areas are increasingly difficult to mitigate - Community Care budgets, Children's out of area education and social care budgets in particular.
- Step change in level of overspending in 2016/17 and forecasted overspending in 2017/18 shows significantly worsening position.
- Level of overspending is significantly over and above revenue budget contingency and over current/previous year only mitigated from strong Council Tax collection due to accelerated house building - which cannot be guaranteed in future years and Council Tax reduction scheme underspending.
- Overspending can undermine service delivery and medium term planning where significant mitigation means services need to defer spending to manage the overall budget.
- Risk to requiring additional on-going budget in service areas affected which makes the 2018/19 and future budget challenge more difficult to manage/achieve.



Risk 05 - Assessment Date & Score					
Series					
		Actual Risk Rating			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Actual	12	12	9	8
	Risk Rating	●	●	●	●

Jun 2018	
Risk - Direction of Risk	Direction
Early monitoring indicates that there is a projected underspend for the in year budget. However, this is an early indication and decisions and situations may change through the year which may change this situation. Service area pressures are still significant and are showing a large overspend and we have been able to mitigate these through budget planning and some one-off savings.	✓

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 05.01	CMT instigated targeted spending freeze on non-essential spending.	In place and on-going.
✓ Risk 05.02	Chief Executive and Head of Finance will be holding monthly meetings with adult social care management team to look and review actions for reducing spend.	In place and on-going.
✓ Risk 05.03	Head of Service for adults/children social care and education have reviewed and improved decision making panels who assess individual cases accessing services.	Initiated. Projects timetable to be confirmed.

Risk 06 - Balancing the Council's Medium Term Budget

Responsible Officer	Chief Executive Directors Heads of Service
Lead Cabinet Member	Leader of the Council

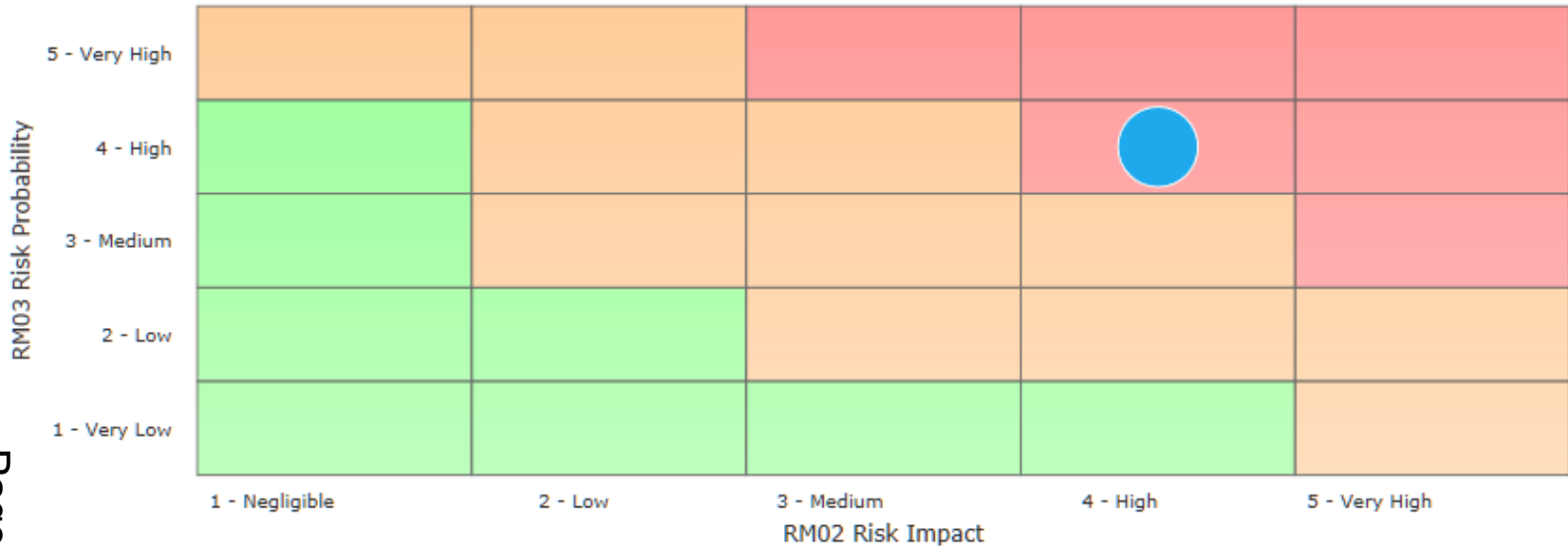
Risk rating prior to mitigation

August 2017 - High (16)

Risk	Description	Jun 2018	
		Identified	Links To
Risk 06 - Balancing the Council's Medium Term Budget	Risk of not meeting / funding key priorities.	Sep 2017	<ul style="list-style-type: none"> All council services and priorities

Risk 06 - Description/Rationale

- Council does not have a change programme which addresses the financial shortfall in the Council's Medium Term Financial Plan.
- Not balancing the budget over a longer timeframe than has currently been achieved may challenge and could damage the Councils on-going Financial Resilience.
- Risk of not meeting/funding key priorities.
- Using 'reserves' to balance the budget is time limited and require permanent savings to be identified in due course.
- Lack of on-going medium term financial settlements from WG continue makes meaningful medium term financial planning more difficult.



Risk 06 - Assessment Date & Score					
Series					
Actual		Risk Rating			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Actual	16	16	16	16
	Risk Rating	▲	▲	▲	▲

Jun 2018	
Risk - Direction of Risk	Direction
Unchanged	→

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 06.01	On-going review and challenge to budget pressures within the MTFP	On-going.
✓ Risk 06.02	Discussions with SLT to review cash-limits for each service areas with view to identify savings and mitigation of pressures	In progress.
✓ Risk 06.04	Project initiated to draw up a medium term change programme by June 2018 latest.	In progress - discussions with SLT on scope and resourcing and organisation on-going.

Risk 07 - Increased Pressure on Demand Led Services

Responsible Officer	Strategic Director - People Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Education and Skills Cabinet Member for Regeneration and Housing Cabinet Member for Social Services

Risk rating prior to mitigation

August 2017 - High (16). This rated high for Education Services and Medium for Social Services, an overall rating of High has been assigned.

Risk	Description	Jun 2018	
		Identified	Links To
Risk 07 - Increased Pressure on Demand Led Services	As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.	Sep 2017	<ul style="list-style-type: none"> ▪ Corporate Plan ▪ Service Plans

Risk 07 - Description/Rationale

Education

As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.

- That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and raising the risk of unplanned significant budgetary overspends.

- Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.
- Increasing population putting extra pressure on school places across Newport.
- As children with complex need live longer, the number of children requiring care will increase and the length of care that they require will increase.
- Growing population of vulnerable children.
- Increasing demand for refuse collection.
- Increasing number of households and highways.

Social Services

As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.

- That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and raising the risk of unplanned significant budgetary overspends.
- Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.
- Increasing population putting extra pressure on school places across Newport.
- As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase.
- Growing population of highly vulnerable children.
- Increasing demand for refuse collection.
- Increasing number of households and highways.

Community Regeneration

The changes to funding packages will have an impact on the level of services that we as an authority can deliver. The termination of Communities First has put pressure on existing statutory services and specifically community provisions as many projects were partnership arrangements with the Communities First programme. In addition Welsh Government has changed the way in which it administers various grants, providing local authorities the opportunity to distribute funding to areas it identifies as its priorities. Collectively the service area is grant funded, therefore any changes to future grants is a risk for many services, specifically statutory services who could be left to maintain high levels of users. Groups at risk are:

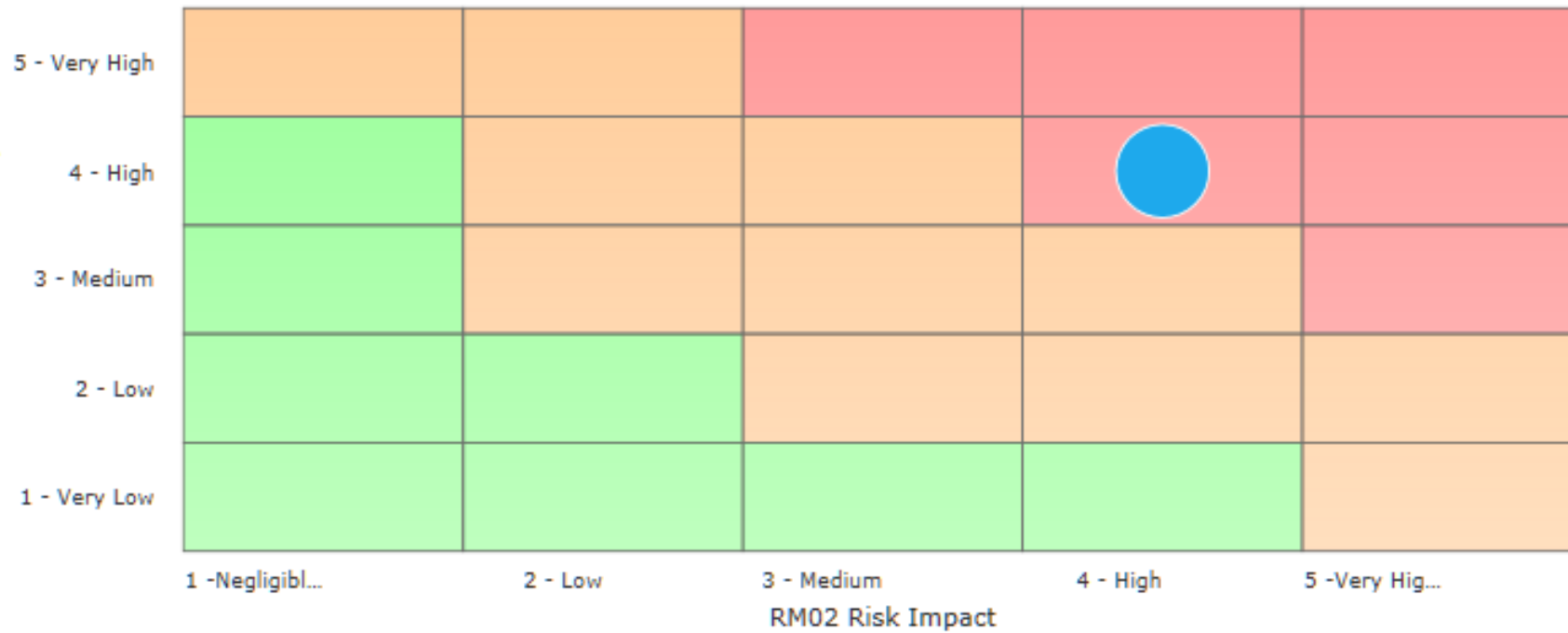
- Community centre groups - less services delivering from facilities.
- Young people - many of our services are reliant on grant funding.
- Work & Skills - all provision is reliant on grant funding.
- Children - all provision is reliant on grant funding.
- Community engagement/resilience - all provision is reliant on grant funding.

Housing

Population growth will see an inevitable rise in demand for housing and this will place further pressure upon housing services provided by Newport City Council in order to seek to meet this growth in demand;

- An increasing percentage of the population are over 65 putting an increasing strain on demand led housing services, particularly those that are statutory and raising the risk of unplanned significant budget overspends.
- Removal, reduction or more widely dissipated preventative housing services could impact on statutory services by increasing the demand and complexity of need.
- Increasing population growth will put extra pressure on demand for affordable housing and/or specialised housing solutions.
- Upward population of highly vulnerable children requiring housing solutions within the care system and those leaving the care system.
- Increasing shift away from owner occupation towards private renting, as well as increasing concerns about the standard and fitness within the existing housing stock in Newport.
- An expanding population of older people will increase demand for mandatory home adaptation services and increasing number of people choosing to remain living in their own homes will increase demand for mandatory home adaptation services.
- Implementation and effect of universal credit is still being calculated and affect being monitored, as well as further pressure upon household incomes due to welfare reform implementation measures.

- Increased level of rough sleeping throughout the City.
- Greater demand for homelessness and housing related services throughout all sectors of housing within NCC.



Risk 07 - Assessment Date & Score					
Series					
		<input type="button" value="Actual"/> <input type="button" value="Risk Rating"/>			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Actual	16	16	16	16
	Risk Rating	▲	▲	▲	▲

Jun 2018	
Risk - Direction of Risk	Direction
Unchanged.	→
Main issues are maintaining experience staff and budget savings each year.	

Planned Mitigation

Planned mitigation

All 32 selected

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.01	<p>Education</p> <p>Increasing population putting extra pressure on school places across Newport. One new school (due to open September 2017) and second new school (due to open September 2018). Both established largely through 106 funding. Additional school places have been established across the city through a capacity exercise. Where schools are being re-developed, (e.g. Bryn Derw, Caerleon Lodge Hill) additional places have been included.</p>	<p>Jubilee Park will expand to an additional 15 places per year group in September 2018. Glan Lyn Primary opening has been deferred until September 2018, however admissions data showed that there were reception 100 surplus pupil places in the catchment area. The Lodge Hill Primary development is on track to be completed for April 2019. A new capital bid has been made to Welsh Government to open a new Welsh Medium Primary School, creating an additional 420 places (2 form entry) and LRB. Approved capital will lead to the proposed establishment of a Welsh Medium Seedling School in September 2019.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 07.02	<p>Education</p> <p>Increasing population putting extra pressure on school places across Newport. Three further new build schools are planned through 106 monies funding from 2019 – 2024 (NB: shortfall in funding that will need to be made up by Authority). Forecasts show that there is also a need for expansion on existing school sites, in specific areas of the city, with significant population growth. A Welsh Government 21st Century Band B' schools bid has been made which focusses on Newport's urgent need for additional school places as our key priority.</p>	07.02: The Band B Strategic Outline Programme has been approved by Welsh Government. Individual Business Cases will be progressed focussing on Band B school (including those in the centre and west of Newport where there is a demand for pupil places).
Ⓜ Risk 07.03	<p>As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase.</p> <p>The number of educational places within the city need to grow in order to provide provision for pupils with complex needs.</p>	The Glan Lyn Primary opening has been deferred until September 2018. The LRB panel are consistently assessing LRB places. A temporary LRB may be considered if needed.
✓ Risk 07.04	<p>Growing population of highly vulnerable children:</p> <p>The number of Learning Resources Bases across the city will expand to support increased demand of pupils with Special Educational Needs, allowing them to maintain mainstream school places.</p>	A review of the Planning of School Places for pupils with SEN and ALN has begun. This will inform future provision requirements.
✓ Risk 07.05	<p>The total cost of Out of County placements continues to grow. Education Services will develop an analysis and forecast of Out of County Placements in order to facilitate a strategic plan of supporting these needs in the most affordable way over the next five years.</p>	The scoping / feasibility exercise to locate a new SEBD school continues and is due to conclude in October 2018.

	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 07.06	<p>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</p> <p>Older Person's Pathway - joint initiative with Health, people identified from GP surgeries and offered a Stay Well Plan that is individualised and focused on maintaining well-being and health.</p>	Continuation of the project within Health, the independent evaluation demonstrates a positive impact on reducing demand for statutory services. The Pathway project is planned for implementation in all Newport GP surgeries.
✓ Risk 07.07	<p>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</p> <p>Reconfiguring a number of service pathways including Frailty & Reablement to reduce duplication, streamline provision, facilitate hospital discharge and provide services focused on maintaining independence.</p>	Reablement integration has now been completed and I team provides a more cohesive service. The work around frailty is ongoing.
Page 46 ✓ Risk 07.08	<p>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</p> <p>Investment in preventative services including 2 Third Sector consortiums offering information, advice and assistance for any Newport citizen.</p>	The consortium approach to preventative services continues to demonstrate effective demand management
✓ Risk 07.10	<p>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</p> <p>Utilisation of ICF for Community Connectors offering community based assistance to people who require support to access low level services</p>	Intermediate Care Funding (ICF) continues to be available to resource the Community Connector Team who are now well established in the provision of low level support to Newport citizens. The team is made up of 8 staff with a range of specialisms. Strong links to third sector partners and community based services ensures that a wide range of needs can be accommodated across all client groups
✓ Risk 07.11	<p>MARKET MANAGEMENT</p> <p>Domiciliary care and Residential and Nursing provision commissioned robustly. Working closely with providers to ensure services are fit for purpose in terms of quality and capacity. Relationship management ensures flexibility and responsiveness.</p>	Robust commissioning processes are employed to ensure market capacity and sustainability are maintained. Ongoing dialogue with providers around fees and regular monitoring around quality.

	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 07.12	MARKET MANAGEMENT Ensuring in house services are cost effective and targeted at community need.	In house services are regularly reviewed to ensure they are cost effective and fit for purpose. Work to reduce the in house Supported Living Service is reduced from 4 properties to 2 is ongoing and improved provision sourced for existing tenants. A new partner is being sought for the delivery of the 4 Extracare schemes in Newport. The tender process is underway.
✓ Risk 07.13	MARKET MANAGEMENT Cost control –negotiating sustainable fees with providers that offer value for money whilst protecting the social care workforce	Fees have been agreed for 2018/19 following detailed negotiations with providers
✓ Risk 07.14	MARKET MANAGEMENT Engagement with Regional workstreams to address National issues around the purchase of domiciliary and residential care services	Workstreams are addressing the issues faced by all Welsh Local Authorities in the delivery of social care - budgets and stability of the market.
✓ Risk 07.15	MARKET MANAGEMENT Early engagement with Health to maximise CHC funding for people with Health needs.	Ongoing - CHC triggers, where identified are being taken through the appropriate channels. NCC is developing more robust approaches to ensure referrals are successfully progressed
✓ Risk 07.16	Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs. • Investment in a consortium model of third sector preventative services to offer a single point of contact for all Newport citizens	Ongoing monitoring of preventative services to measure effectiveness and value for money.
✓ Risk 07.17	Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs. • Investment in a Third Sector mental health consortium in partnership with Health – offering a single point of contact for citizens in Gwent.	Ongoing monitoring to measure effectiveness at managing demand and offering interventions to those who would not be eligible for statutory care but who need support to keep them well and maintain independence.

	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 07.18	<p>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</p> <ul style="list-style-type: none"> Utilisation of ICF to deliver a Community Connector Service – offering community support for people to access services. 	On going monitoring to measure effectiveness at managing demand
✓ Risk 07.19	<p>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</p> <ul style="list-style-type: none"> Utilisation of ICF to employ a Carers Development Officer 	The newly established carers network has enabled NCC to make contact with more carers across the city by providing more opportunities for communication and consultation.
Page 48 ✓ Risk 07.20	<p>Growing population of highly vulnerable children Investment in developing preventative services to work with families to build resilience and to prevent children from being accommodated:</p> <ul style="list-style-type: none"> Re-tendering for the Strategic Collaborative Partnership that delivers the Family Assessment Support Service (FASS) and Family Support Team (FST). 	<p>From June 2017 to March 2018 there was a significant increase in the number of looked after children. The reasons for the increase is multi factorial and is replicated in some neighbouring LAs. The number of children in care proceedings has doubled. The complexity of the presenting cases are significant is challenging. The pressure of the doubling of the court workload and the increasing numbers of looked after children is placing staff under exceptional strain. The demand is regularly reviewed but there is no indication that decision making has changed and both CAFCASS and the Judiciary are clear that the current cases are appropriate in terms of issue. The most common criticism from both CAFCASS and the Judiciary is that social workers have persisted too long in sustaining families and issuing earlier would for some be appropriate.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 07.21	<p>As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase.</p> <p>Investment in developing preventative services to work with families to build resilience and to prevent children from being accommodated:</p> <ul style="list-style-type: none"> • Full review of short break services for families with Children with disabilities. • Full review of providing house respite service for families with Children with disabilities. 	Currently in process. When successful tenderer has been awarded contract work will commence with provider to develop service and be on going contract management.
✓ Risk 07.23	<p>Investment in developing preventative services to work with families to build resilience and to prevent children from being accommodated:</p> <ul style="list-style-type: none"> • Carers Development Officer supports families with Children with disabilities. 	On-going monitoring to measure effectiveness at managing demand. Newly established Carers Network ensures better communication and engagement with carer/parent groups.
✓ Risk 07.24	Engagement with Regional work streams to address developing a consistent framework around Continuing Health Care Process.	The concerns around accessing CHC are felt regionally and work is on-going to develop consistent processes to ensure challenge is effective.
✓ Risk 07.25	Cost control – negotiating sustainable fees with providers that offer value for money whilst protecting the social care workforce.	<p>Continued fee negotiations with providers to ensure best value and to ensure best outcomes.</p> <p>Standard monitoring of pay rates, travel time etc. to encourage recruitment and retention within the independent sector.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✓ Risk 07.26</p>	<p>Community Regeneration Aligning services and grants into one programme (Neighbourhood Hubs) will support a rationalization process across all the grants, this process will help us to achieve smarter ways of working that could support a long term vision of sustainability. Processes such as;</p> <ul style="list-style-type: none"> • Staffing – the alignment of staff can reduce the requirement for current levels in finance and management functions. • Duplication – aligning programmes will support projects who share outcomes to end specific projects therefore reducing wasted expenditure. • Commissioning – a single commissioning model will provide the less duplication and savings in regards to management fees to other organisations. • Assets – The colocation and integration of teams through Neighbourhood Hubs will negate the requirement for different facilities and will provide greater focused usage in specific centres. 	<p>Project plans have been designed to implement reviews and changes to projects. Business plans have been drafted for consideration for Neighbourhood hubs and its facilities.</p>
<p>✓ Risk 07.27</p>	<p>Community Regeneration Work with funders to identify further opportunities to provide additional resource to community delivery.</p>	<p>There are applications submitted for funding to DWP, WG and WEFO to ensure we are able to enhance our community offer. We anticipate responses by December 2018.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✓ Risk 07.28</p>	<p>Housing Services</p> <p>That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and raising the risk of unplanned significant budgetary overspends.</p> <p>The number of older people in Newport is growing. More than 600 owner-occupiers aged over 55 currently have active applications for some form of affordable housing</p>	<p>The development in Beechwood is now allocated and occupied. The scheme in Gaer is nearing completion and allocations have now started. The scheme in St Julian's is due to start construction in September. Scheme in Rogerstone has obtained planning consent and planning applications are due for schemes in Ringland and Llanwern in next 2 months. Plans to remodel 2 existing schemes are ongoing.</p>
<p>✓ Risk 07.29</p>	<p>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</p> <ul style="list-style-type: none"> • Increased resources provided to assist in homeless prevention and to secure additional staffing to meet need • Grant funding available from Welsh Government targeted to key demand areas of the homelessness prevention service across a range of partners • Links with third sector agencies in place and being developed to meet demand for services • Regional Homelessness Strategy under development in order to explore regional opportunities for service development/initiatives 	<p>Additional posts recruited to Housing Needs Unit to address growth in demand, ensuring that prevention services are maintained and delivered in line with statutory requirements.</p> <p>Regional Homeless Review completed.</p> <p>Strategy to be drafted and completed in 2018 in line with statutory requirements.</p> <p>Welsh Government grant funding targeted at key pressure areas and being monitored in line with grant requirements.</p> <p>Further preventative services being developed to address identified needs and pressures</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✓ Risk 07.30</p>	<p>Increasing population putting extra pressure on demand for affordable housing or specialised housing</p> <p>Increased pressure to deliver affordable housing, but in a climate when viability issues on sites regularly see the development industry reducing the percentage of affordable housing they are willing to deliver</p> <ul style="list-style-type: none"> • Homeless prevention work to secure alternative affordable accommodation options established and embedded within statutory services • Procurement of temporary accommodation for homeless households in place to meet the changing demands and needs for the service 	<p>In 2017/18 planning consent was obtained for 403 affordable homes, 264 of these are at Whiteheads.</p> <p>Developers continue to lobby for a reduction in affordable housing e.g. Llanwern Steelworks citing viability, reducing the authority's ability to meet its statutory duties.</p> <p>Continue to lobby Welsh Government and Cardiff City Region for mechanism to assist with addressing viability.</p>
<p>✓ Risk 07.31</p>	<p>Growing population of highly vulnerable children requiring housing solutions within the care system and once leaving the care system.</p>	<p>Working in partnership with Children Services to deliver innovative solutions for children and young people through different schemes (supported lodgings, private sector arrangements, partnerships with RSL's)</p> <p>Working with Social Services to look at developing appropriate bids for ICF funding to look at alternative housing solutions and opportunities to prepare for independence.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✓ Risk 07.32</p>	<p>Increasing shift away from owner occupation towards private renting</p> <p>A study for the Welsh Government into the fees charged by letting agents showed that Newport has a relatively high proportion, 36% of registered rental properties managed by agents, and was designated a high rent area and the total number of properties registered was 8,252. The study found that, although the work required and the costs incurred by the agents were similar in all areas, the fees charged to applicants varied considerably, according to the size of agency and the local housing market. Fees can make it difficult for low-income tenants to secure private rented housing, especially if they are obliged to move more frequently than owner-occupiers would when assured shorthold tenancies come to an end.</p>	<p>Preparation of new action plan on empty homes to try to encourage owners to let properties rather than leave them empty</p>
<p>✓ Risk 07.33</p>	<p>Increasing concerns about the standard and fitness within the existing housing stock</p> <p>Much of Newport's housing stock is pre-1920's and, in 2017, the council's Environmental Health team identified nearly 13,000 serious hazards in Newport homes, most of them privately rented.</p>	<p>Home improvement loans schemes being revised to include equity loans for the over 75's and the appointment of an accredited financial partner to administer owner-occupier loans</p>
<p>✓ Risk 07.34</p>	<p>An expanding population of older people along with increasing numbers of people choosing to remain living in their own homes will increase demand for mandatory home adaptation services</p> <p>Increasing pressure on the adaptations capital budget.</p>	<p>As before, ongoing monitoring of demand and budget management relating to costs and supply, with provision of smaller scale, preventative adaptations to mitigate future demand for more complex adaptation schemes.</p>

Risk 08 - Risk of Stability of External Suppliers

Responsible Officer	Strategic Director - People
Lead Cabinet Member	Cabinet Member for Social Services

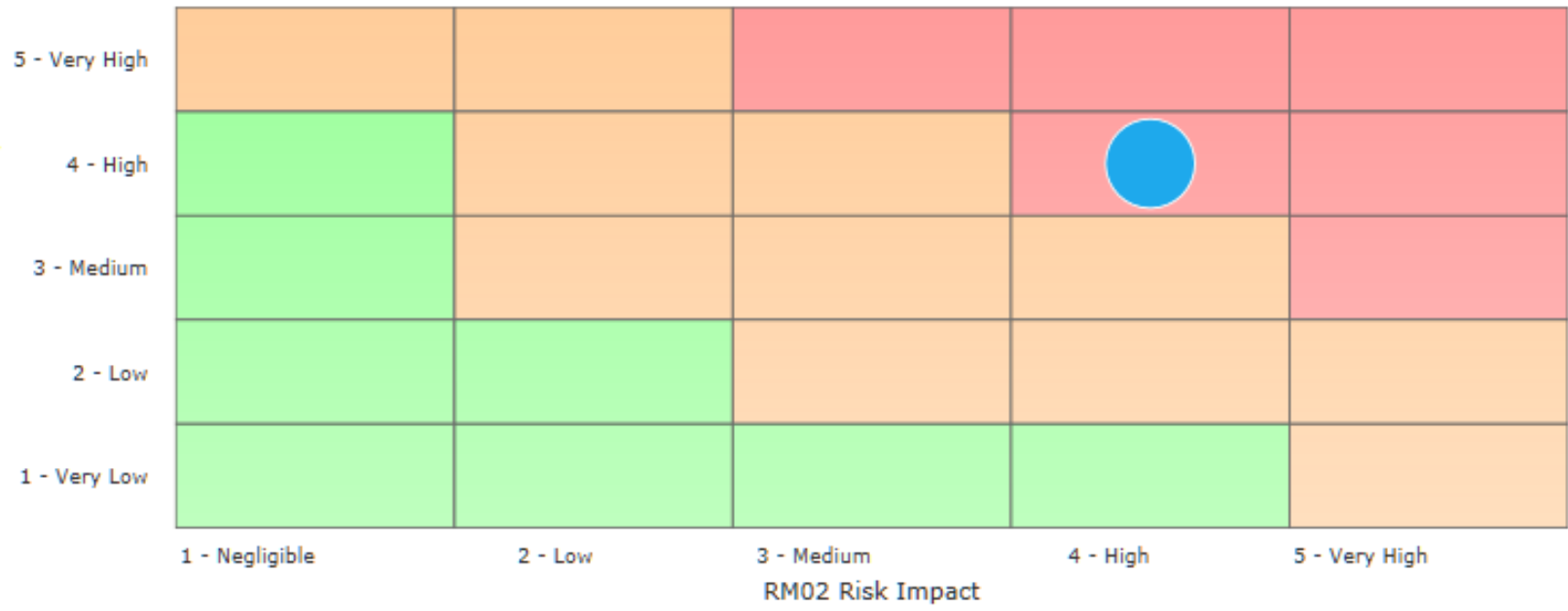
Risk rating prior to mitigation

August 2017 - High (20)

Risk	Description	Jun 2018	
		Identified	Links To
Risk 08 - Risk of Stability of External Suppliers	Growing cost of delivering services and purchasing materials will impact on external supplier's ability to continue to fulfil contract obligations. Potentially short notice of inability to provide services.	Sep 2017	<ul style="list-style-type: none"> Change Programme Corporate Plan Service Planning

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RM03 Risk Probability



Risk 08 - Assessment Date & Score					
Series					
Actual		Risk Rating			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Actual	20	20	20	16
	Risk Rating	▲	▲	▲	▲

Jun 2018	
Risk - Direction of Risk	Direction
Unchanged.	✓

Planned Mitigation

Object Measure Name

All 6 selected

Page 55

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 08.01	Market Management Consultation and engagement with social care providers	Ongoing dialogue with providers, Commissioning and Contracts have regular communication, specifically around fees and in relation to monitoring and review processes. Also opportunities to make contact with new and prospective providers through supplier days and service forums.
✓ Risk 08.02	Encouraging New Providers To Enter The Market The offer of block contracts for domiciliary care hours that provides incentive for new providers and creates a diverse market place.	The spot contracting approach to domiciliary care continues to work well, the brokers offer packages and providers pick up the ones they have capacity to deliver. This approach means that we are in constant contact with providers and have developed an in depth understanding of their particular challenges and strengths.
✓ Risk 08.03	Encouraging New Providers To Enter The Market Open dialogue with providers interested in entering the market to ensure they are fully informed about service demand and future commissioning intentions.	The spot contracting approach means that NCC are able to offer work to new providers (subject to accreditation). We currently have 26 providers operating in Newport of varying size. NCC's fee negotiation strategy and approach to brokering packages has ensured market stability. The risks around recruitment and retention of staff still remains but the range of providers available in Newport ensures ongoing capacity to meet demand

	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✓ Risk 08.04</p>	<p>Developing New Sustainable Models of Service & Maximising Alternative Funding</p> <p>Working with partners such as Housing and Health to develop new services that are more financially sustainable and offer better opportunities for people to live independently.</p>	<p>Continuation of positive work with RSL's to develop more sustainable and appropriate accommodation for people with care and support needs. Centrica has been completed, resulting in a fully modernised and accessible respite facility for adults with learning disabilities. 7 new flats are due for completion in Bettws for adults with learning disabilities and will be the new home for 2 tenants from NCCs in house Supported Living scheme and 3 others, currently in unsuitable accommodation. Further new developments are planned for next year including 16 new self contained flats in Newport that will operate on the same basis as Ty Eirlys.</p>
<p>✓ Risk 08.05</p>	<p>Working With Commissioning Partners</p> <p>Working Regionally & Nationally to share knowledge, best practice, market intelligence and to develop commissioning strategies in both adults and children's services.</p>	<p>NCC are engaged in all regional workstreams including domiciliary care and the development of a common contract for residential care to support the establishment of a pooled budget. Regular information sharing with other LA commissioners is ongoing</p>
<p>✓ Risk 08.06</p>	<p>Commissioning Function</p> <p>Strong, well organised Commissioning function and agreed strategies that effectively oversees and controls all purchasing activity and understands the local market. The Commissioning team are fully sighted on market issues, have well developed relationships with providers and work closely with operational teams to source good quality sustainable services.</p>	<p>Consideration is being given to the development of an integrated People commissioning team operating consistently across adults, children's and education services. A mapping exercise is underway to identify the level of resource required to meet the future demands of a whole systems approach.</p>

Risk 09 - Increasing Pressure on Existing Infrastructure

Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Streetscene

Risk rating prior to mitigation

August 2017 - High (16)

Risk	Description	Jun 2018	
		Identified	Links To
Risk 09 - Increasing Pressure on Existing Infrastructure	The M4 Bridge tolls will be abolished for all vehicles at the end of 2018 with an interim reduction in tolls being introduced on the 8th January 2018. This is a positive opportunity for the city but the council must consider the potential impact on existing infrastructure.	Sep 2017	<ul style="list-style-type: none"> ▪ Corporate Plan ▪ Service Plans

Risk 09 - Description/Rationale

The M4 Bridge tolls will be abolished for all vehicles at the end of 2018 with an interim reduction in tolls being introduced on the 8th January 2018. This is a positive opportunity for the city but the council must consider the potential impact on existing infrastructure.

Traffic at the Toll's is currently 'held' back and released creating a pulsing effect on traffic entering Wales.. Removal of this effect will result in more traffic reaching the 2 lane sections at Magor and the Brynglas tunnels quicker, with associated congestion.

Although that is primarily a network management issue for the SW Trunk Road Agency, it is likely to result in rat running on alternative routes impacting on the city's network. Increased use of the Steelworks Access Road, SDR and Chepstow Road is anticipated as the main alternatives motorists will seek to use. We know this with some confidence due to the regular effect on our network of congestion, road collisions and roadworks on the M4.

The tolls are a barrier to logistics companies (some firms spend £200k per annum in toll fees); therefore many logistics and distribution firms locate on the English side of the bridge. Removal of the tolls is likely to result in a review of location, with the potential relocation in and around Newport increasing the impact on local networks.

House prices in Bristol are relatively expensive; therefore removal of the tolls could increase the attractiveness of living on the Welsh side and commuting to Bristol. This presents an opportunity for Newport, especially locations with good motorway access east of the tunnels but it will attract significant additional car journeys.

Increased light and heavy vehicular usage will impact on the whole life of our highway assets and result in increased routine maintenance and associated revenue and capital investment.

Any additional traffic will be detrimental to air quality – particularly within the city’s existing AQMAs

Impact on public transport and Council services

Increased traffic on local roads will have a detrimental impact on journey time/reliability. It will also increase operating costs for public transport and council services that rely on road based delivery models. (The Welsh Assembly Enterprise and skills committee are undertaking an inquiry into the impact of congestion on bus services).

Consideration of additional resources or different delivery models may be required as mitigation.



Risk 09 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Risk Score	16	16	16	16
	Risk Rating	▲	▲	▲	▲

Jun 2018	
Risk - Direction of Risk	Direction
Unchanged.	→

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 09.01	In the long term, the successful delivery of the proposed M4 would have the potential to mitigate the effects of the toll removal through Newport.	In the long term, the successful delivery of the proposed M4 would have the potential to mitigate the effects of the toll removal through Newport
✓ Risk 09.03	Improved links to existing M4.	Newport are currently working with WG on improving transport links, congestion and journey times through the Junction 28, Forge Road and Tredegar Park roundabouts reconfiguration works.

Risk 10 - Climate Change

Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Streetscene The Deputy Leader and Cabinet Member for Assets and Member Development

Risk rating prior to mitigation

August 2017 - Medium (12). There are a number of risks within this document, each with an individual risk ranging from low to high. The average risk as a whole has been calculated as upper medium.

Risk	Description	Jun 2018	
		Identified	Links To
Risk 10 - Climate Change	<p>It is generally accepted that the effects of global warming will result in:</p> <ul style="list-style-type: none"> · All areas of the UK get warmer and the warming is greater in summer than in winter; · Little change in the amount of precipitation (rain, hail, snow etc) that falls annually but it is likely that more of it will fall in the winter with drier summers for much of the UK · Sea levels rise - more in the south of the UK than the North. 	Sep 2017	<ul style="list-style-type: none"> ▪ Civil Emergencies ▪ NCC Assets ▪ Severe Weather Emergency Plans ▪ Streetscene Service

Risk 10 - Description/Rationale

It is generally accepted that the effects of global warming will result in:

- All areas of the UK get warmer and the warming is greater in summer than in winter;
- Little change in the amount of precipitation (rain, hail, snow etc) that falls annually but it is likely that more of it will fall in the winter with drier summers for much of the UK
- Sea levels rise – more in the south of the UK than the North.

To tackle the challenge of climate change, Newport needs to act on two fronts;

- Prepare for the changes that are already happening because of the greenhouse gases which have already been released
- Reduce the greenhouse gases we emit through our operation by reducing and decarbonising our energy consumption

Preparing for the changes

Newport should consider how various climate change variables such as intense or prolonged rainfall; hotter temperatures and higher wind speed will impact on the type of highway assets that they manage and the likelihood of these events occurring. By doing this the greatest generic risks to network closure or restriction can be identified. These are likely to be;

- Flooding (pluvial, fluvial, groundwater and coastal)
- Snow
- Landslips
- Scour
- Wind damage
- Heat/ water and frost damage
- Disruption at interchanges with other transport modes such as rail and bus.
- Inadequate or over stretched resources to meet demand

Newport should review and apply the latest UK Climate Projections, as developed by the Met Office and Environment Agency, when assessing future risk and vulnerability. These projections for future changes to both average climatic conditions and also the frequency of extreme weather events, allow for an understanding of where risk levels may change, and the identification of new risks which may emerge as the climate changes. When applied alongside records of past incidents, and other information sources (such as flood maps), climate projections may also help to identify when and what action should be taken to adapt to the risks.

The locations where there is potential for these events to occur on the Network should be identified. This can be done using the highway asset inventory and records of past incidents of weather related damage or incidents such as flooding or landslips.

The local Flood Risk Management Plans should also be used to identify areas prone to flooding. Where possible, local knowledge should be used to validate the findings.

Decarbonising and reducing our energy consumption

The Environment (Wales) Act 2016 requires that Wales reduce its carbon emissions by 80% by 2050; at the time of writing the Welsh Government are consulting on the Public Sector being Carbon neutral by 2030 as well as how targets and budgets will be implemented from now until 2050.

In 2016/17 Newport City Council was responsible for the direct (scope 1 and 2) green house gas emissions of 17,224 Tonnes of CO₂eq from our electricity and gas supply alone. Although a significant improvement on previous years, with fleet vehicles adding to this total, the impact of the day to day operation of the council is substantial. Indirect emissions, such as from procurement of goods and services, waste and employee commuting may also be considered in the future. Achieving the required reduction will be a challenge, but there is considerable potential for improvement with the correct investment.

The need for a greener national electricity system is contributing towards increasing energy costs for consumers. The UK Government (BEIS) mid-range forecast predicts that prices will increase at circa 4% per annum until 2025. This represents a significant increase in the cost of electricity for Newport City Council if no reductions are made.

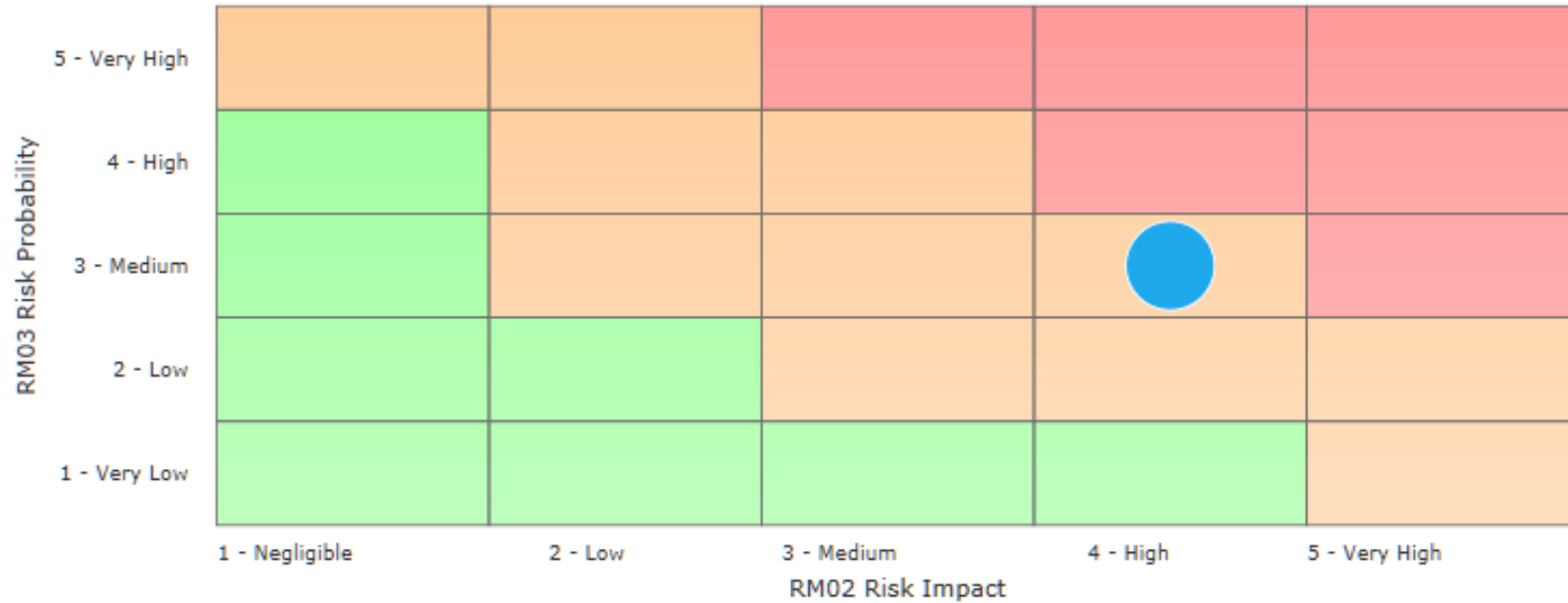
Newport City Council has limited renewable energy generation across our estate, increasing this significantly would be a major step towards meeting emission reduction targets. Potential locations for installations will be reviewed and options for implementation considered.

Some of the risks may have the potential to be reduced by mitigation action. Such action could range from improved routine inspection or maintenance regimes to major asset improvement or replacement works. Options for mitigating the greatest risks should be explored with a view to prioritising those measures that will provide the greatest return on investment in terms of reduced risk. These measures should be integrated with the asset management plan with an appropriate weighting.

Welsh Government are currently consulting on the national actions required to meet the upcoming carbon budgets and are putting forward some major actions for the public sector. The requirements on the Local Authority to take action are only going to increase as the national requirements to decarbonise increase, measures currently being consulted on include:

- 1) **The public sector to baseline, monitor and report progress towards carbon neutrality** (including scope 3 emissions)
- 2) **All new cars and light goods vehicles in the Public Sector fleet are ultra low emission by 2025 and where practicably possible, all heavy goods are ultra low emission by 2030**, and the toughest of all,
- 3) **Public Sector buildings are supplied with low-carbon heat by 2030**. Which means a move away from traditional gas heating.

It is likely that there will ultimately be additional carbon taxes or penalties for not achieving reductions.



Risk 10 - Assessment Date & Score						
Series						
		Risk Score		Risk Rating		
		Sep 2017	Dec 2017	Mar 2018	Jun 2018	
▶	RM01 Risk Rating	Risk Score	12	12	12	12
		Risk Rating	●	●	●	●

Jun 2018	
Risk - Direction of Risk	Direction
Unchanged.	➔

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 10.01	Produce and implement a Carbon Management and Implementation plan to set out a strategy, objectives and programme to reduce overall carbon emissions, provide investment opportunities and to mitigate against anticipated increases in energy supply costs.	Draft completed but not yet made final and published due to other priorities.
✓ Risk 10.02	Aim to get the best value for money from procurement of utilities through the National Procurement Service. Wherever possible purchase electricity backed by Renewable Energy Guarantee of Origin Certificates.	Electricity procurement contract recently renewed for 2 years including 100% renewable electricity.
✓ Risk 10.03	Undertake a full review of the Council's assets and their suitability for the application of renewable energy technologies to deliver Carbon and financial benefits.	<ul style="list-style-type: none"> - REW PV study completed - Renewable energy projects to be included in building energy efficiency programme - Potential Solar Farm feasibility underway
✓ Risk 10.04	Plan and deliver Sustainable Urban Drainage Systems (SuDS) - SuDS such as permeable surfaces, swales, wetlands and ponds can play an important role in managing local flood risk in urban areas since they replicate natural surface water drainage systems.	Consultation in respect to this item has now concluded. Schedule 3 of the Flood and Water Management Act (2010) officially comes into force on the 9 January 2019. Newport City Council is required to implement a SAB (SuDs Approval Body) by this time.
✓ Risk 10.05	Comprehensive and robust Adverse Weather Plans.	This risk item will involve a number of council officers. I would recommend that Alan Young and Martin Coombes are consulted from a highway management and civil contingencies perspectives.

	Planned Mitigation	Risk - Action Status/Control Strategy
<p>✓ Risk 10.06</p>	<p>Plan and deliver green infrastructure - green infrastructure (trees, parks, open space etc) is important because it can help to keep cities cool in the summer, provide drainage routes for surface water and provide pathways through the urban environment for biodiversity to migrate as the climate changes.</p>	<p>The Green Infrastructure of the authority is monitored and managed primarily through overarching plans, policies and guidance such as LANDmap, the Local Development Plan, the Biodiversity Action Plan, the Fields in trust Standards and the assessment of Accessible Natural Greenspace provision.</p> <p>Develop the criteria for the Special Landscape Areas.</p> <p>Gwent Levels Landscape Character Assessment and Green Infrastructure assessment through the Living Levels project.</p> <p>Comprehensive management and replacement programmes for trees and woodlands.</p>
<p>✓ Risk 10.07</p>	<p>Selection of road surfacing materials that have a higher resistance to heat damage and /or heat reflectivity. Increased preventative maintenance to seal surfaces to water ingress and arrest disintegration.</p>	<p>Newport will continue to review the performance of materials and promote timely intervention to secure the whole life of assets. Advances in materials and technology will be embraced where and when applicable.</p>
<p>✓ Risk 10.08</p>	<p>Maximise on available Welsh Government funding to improve the defence of the city against fluvial and coastal flooding.</p>	<p>There are opportunities to receive funding from Welsh Government for capital schemes. Correspondence in such matters should be made to floodcoastalrisk@gov.wales</p> <p>Using Welsh Government funding, Newport City Council (in 2017) implemented outline business cases for Pillgwenlly and Home Farm, Caerleon. Upon implementation of these business cases, the business cases advised a positive cost/benefit ratio, particularly regarding the Pill Scheme. These schemes should be considered and explored further for potential design and construction.</p>

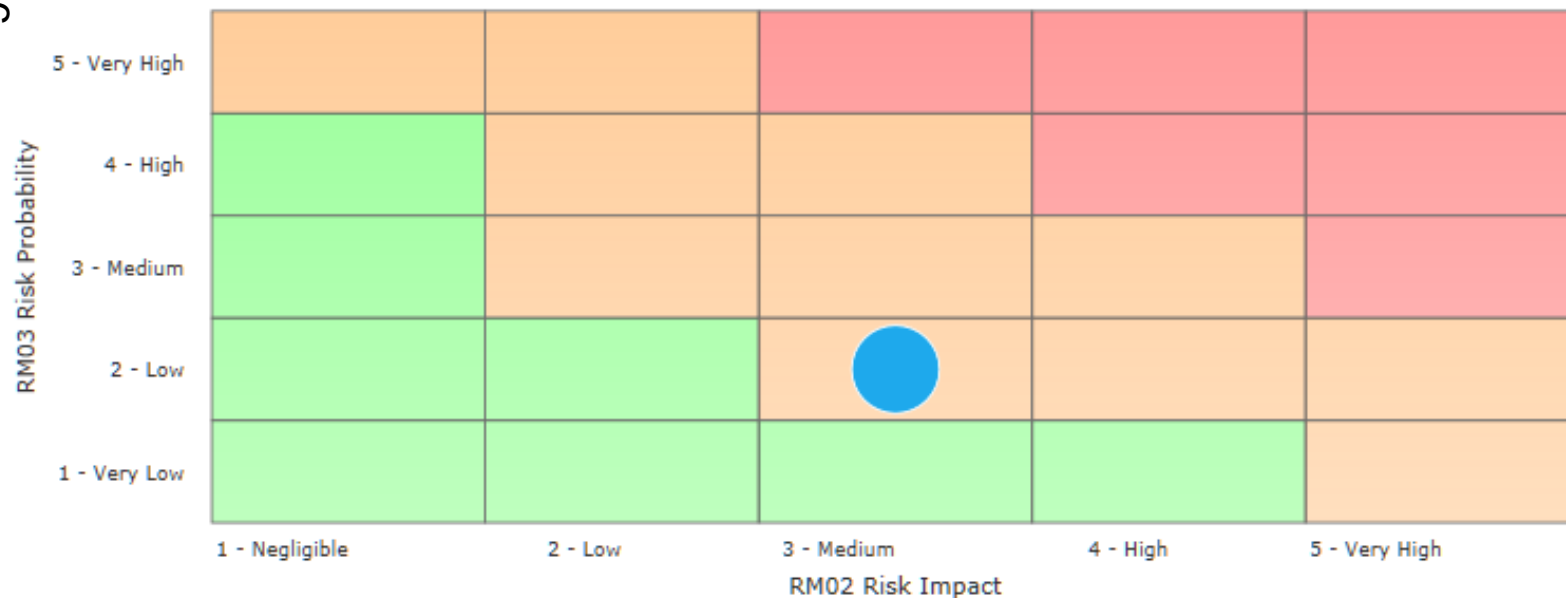
Risk II - Increasing Demands on IT Services and the Modernised Agenda

Responsible Officer: Strategic Director - Place
 Lead Cabinet Member: Cabinet Member for Community and Resources

Risk rating prior to mitigation

August 2017 - Medium (6)

Risk	Description	Jun 2018	
		Identified	Links To
Risk II - Increasing Demands on IT Services and the Modernised Agenda	Increased demand for IT services with a reducing budget poses a risk to the future development of IT infrastructure and the development and delivery of the modernised council agenda.	Sep 2017	<ul style="list-style-type: none"> Corporate Plan Modernised Council Agenda People and Business Change Service Plan



Risk 11 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Risk Score	6	6	6	6
	Risk Rating	●	●	●	●

Jun 2018	
Risk - Direction of Risk	Direction
Unchanged.	→

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
Page 67 ✓ Risk 11.01	Manage and develop effective IT services following transition to SRS by establishing strong retained client-side management arrangements, processes and procedures.	SRS Delivery Group meetings continue to manage planned work and projects as part of client side arrangements. Follow up session on SRS investment objectives planned. External review of IT/Digital service being commissioned to review SRS/Digital progress, identify strengths and weaknesses as well as identifying areas for future investment to enhance IT/Digital capabilities for the council.
✓ Risk 11.02	Development and implementation of digital by default by committing to move all transactional services online and fully digitising the back-office.	This is being managed on a strategic basis by the modernised Council Board chaired by the Chief Executive. This will feed in to the newly created Digital City Board. Successful roll out of online expenses system within the iTrent system.
✓ Risk 11.03	Monitoring of carefully considered data set to manage performance of the SRS arrangement/demand on services.	Performance measures for SRS are in place and monitored on a monthly basis. Performance of SRS provided to Scrutiny in April 2018. Monthly performance information provided by SRS reviewed at SRS Delivery Group and Digital Board. Dashboard created in MI Hub.

Risk 12 - Increasing Risk of Cyber Attack

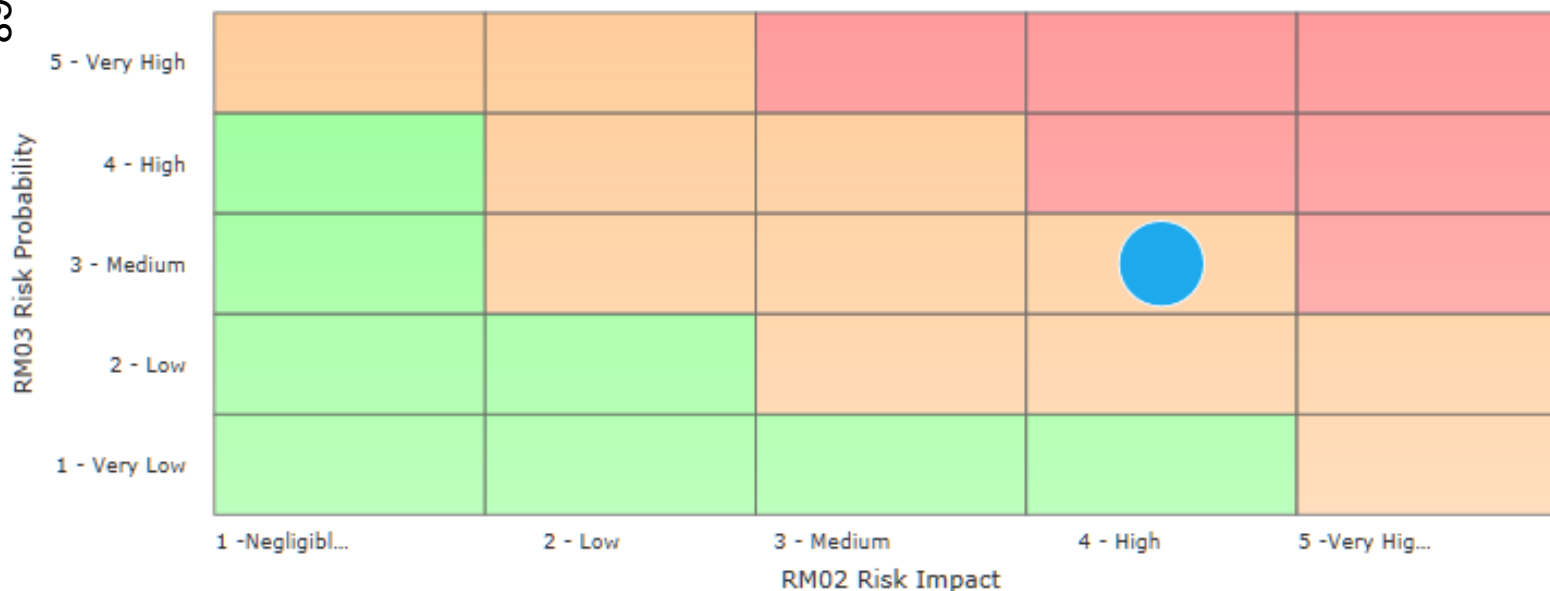
Responsible Officer Strategic Director - Place
 Lead Cabinet Member Cabinet Member for Community and Resources

Risk rating prior to mitigation

August 2017 - Medium (9)

Risk	Description	Jun 2018	
		Identified	Links To
Risk 12 - Increasing Risk of Cyber Attack	Risk of data loss, disaster recovery, impact of possible fines.	Sep 2017	<ul style="list-style-type: none"> Corporate Plan Modernised Council Agenda People and Business Change Service Plan

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Risk 12 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Risk Score	9	9	9	12
	Risk Rating	●	●	●	●

Jun 2018	
Risk - Direction of Risk	Direction
The threat of cyber attack has previously been based on the impacts of fraudulent and illegal activity. Recent Home Office advice suggests that there needs to be further consideration of cyber attack originating from another State or terrorist organisation. The risk has therefore been updated.	✘

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 12.01	Using and Securing Data in line with the council's Digital Strategy. Numerous information risk management activities including the role of the Information Governance Group, Senior Information Risk Owner (SIRO), and Annual Information Risk Report. Also managing compliance, information security incident management, training and awareness raising.	Most information risk management activities are carried out on an on-going basis. Scheduling issues with the IT Annual Health Check have impacted on PSN submission and remediation action plan. Remediation action plan prioritised for the IT Service, SRS and part way through resolving vulnerabilities. Reduced number of information security incidents during 17/18. Lessons are learned from incidents. Further improvements to business continuity arrangements are scheduled. The Information Governance Group, SIRO and information governance team manage information risk on behalf of the council.
✓ Risk 12.02	Working with SRS to implement Office 365, including cyber security suite.	On-going.

Risk 13 - Asset Management: Carriageways and Buildings

Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Streetscene The Deputy Leader and Cabinet Member for Assets and Member Development

Risk rating prior to mitigation

August 2017 - High (20)

Risk	Description	Jun 2018	
		Identified	Links To
Risk 13 - Asset Management: Carriageways and Buildings	This links to budget challenge and Government changes to financial settlement and grant funding. This refers to the council's ability to maintain assets in the short, medium and long term due to increasing budget pressures.	Sep 2017	<ul style="list-style-type: none"> ▪ Corporate Asset Management Plan 2018-2023 ▪ Corporate Property Strategy and Strategic Asset Management Plan 2013-2018 ▪ Streetscene Service Plan

Risk 13 - Description/Rationale

Carriageways

It is acknowledged throughout Wales that current funding levels fail to ensure a minimum of steady state in highway condition and untreated highway assets continue to deteriorate. Although Newport has proactively used its powers to fund highway condition improvements through prudential borrowing and has benefited from Welsh Government's Local Government Borrowing Initiative (LGBI), the cessation of the Welsh Government's Road Maintenance Grant has resulted in under investment into the city's carriageway asset stock since 2014/15.

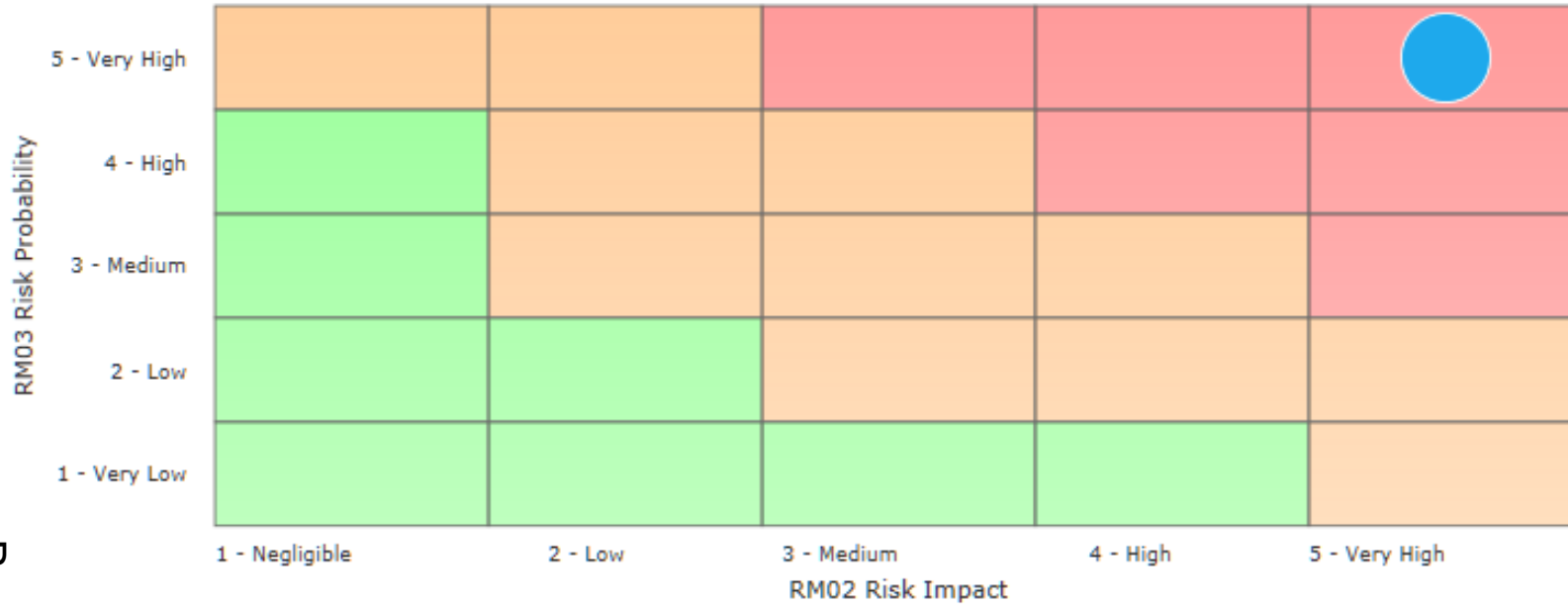
Carriageway condition is a Public Accountability Measure within the council's suite of performance indicators. using the Horizons asset management tool, highway condition can be forecasted for future years against differing levels of capital funding. Using a zero capital budget scenario, the condition evaluations are:

- Cost (over 5 year period) to bring the network up to standard (clear maintenance backlog) = £31.8M.
- Cost (over 5 year period) to keep the PIs PAM 020,021 and 022 at a steady state (maintain current network condition) = £13.4M.
- Gross replacement cost £646M.

Buildings

Newport City Council has a significant property estate, many of which have suffered from a lack of annual and cyclical repair, maintenance and investment. £1.5M is invested annually within the NCC estate from the Capital Maintenance Programme, however, this is not enabling a meaningful impact in reducing the maintenance backlog, which is estimated to be at a value of £50M (dated May 2017). NCC is investing its repair and maintenance programme at a rate of £105/m² which is particularly low compared to adjacent authorities and public sector organisations.

The majority of backlog is contained within building elements such as roofs, timber windows, boilers and electrical works. Based on a maintenance backlog estimate of £50M and assuming a £3M annual depreciation across the estate an investment of £8M per annum would be required.



Risk 13 - Assessment Date & Score					
Series					
		Risk Score		Risk Rating	
		Sep 2017	Dec 2017	Mar 2018	Jun 2018
▶ RM01 Risk Rating	Risk Score	20	20	25	25
	Risk Rating	▲	▲	▲	▲

Jun 2018	
Risk - Direction of Risk	Direction
Buildings - Pressure upon the Council's annual capital maintenance programme continues and this is being managed in-year by the Capital Strategy and Asset Management Group.	➔
Carriageways - despite mitigating actions in place the condition of carriageways continues to decline, this risk is now rated as very high.	

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 13.01	Carriageways – The limited capital investment has been implemented to maximise the safety, serviceability and sustainability of the highway asset. However, asset condition continues to decline.	Carriageways - Insufficient funding continues to impact of highway condition. Refinements in the way that highway authorities road condition is forecasted shows that current maintenance backlog for 2018/19 is predicted to be approximately £24m and is predicted to rise to £28m during 2022/23.
✓ Risk 13.02	Carriageways – Robust highway inspection and repair regimes mitigate the risk of 3rd party claims as a result of failure of duty to maintain the highway under Section 41 Highways Act.	Carriageways – Robust highway inspection and repair regimes mitigate the risk of 3rd party claims as a result of failure of duty to maintain the highway under Section 41 Highways Act.
✓ Risk 13.03	Carriageways – Support WLGA in its lobbying of Welsh Government for the reintroduction of funding through another round of LGBI.	Welsh Government have confirmed £1m one off grant for highway capital maintenance in 2018/19. Asset condition has been recalculated following this investment. However, although welcome, considering the level of maintenance backlog, little impact is anticipated on whole life of network
Page 73 ✓ Risk 13.04	Buildings – Condition surveys are being enhanced for 2017/18 and 2018/19 to better understand the entire estate, with a reduced commitment for each year thereafter for cyclical condition surveys and specialist surveys to accompany.	Buildings - Surveys throughout the estate continue and are being presented to Capital Strategy and Asset Management Group (CSAMG) for incorporation within the annual Capital Maintenance Programme.
✓ Risk 13.05	Buildings – A greater level of programming and prioritisation of the Capital Maintenance Programme for delivery to include life expectancy, building sufficiency and suitability, as well as backlog value.	Buildings - A prioritisation matrix based on a number of factors with proportionate weighting has been implemented for evaluation purposes and provides the Capital Strategy and Asset Management Group (CSAMG) with the intelligence to make informed decisions. CSAMG are regularly briefed at the meetings, and outside of meetings as determined by the level of priority.

Risk 14 - Recruitment and Retention of Specialist Professional Staff

Responsible Officer	Chief Executive
Lead Cabinet Member	Cabinet Member for Community and Resources

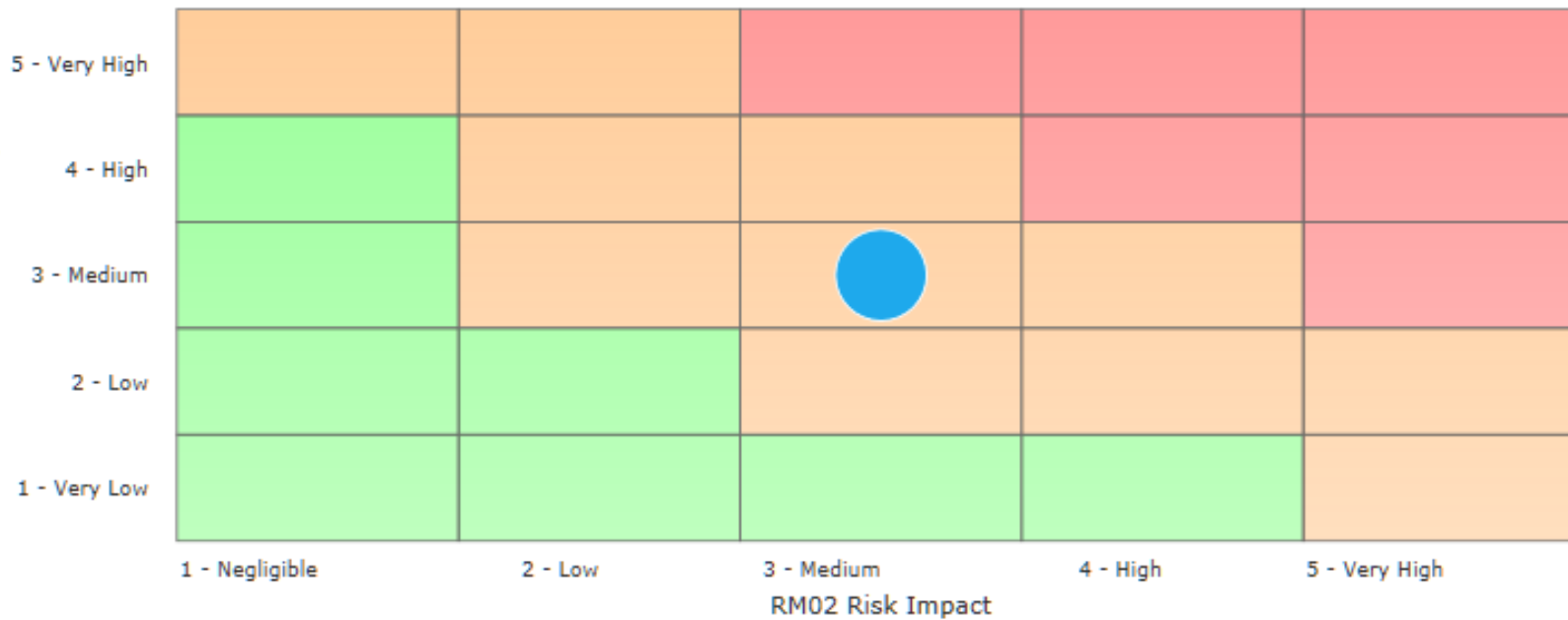
Risk rating prior to mitigation

August 2017 - Medium (12)

Risk	Description	Jun 2018	
		Identified	Links To
Risk 14 - Recruitment and Retention of Specialist Professional Staff	Resilience of council services and ability to retain specialist professional staff and attract new employees in a competitive market place.	Sep 2017	<ul style="list-style-type: none"> Corporate Plan

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RM03 Risk Probability



Risk 14 - Assessment Date & Score

Series

Risk Score Risk Rating

		Sep 2017	Dec 2017	Mar 2018	Jun 2018
RM01 Risk Rating	Risk Score	12	12	12	9
	Risk Rating	●	●	●	●

Jun 2018

Risk - Direction of Risk	Direction
Two pieces of work have completed since the last update; gender pay gap reporting and an equal pay audit, both of which report favourably in terms of the pay and employment of women in the Council. Whilst there remain specific difficulties in attracting key professions into the Council, this will remain a challenge in the geographical area with Cardiff and Bristol being equally commutable.	✔

Planned Mitigation

Jun 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
✔ Risk 14.01	Review of equal pay audit in March 2018 to ensure integrity of the Council's pay and grading system.	This action has been completed and the equal pay audit did not identify any key issues requiring attention.
✔ Risk 14.02	Effective succession planning practices demonstrated in key service areas where risk is perceived to be high.	Heads of Service will be required to effectively succession plan to ensure internal talent is being developed in order to successfully appoint to key positions when vacancies arise due to external progression. Heads of Service will need to work closely with their HR Business Partner to identify their individual risks and what development needs exist within their current workforce.

Appendix 2

How the Council Assesses Risk

An assessment of the likelihood and impact of risk is important to measure, compare and monitor risks to ensure efficient use of resources and effective decision making. This assessment is carried out using the risk matrix as described below.

Risk Assessment Matrix

A Corporate Risk Register will contain the high level risks for the whole authority. In order to differentiate between these high level risks a 5x5 risk assessment matrix will be applied. The matrix is shown below and further detail is included in appendix 3.

Risks are scored using the scoring system for probability and impact and assigned a rating based on the tolerances set out in the matrix below

Risk Scoring

Probability description	Score
Very Low probability	1
Low probability	2
Medium probability	3
High probability	4
Very high probability	5
Impact description	Score
Negligible	1
Low	2
Medium	3
High	4
Very High	5

Risk Matrix

Probability	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Impact				

Appendix 3

Impact Matrix

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						Health & Safety	Reputational
			Strategic	Operational	Financial	Resources	Governance			
1	Negligible	Low impact. Localised effect		Minor disturbance of non-key area of operations	Unplanned budgetary disturbance <£100k	Loss of asset/money with value >£2k			Reportable (non-serious) accident affecting one employee/member of public/service user	Isolated complaint(s)
2	Low	Low impact for organisation as a whole. Medium localised impact		Minor disruption of a key area of operations or more significant disruption to a non-key area of operations	Unplanned budgetary disturbance £100-£500k	Loss of asset/money with value £2-10k	Mild WAO criticism in report. Mild criticism from a legal/regulatory authority. Isolated fraud	Reportable (non-serious) accident affecting small number of employees/members of public/service users	Formal complaints from a section of stakeholders or an institution	
3	Medium	Medium impact for organisation as a whole	Noticeable constraint on achievement of a key strategic objective	Major disruption of a service area for a short period or more minor disruption of a service area for a prolonged period	Unplanned budgetary disturbance £500k-£2M	Loss of asset/money with value £10-50k	Adverse WAO report. Significant criticism from a legal/regulatory authority requiring a change of policy/procedures. Small-scale fraud relating to a number of people or more significant fraud relating to one person	Reportable (non-serious) accident(s) affecting a significant number of employees/members of public/service users or a serious injury to a single employee/member of public/service user	Formal complaints from a wide range of stakeholders (e.g. several institutions), adverse local press, complaint/s upheld by Ombudsman	

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						
			Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
4	High	High impact for organisation as a whole	Severe constraint on achievement of a key strategic objective	Major disruption of a service area for a prolonged period or major disruption of several service areas for a shorter period	Unplanned budgetary disturbance £2-5M	Loss of asset/money with value £50-100k	Qualified account. Severe criticism from WAO/legal/regulatory authority requiring major overhaul of policy/procedures, Significant fraud relating to several employees	Serious injury of several employees/members of public/service users	Significant loss of confidence amongst a key stakeholder group. Adverse national press
Page 78	Very High	Catastrophic	Failure of a key strategic objective	Major disruption of several key areas of operations for a prolonged period	Unplanned budgetary disturbance >£5M	Loss of asset/money with value >£100k	Severe service failure resulting in WAG intervention/special measures Widespread significant fraud	Death of employee(s)	Severe loss of confidence amongst several key stakeholder groups. Damning national press

Probability

Score	General Description	Definition
1	Very Low probability	2% chance of occurrence
2	Low probability	5% chance of occurrence
3	Medium probability	10% chance of occurrence
4	High probability	20% chance of occurrence
5	Very high probability	50% chance of occurrence

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Report



Audit Committee

Part 1

Date: 20 September 2018

Item No: 6

Subject **Audit and Adoption of the 2017-18 Statement of Accounts**

Purpose This report presents results of the external audit of the 2017-18 Statement of Accounts (Accounts), highlights the changes since they were initially published at the end of June 2018 and seeks their formal adoption as required by the Accounts and Audit (Wales) regulations 2014.

Author Assistant Head of Finance

Ward General

Summary The Accounts were published at the end of June 2018 by the Head of Finance and added to the Council's website at that time. The Accounts were available for public scrutiny, as required by the Accounts and Audit (Wales) regulations 2014, for a 20 working day period ending 10 August 2018.

Our auditors have reviewed the 2017/18 Statement of Accounts in detail, and a number of required changes have been identified. The Wales Audit Office's (WAO) accompanying report shows a summary of the agreed changes. Appendix A presents the revised Accounts which members are invited to review and subsequently approve in accordance with the Council's standing orders. Representatives from the WAO and finance staff will be available to clarify any points arising from the audit changes and the content of the Accounts as required.

Proposal Committee is recommended:

- To review the content of the 2017/18 Accounts and the WAO's Financial Statements (ISA260) report on the 2017/18 Accounts and comment as appropriate.
- To authorise the Chairman to adopt the Accounts 2017/18, in accordance with the Accounts and Audit (Wales) regulations 2014.

Action by Assistant Head of Finance – publish final accounts on Council website;

Timetable Immediate

This report was prepared after consultation with:

- Monitoring Officer

Background

The Accounts were prepared in accordance with the Code of Practice on Local Authority Accounting in the UK published by CIPFA for 2017/18.

The Accounts includes the statutory “Annual Governance Statement” providing a summary of the system of internal control operating within the Council for the year to 31 March 2018. This Statement includes actions to address any identified risks.

The Council was required by the Accounts and Audit (Wales) regulations 2014, to complete and publish its Accounts by 30 June 2018. After this date they were available for inspection for a period of 20 working days.

The Head of Finance signed the draft set of accounts on 21st June 2018, which were presented to Audit Committee on the same day. They were published on the website by the deadline of 30 June 2018. The complete accounts were available for public scrutiny between 16th July and 10th August 2017.

The Council received no requests to review the Accounts from the public during the public scrutiny period.

Following a number of vast improvements in previous years to both the quality of the draft accounts and working papers, officers carried out a lessons learned review of the closedown process following 2016/17 to further these improvements.

One of the main developments that was achieved following the lessons learned review was the closer collaboration with WAO in completing and reviewing important areas of the accounts before the draft stage. This allowed for sign off of some of the notes and statements prior to the full year-end audit, therefore saving time and amendments following the draft stage. Areas that were looked at early include

- Sample expenditure and income testing of months one to ten were carried before year end was completed.
- Agreement of Accumulated Absence provision
- Some testing on the Officer Remuneration note was undertaken
- Work on capital additions and disposals that had taken place through the year

There are still a number of areas that need to be looked at early in the year, but the above shows a stepped change in the way we work and change this will be even more important when early closure becomes a reality.

While there were a number of amendments made to the accounts following audit, no changes were made to the reported outturn or reserves held by the Council. There has also been a quality assurance exercise of the financial statements prior to presentation at this audit committee.

It is acknowledged that WAO have highlighted a number of issues within their ISA260 report, which will be reviewed by the Council and actions put in place to ensure that procedures and processes are put in place to address the issues raised.

WAO Financial Statements Report

The WAO's report confirms that they have completed the majority of their work and are happy to provide an unqualified opinion and that the accounting statements give a **true and fair view** of the

financial position of the Authority and have been properly accounted for in accordance with the Code.

The report further details the agreed changes applied to the Statement of Accounts from the original publication through to completion of the audit review. The majority of these related to presentational changes, disclosure notes, some amendments to lines across the comprehensive income and expenditure account, corrections of classification in the nature of expenses note and items relating to Property, Plant and Equipment, all of which had no impact on the bottom line of the accounts.

There is only one uncorrected misstatement included in the ISA260 report which is discussed further below. This is the same misstatement which was included in the ISA260 report in 2016/17.

Value of Newport Transport Ltd. depot understated by £376,000

The statement of accounts for the Group is based on the consolidation of Newport City Councils and Newport Transport Ltd single entity accounts. The value of the asset that has been consolidated into the Group accounts is that which is included in the Newport Transport Ltd accounts. Due to the accounting treatment used by Newport Transport Ltd and those required to be used as per the accounting policy for the group, there is a small difference in the valuation that is recorded as per the latest valuation undertaken by Newport Transport.

Due to the small value and the complex nature of the transactions that would need to be put through the accounts it has been decided we will not make an adjustment for this.

Financial Summary:

There are no direct financial implications arising from this report. The approved Accounts will provide the basis for future financial planning.

Risks:

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Failure to approve and publish the accounts before the 30 Sept deadline increases the risk of qualification, and increases reputational external perception risks.	M	L	The Council works with its Auditors to ensure the Accounts are prepared and suitably reflect the financial position of the authority	Assistant/Head of Finance

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Effective financial management is essential if an organisation is to achieve its stated objectives.

Options Considered/Available

Approve the modified Statement of Accounts for 2017/18

Reject updated Statement of Accounts which would have impact on meeting statutory deadline.

Preferred choice and reasons

That the Accounts are approved given they have been audited and all material issues have been corrected, as needed.

Comments of Chief Financial Officer

For the preparation of the 2017/18 Statement of Accounts there has been a significant improvement in the processes and working papers provided to audit which is highlighted in the WAO 'Audit of Financial Statements' Report.

The accounts show a true and fair view, and the uncorrected misstatements highlighted in the ISA260 report are not of a material value or nature, and therefore it is recommended the accounts are approved.

Officers will need to continue to improve processes through collaboration with WAO to meet earlier closing deadlines which will be implemented from financial year ending 31st March 2019.

Comments of Monitoring Officer

Audit Committee are required to approve and sign off the modified Statement of Accounts for 2017/18 before 30th September in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2014. This function has been delegated by full Council to the Audit Committee.

Staffing Implications-: Comments of Head of People and Business Change

There are no staffing implications arising from the report

Background Papers

Draft Statement of Accounts 2017/18

Revised Statement of Accounts (Attached)

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Statement of Accounts

2017/18



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Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

Introduction

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

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

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

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

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

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

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

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

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

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

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

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

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

REVIEW OF THE YEAR

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

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

(1) The Council’s financial outturn position

Revenue

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

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

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

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

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

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

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

Capital

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

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

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The most significant capital expenditure during the year related to:

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

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

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

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

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

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

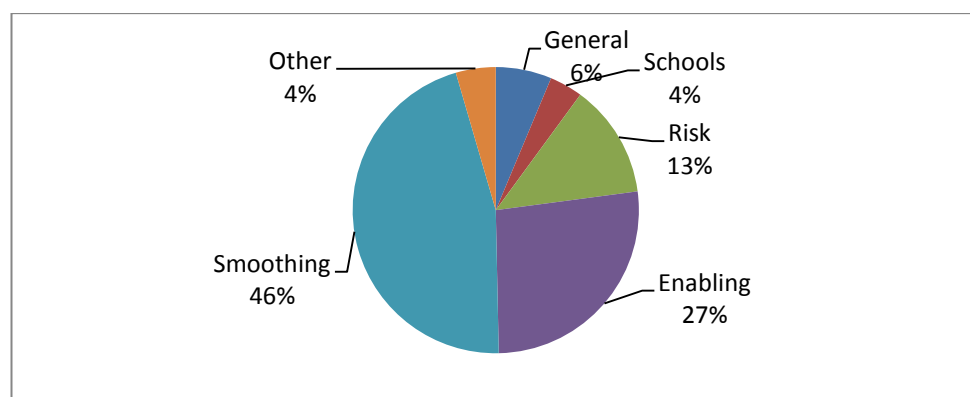
Usable reserves

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

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

The reserves as at 31/3/2018 provide

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

Unusable reserves

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

Impact of Pension Deficit on Reserves

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

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

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

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

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

Provisions

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

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

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

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

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

Contingencies

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

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

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

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

Balance Sheet - Debtors & Borrowing (Friars Walk)

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

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

(3) Material Assets/Liabilities

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

(4) Future Changes to Accounting Policies

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

(5) Non-Financial Performance

The Council's Improvement Plan

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

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

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

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

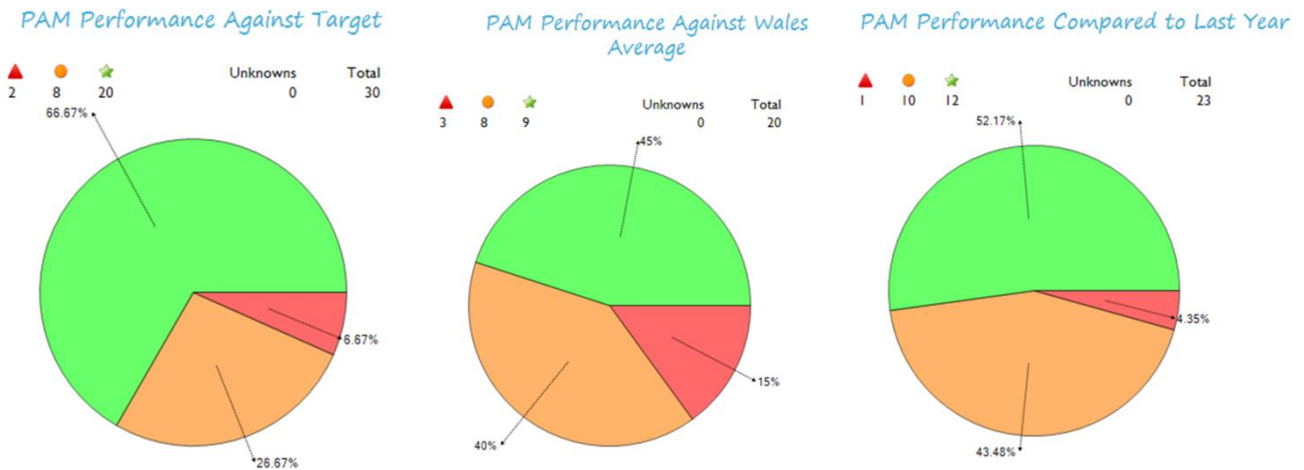
The Council has been able to demonstrate that with the increasing budget challenges and demand pressures it continues to deliver good services to the public and in a number of cases are showing improvements. This is evidenced in the Public Accountability Measures below.

Public Accountability Measures (PAM)

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

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

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



FUTURE DEVELOPMENTS – LOOK FORWARD

(1) Financial Resilience

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

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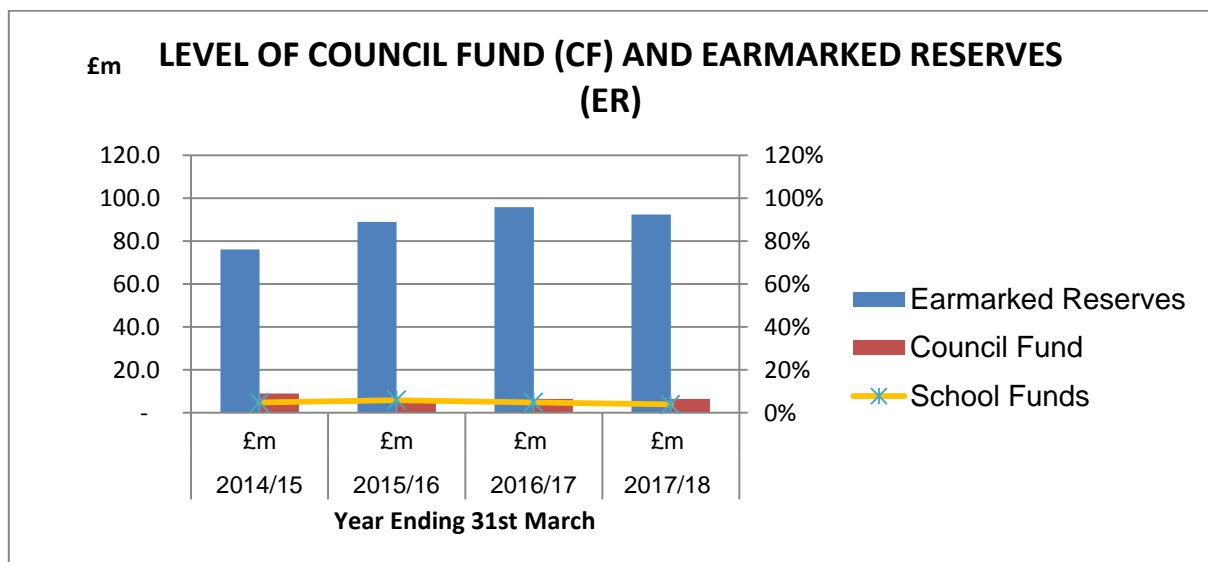
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Education Needs (SEN) Out of County Places. There were also pressures within StreetScene and underlying issues still remain with deliverability of savings in that area. Furthermore, new 2018/19 budget savings remains a key area of risk to be monitored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

Level of Reserves

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

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



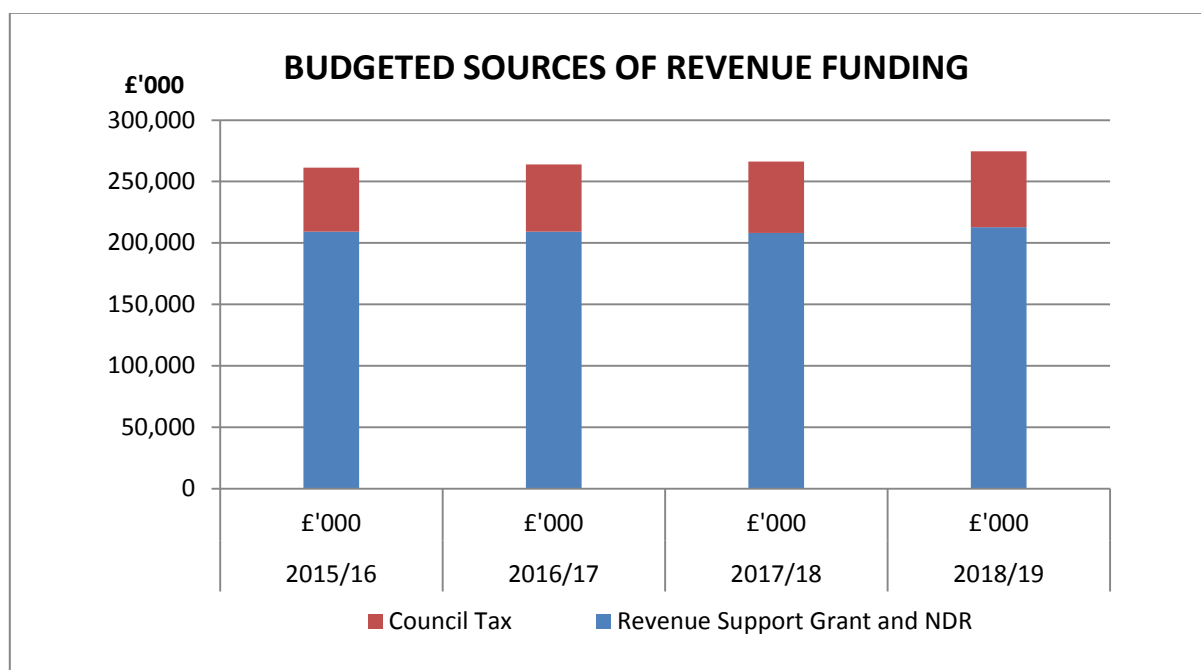
Sources of Funding

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

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

(2) Medium Term Financial Plan (MTFP)

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

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

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

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

These will represent a budget challenge on the MTFP.

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

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

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

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

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

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

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

Risk

Head of Finance Narrative Report for the Statement of Accounts

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

Table 1. Corporate Risk Register as at 23rd May 2018

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

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

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

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

CONCLUSION

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

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

Statement of Responsibility for the Statement of Accounts

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Newport City Council

The Council's Responsibilities

The Council is required to:

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

The Head of Finance's Responsibility

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

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

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

The Head of Finance has also:

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

Head of Finance Certificate

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

What is Corporate Governance?

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

What does 'Good' Corporate Governance look like?

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

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

What this statement will tell you

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

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

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

1 Scope of Responsibility

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

2 The Purpose of the Governance Framework

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

3 The Governance Framework

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

Overarching requirements for acting in the public interest

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

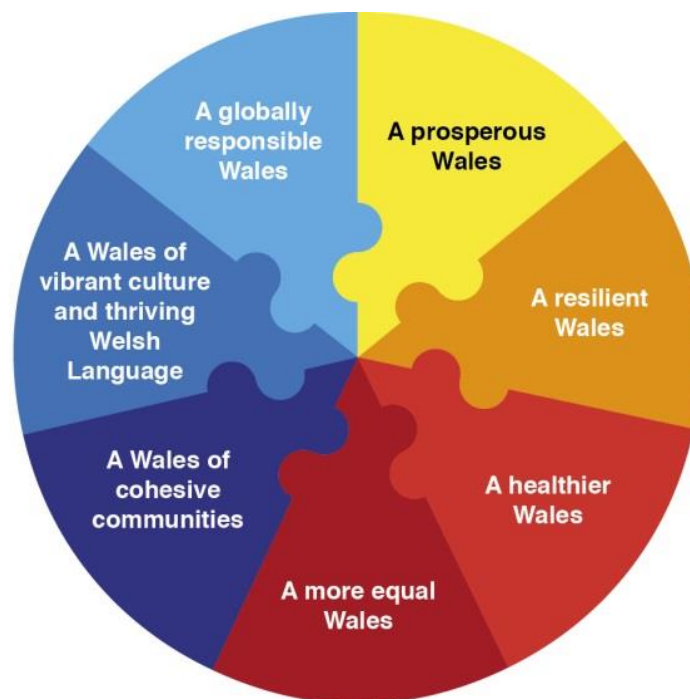
Achieving good governance in the public sector also requires effective arrangements for:

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

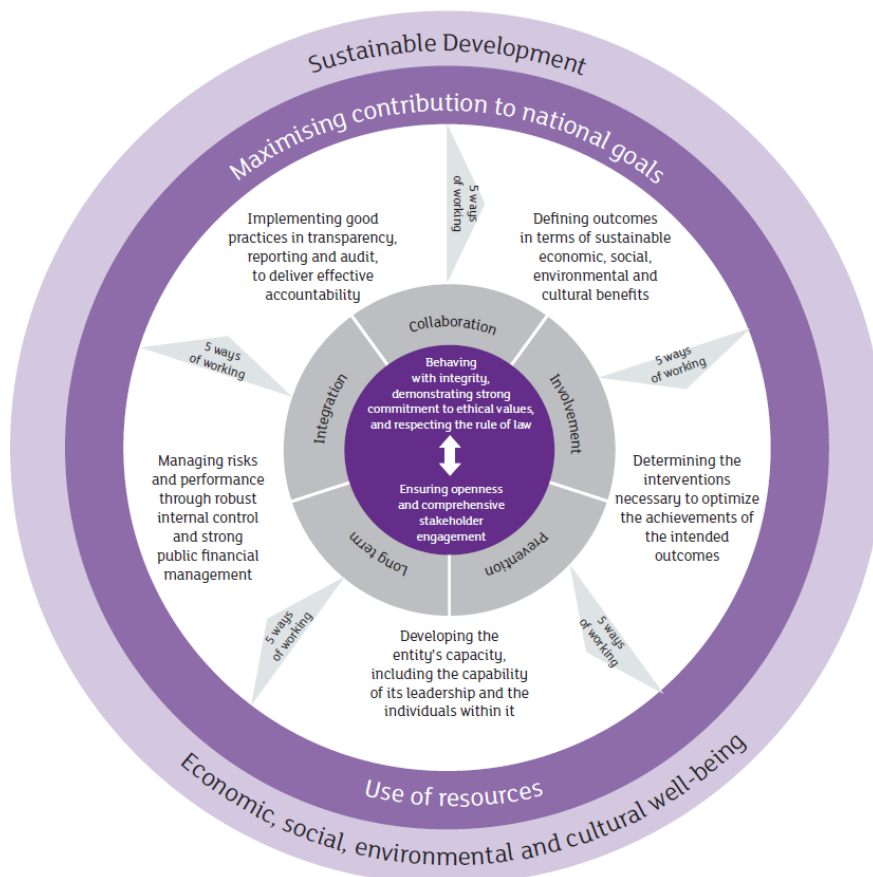
Wellbeing of Future Generations (Wales) Act 2015

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

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



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



The Three Lines of Defence in effective Risk Management and Control

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

By defining these sources into three categories:

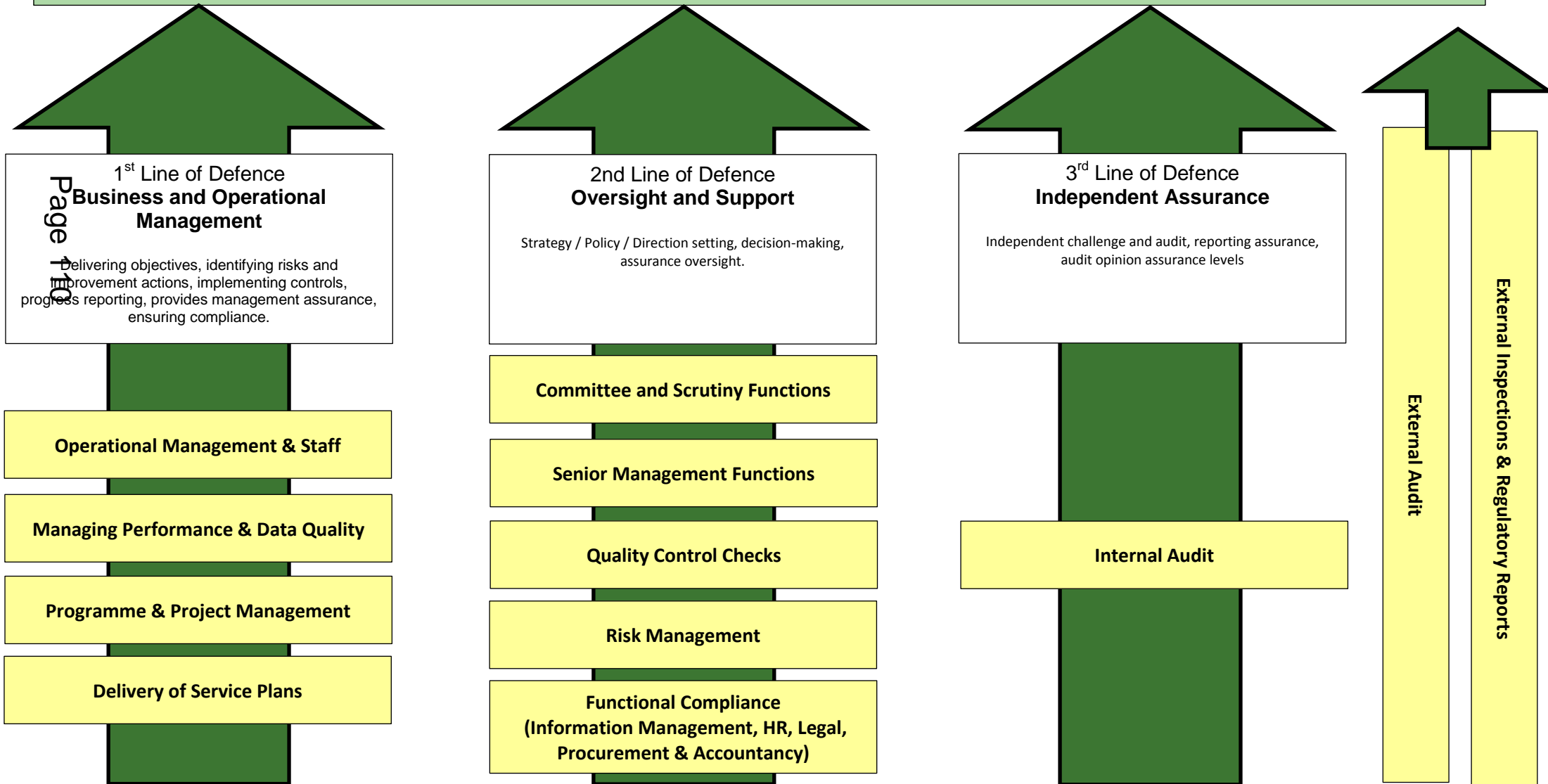
- First Line - functions that own and manage risks e.g. management and supervisory controls;
- Second Line - functions that oversee risks e.g. Governance structures and processes such as Scrutiny Committees and;
- Third Line - functions that provide independent assurance on the management of risks e.g.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

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

Annual Governance Statement (AGS)

Audit Committee
(AGS Approval Committee)

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



Corporate Plan

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

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

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

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

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

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

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

BE COURAGEOUS

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

BE POSITIVE

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

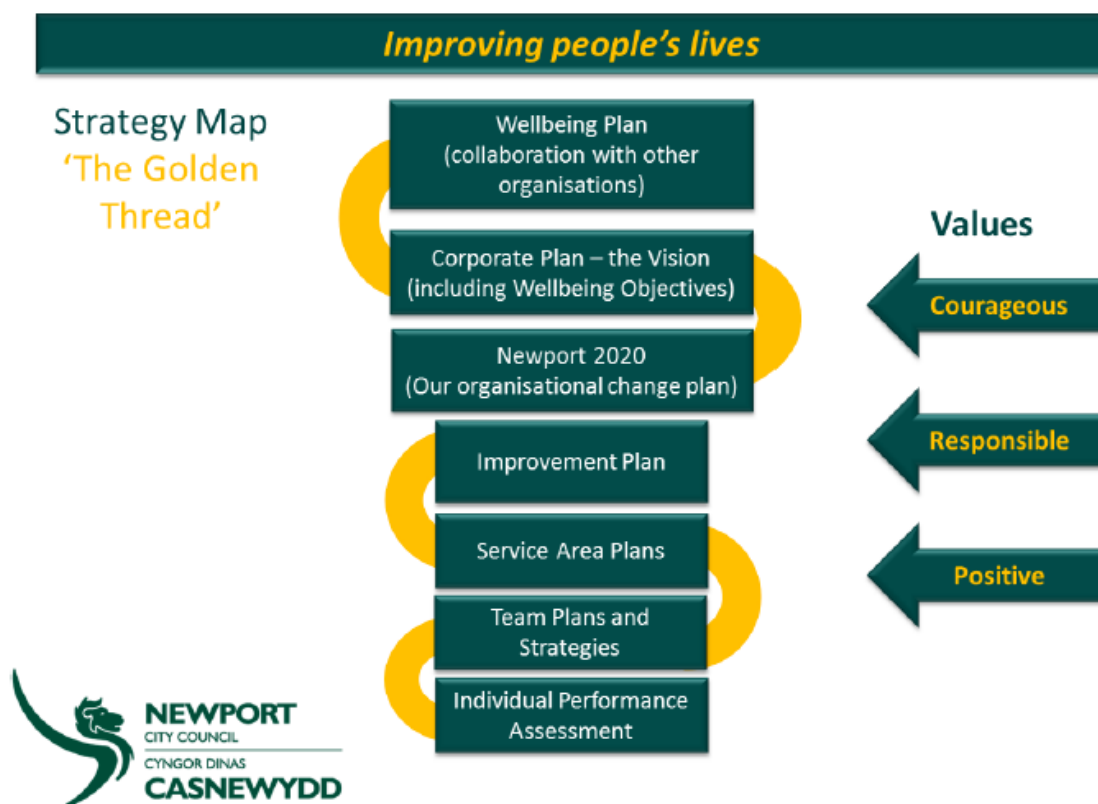
BE RESPONSIBLE

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



Delivering the Corporate Plan

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



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

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

Monitoring the Corporate Plan

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

ONE Newport Public Service Board

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

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

Risk Management Strategy

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

Decision Making Process

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

Scrutiny Committees

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

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

Audit Committee

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

Internal Audit

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

External Audit & Regulatory Bodies

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

The Ethical Governance Framework

3.54 The ethical governance framework includes:

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

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

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

Information Management & Data Protection

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

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

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

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

Human Resources

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

Safeguarding

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

4 Review of Effectiveness

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

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

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

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

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

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

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

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

Annual Governance Statement

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Newport City Council

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

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

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

6 Principle B: Ensuring openness and comprehensive stakeholder engagement

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

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

School Reorganisation Programme

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

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

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

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

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

- 7.4 The One Newport Local Service Board Single Integrated Plan annual report for 2016/17 was taken to the Public Services Board in June 2017. Progress against the Single Integrated Plan 2017/18 was presented quarterly to the Public Services Board, and also to Scrutiny Committee.
- 7.5 The 2016-2018 Improvement Plan was agreed by Cabinet in April 2016 which stated the 8 improvement objectives and included feedback from scrutiny committee consultation. These are linked to the themes in the Corporate Plan 2012-2017 and are centred around the sustainable economic, social and environmental benefits.
- 7.6 In September 2016 Cabinet received a year-end review outlining the progress made in 2016/17 towards delivery of the current Improvement Plan. It was noted that overall progress was assessed as being “good”, with most improvement objectives performing well. In particular, excellent progress had been made against Objective 2, “ensuring people have the right social services to meet their needs”. The report also highlighted that this was the sixth consecutive year where the number of informal (stage 1) complaints had decreased since the recording process began in 2011. The overall assessment of progress towards achieving the Improvement Objectives set out in the plan was classed as ‘Green – Good.’
- 7.7 In October 2017 Cabinet received a progress report to Q1 on the Improvement Plan 2016-2018; the overall assessment for Q1, of progress towards achieving the Improvement Objectives set out in the plan is classed as ‘Green – Good.’ meaning that good progress is being made overall. Three objectives were rated as ‘Amber – Acceptable’ in quarter 1 and action was to be taken to ensure underperforming measures were addressed in quarter 2. As part of the new scrutiny structure and accountability arrangements in place, for the first time this report had been presented to the Scrutiny Committees for consideration before Cabinet.
- 7.8 In January 2018 Cabinet received a progress report to Q2 on the Improvement Plan 2016-2018; the overall assessment for Q2, of progress towards achieving the Improvement Objectives set out in the plan is classed as ‘Green – Good.’ meaning that good progress is being made overall. Two objectives improved from ‘Amber – Acceptable’ in quarter 1 to ‘Green – Good’ in Q2:
- Ensuring people have the right social service to meet their needs
 - Ensuring people have access to suitable accommodation
- However, one measure IP8 ‘Improving outcomes for youth justice’ remained as ‘Amber – Acceptable’ and reasons were provided for this. Although this was being managed, Members recognised the additional pressure this had caused for the service.
- 7.9 In April 2018 Cabinet received a progress report to Q3 on the Improvement Plan 2016-2018; the overall assessment of progress towards achieving the Improvement Objectives set out in the plan is classed as ‘Green – Good.’ IP8 ‘Improving outcomes for youth justice’ remained as Amber – acceptable. Good progress was being made overall.
- 7.10 The Wales Audit Office issued the Council with Certificate of Compliance following an audit of the Council’s Improvement Plan 2016 - 2018 which went to Cabinet in November 2017, confirming the Council had discharged its duties under section 15 (6) to (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

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

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

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

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

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

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

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

* The Ombudsman upheld 1 complaint in part

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

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

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

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

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

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

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

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

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

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

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

Risk Management

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

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

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

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

Information Governance

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

Financial Stewardship

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

Procurement Gateway Process

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

Thresholds:

- 10.28 Up to £4,000 it is necessary only to demonstrate and record that value for money is being achieved.
- 10.29 From £4,000 to £25,000, requirements should either be sought through the 'Quick Quote' section on www.sell2wales.gov.uk or openly advertised on www.sell2wales.gov.uk.
- 10.30 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.
- 10.31 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

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

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

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

12 Action Plan

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

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

Annual Governance Statement

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

13 Conclusion

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

Signed:Date..... 2018

Leader

Signed:Date..... 2018

Chief Executive

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

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Newport City Council; and
- Newport City Council Group

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

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

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

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

In my opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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Other information

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

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

Report on other requirements

Opinion on other matters

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

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

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

24 Cathedral Road
Cardiff
CF11 9LJ

Expenditure and Funding Analysis

Statement of Accounts 2017/18

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. Corporate Services includes the service areas Directorate, Finance, People and Business Change and Law and Regulation.

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

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

Comprehensive Income and Expenditure Statement

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

Movements in Reserves Statement

Statement of Accounts 2017/18

Newport City Council

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund (surplus) / deficit before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

Balance Sheet

Statement of Accounts 2017/18

Newport City Council

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

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

Cash Flow Statement

Statement of Accounts 2017/18

Newport City Council

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

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

Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

1 ACCOUNTING POLICIES

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

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

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

Discontinued Operations

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

Exceptional Items

Notes to the Statement of Accounts

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Newport City Council

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

Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

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

Employee Benefits

Benefits Payable during Employment

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

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

Termination Benefits

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

Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

Service Costs

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

Notes to the Statement of Accounts

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- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- **net interest on the net defined benefit liability (asset)** - the net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements

- **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

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

Discretionary Benefits

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

Full pensions details are included in Notes 40 and 41.

Events after the Balance Sheet Date

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

Government Grants and Contributions

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

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

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

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

Museum Collection

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

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

Library Collection

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

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

Tredegar House – Property and Contents

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

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

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

Public Art and Features

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

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

Archaeology

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

Heritage Assets – General

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

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

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Interest in Companies and Other Entities

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

Inventories and Long Term Contracts

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

Investment Property

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

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

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

Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overhead and Support Service

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

Property, Plant and Equipment

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

Recognition

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

Measurement

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

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

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

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

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

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

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

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

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

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

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Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

Componentisation

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

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

Non-current Assets Held for Sale and Disposals

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

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

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

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

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

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

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Private Finance Initiative (PFI)

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

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

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

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

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

Provisions

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

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

Contingent Assets / Liabilities

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

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

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

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Reserves

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

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

Earmarked Reserves:

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

Unusable Reserves

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Value Added Tax (VAT)

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

Carbon Reduction Commitment Allowances

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

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

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

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

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

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

4 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

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

6 MATERIAL ITEMS OF INCOME AND EXPENSE

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

Notes to the Statement of Accounts

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7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

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

Adjustments for Capital Purposes

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

Net Changes for Pension adjustments

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

Adjustments for Accumulated Absences

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

Other Differences

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

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8 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

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

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

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9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2017/18

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

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

639 - (639)

Adjustments primarily involving the Pensions Reserve:

(20,172) - 20,172

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)

(34,812) - 34,812

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

14,640 - (14,640)

Adjustment primarily involving the Accumulated Absences Account:

(541) - 541

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

(541) - 541

TOTAL ADJUSTMENTS

(19,994) 2,841 17,153

2016/17 Comparative figures

	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	(7,024)	-	7,024
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	(21,858)	-	21,858
Charges for depreciation and impairment of non-current assets	(28,261)	-	28,261
Revaluation losses on Property Plant and Equipment	(3,836)	-	3,836
Movements in the market value of Investment Properties	(727)	-	727
Capital grants and contributions applied	17,529	-	(17,529)
Revenue expenditure funded from capital under statute	(5,459)	-	5,459
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,104)	-	1,104
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)

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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
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:	(792)	-	792
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(792)	-	792
TOTAL ADJUSTMENTS	(16,364)	(3,683)	20,047

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10 TRANSFERS TO/FROM EARMARKED RESERVES

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

	Movements between Reserves		Via Comprehensive I&E Account		Balance at 31-Mar-18
	Balance at 31-Mar-17	Transfers Out	Transfers In	Transfers Out	
	£'000	£'000	£'000	£'000	£'000
Council Fund	(6,500)	-	-	-	(6,500)
Balances held by schools for future use	(4,831)	-	-	974	(3,857)
Earmarked Reserves:					
Risk Reserves					
Insurance Reserve	(1,706)	-	-	682	(1,594)
MMI Insurance Reserve	(602)	-	-	-	(602)
Legal Claims	-	-	-	-	-
Health & Safety	(16)	-	-	-	(16)
Music Service	(167)	-	-	43	(124)
Council Tax Reduction	-	-	-	-	-
Education Achievement Service	(92)	-	-	-	(92)
Schools Redundancies	(708)	-	-	-	(708)
Friars Walk	(9,985)	-	-	2,642	(8,405)
European Funding I2A & CFW	(79)	-	-	6	(173)
Metro Bus	(9)	-	-	-	(9)
Pay Reserve	(1,418)	-	-	-	(1,418)
GEMS Redundancies	-	-	-	-	(78)
Enabling Reserves					
Capital Expenditure	(5,817)	-	-	80	(5,761)
School Works	(545)	-	-	208	(347)
School Reserve Other	(1,100)	-	-	176	(924)
Investment Reserve	(1,500)	-	-	534	(966)
Invest to Save	(11,050)	-	-	1,493	(9,557)
Super Connected Cities	(670)	-	-	128	(554)
Landfill Reserve	(345)	-	-	-	(345)
Christmas Lights	(15)	-	-	15	-
Usable Capital Receipts	(11,742)	-	-	4,865	(8,901)
Streetscene Manager Support	-	-	-	-	(200)
Smoothing Reserves					
STEP School Computers	(473)	-	-	116	(357)
Municipal Elections	(154)	-	-	100	(54)
Local Development Plan	(572)	-	-	-	(599)
Glan Usk PFI	(1,499)	-	-	-	(1,605)
Southern Distributor Road PFI	(44,515)	-	-	-	(44,515)
Building Control	-	-	-	-	(48)
Other Reserves					
Works of art	(21)	-	-	-	(21)

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

Key Reserves to note are:

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

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11 OTHER OPERATING EXPENDITURE

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

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

13 TAXATION AND NON SPECIFIC GRANT INCOME

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

National Non-Domestic Rates (NNDR)

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

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

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

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Local Taxation

Council Tax Collection

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

Council Tax Requirement

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

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

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

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

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	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	10.00	-	18,975	27,356	-
Re-classifications	13,171	-	-	9	484	(14,610)	(946)	-
Revaluations	(1,924)	-	-	-	1,335	-	(589)	-
Impairments	(7,530)	-	(118.00)	-	-	-	(7,648)	-
Disposals	(11)	(555)	-	-	(648.00)	-	(1,214)	-
At 31 March 2017	322,557	34,858	211,556	592	7,509	17,442	594,514	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	304,484	12,441	151,055	592	7,509	17,442	493,523	52,839

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

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Capital Commitments

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

Capital Commitments

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

Revaluations

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

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

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Newport City Council

Fair Value Measurement of Surplus Assets

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

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

Comparative figures as at 31 March 2017 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 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

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

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

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

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

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

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15 HERITAGE ASSETS

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

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

	Museum Collection £'000	Tredegar House & Park £'000	Public Art & Features £'000	Archaeology £'000	Total Heritage Assets £'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

Further information on the collections held

Museum Collection

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

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

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

Library Local Studies Collection

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

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

Tredegar House & Park

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

Public Arts & Fixtures

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

Archaeology

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

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

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

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

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

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

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16 INVESTMENT PROPERTIES

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

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

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

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

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

Fair Value Measurement of Investment Property

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

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

Comparative figures as at 31 March 2017 were:

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<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	19	393	412
Commercial units/Land	1,740	8,244	9,984
Total	1,759	8,637	10,396

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

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

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

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

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

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

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

17 FINANCIAL INSTRUMENTS

a) Financial Instruments – Classifications

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Unquoted equity investments held at cost, comprising:

- Equity investments in Newport Transport Ltd

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b) Financial Instruments – Balances

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

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

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

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

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c) Financial Instruments – Gains and Losses

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

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

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 2018, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local Council loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity at 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

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

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

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

18 INVENTORIES

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

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

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Newport City Council

19 SHORT TERM DEBTORS

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

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

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

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

20 CASH AND CASH EQUIVALENTS

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

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

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

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

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21 ASSETS HELD FOR SALE

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

22 SHORT TERM CREDITORS

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

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

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23 PROVISIONS

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

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

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

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Newport City Council

24 USABLE RESERVES

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

25 UNUSABLE RESERVES

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

Revaluation Reserve

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

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

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

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

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Capital Adjustment Account

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

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

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Financial Instruments Adjustment Account

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

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

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

Deferred Capital Receipts Reserve

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

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

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Pensions Reserve

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

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

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

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

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

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26 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

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

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

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

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

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

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28 CASH FLOW STATEMENT - FINANCING ACTIVITIES

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

29 MEMBERS' ALLOWANCES AND EXPENSES

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

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

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

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30 OFFICER REMUNERATION

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

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

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

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Election Returning Officer Fees

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

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

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

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

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

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

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

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

31 EXTERNAL AUDIT COSTS

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

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

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32 GRANTS INCOME

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

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

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

Education Contributions		
Gwent Music	9	46
Other	1,620	1,922
Education Donations	870	761

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

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

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

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

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33 RELATED PARTIES

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

Welsh Government

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

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

Members

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

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

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

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

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

Officers

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

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

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

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

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

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Council

Newport Transport Ltd

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

Newport Norse

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

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34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

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35 LEASES

Council as Lessee

Finance Leases

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

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

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

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

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

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

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Operating Leases

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

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

Council as Lessor

Finance Leases

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

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

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

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

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Newport City Council

Operating Leases

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

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

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

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

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

Tredegar House Lease

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

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

36 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Southern Distributor Road PFI Scheme

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

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

Property Plant and Equipment

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

Payments

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

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

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

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

Glan Usk Primary School

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

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

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

Property Plant and Equipment

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

Payments

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

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

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

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

37 IMPAIRMENT LOSSES

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

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

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

38 CAPITALISATION OF BORROWING COSTS

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

39 TERMINATION BENEFITS

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

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40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

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

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

41 DEFINED BENEFITS PENSIONS SCHEMES

Participation in Pension Scheme

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

The Council participates in two post-employment schemes:

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

Transactions Relating to Post-employment Benefits

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

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

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

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Assets and Liabilities in Relation to Retirement Benefits

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

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

Reconciliation of fair value of the scheme assets:

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

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

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

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

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

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

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

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

Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit Risk

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

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

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

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

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

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

Notes to the Statement of Accounts

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Newport City Council

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

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

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

Liquidity Risk

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

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

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

Market Risk

Interest Rate Risk

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

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

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

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

Notes to the Statement of Accounts

Statement of Accounts 2017/18

Newport City Council

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

Price Risk

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

Foreign Exchange Risk

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

43 CONTINGENT LIABILITIES

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

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

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

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

Notes to the Statement of Accounts

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Newport City Council

44 CONTINGENT ASSETS

No contingent assets were identified at 31 March 2018.

45 LIMITED COMPANIES

The South East Wales Education Achievement Service Ltd

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

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

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

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

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

Notes to the Statement of Accounts

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Newport City Council

Newport Transport Ltd

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

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

Newport Norse

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

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

Notes to the Statement of Accounts

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Newport City Council

46 POOLED BUDGETS

The Council has entered into two pooled budget arrangements:

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

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

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

Notes to the Statement of Accounts

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

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

47 JOINT VENTURES

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

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

The Council has six such joint arrangements:

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

Notes to the Statement of Accounts

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Newport City Council

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

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

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Newport City Council

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

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

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Newport City Council

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

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

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

Notes to the Statement of Accounts

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Newport City Council

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

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

48 TRUST FUNDS AND THIRD PARTY ASSETS

Details of trusts are as follows:

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

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

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

INTRODUCTION

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

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

ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

Basis of Consolidation

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

Accounting policies

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

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

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

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

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

GROUP BALANCE SHEET AS AT 31 MARCH 2018

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

GROUP MOVEMENTS IN RESERVE STATEMENT FOR YEAR ENDING 31 MARCH 2018

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

GROUP CASH FLOW STATEMENT FOR YEAR ENDING 31 MARCH 2018

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

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

1 REMUNERATION

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

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

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

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

2 RELATED PARTY DISCLOSURE

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

3 EXTERNAL AUDIT COSTS

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

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

4 LEASES

Operating leases

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

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

Finance Leases

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

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

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

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

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

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

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5 PENSIONS

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

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

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

Statement

Reversal of net charges made to the Surplus or

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

25,638	455	305	35,131	(319)	222
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Actual amount charged against the Council

Fund Balance for pensions in the year

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

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

Assets and Liabilities in Relation to Retirement

Benefits

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

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

Reconciliation of Scheme Assets

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

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

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6 PROPERTY, PLANT & EQUIPMENT

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

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2016/17	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000	PFI Assets within PPE £'000
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	2,121	1,128	10	-	19,006	27,394	-
Re-classification	13,171	-	-	9	484	(14,610)	(946)	-
Revaluations	(1,924)	-	-	-	1,335	-	(589)	-
Impairments	(7,530)	-	(118)	-	-	-	(7,648)	-
Disposals	(11)	(1,423)	-	-	(648)	-	(2,082)	-
At 31 March 2017	323,946	47,121	211,556	592	7,509	17,607	608,331	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	305,269	17,048	151,055	592	7,509	17,607	499,080	52,839

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7 FINANCIAL INSTRUMENTS

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

8 LONG TERM CREDITORS

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

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

9 DEBTORS

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

10 CREDITORS

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

11 CASH AND CASH EQUIVALENTS

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

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

12 PROVISIONS

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

13 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

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

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

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

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

14 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

15 CASH FLOW STATEMENT - FINANCING ACTIVITIES

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

16 TAXATION

Newport Transport Tax Liability is as follows:

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

Factors affecting tax charge for the year

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

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

GLOSSARY OF TERMS

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

Glossary of Accounting Related Terminology

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Newport City Council

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

Glossary of Accounting Related Terminology

Statement of Accounts 2017/18

Newport City Council

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

Glossary of Accounting Related Terminology

Statement of Accounts 2017/18

Newport City Council

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

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

- **Liabilities**

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

- **Materiality**

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

- **Minimum Revenue Provision (MRP)**

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

- **Precept**

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

- **Premiums**

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

- **Prior Period Adjustments**

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

- **Private Finance Initiative (PFI)**

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

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

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

- **Related Parties**

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

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

- **Reporting Standards**

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

Glossary of Accounting Related Terminology

Statement of Accounts 2017/18

Newport City Council

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

- **Revaluation Reserve**

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

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

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

- **Treasury Management**

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

- **Trust Funds**

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

- **Unsupported (Prudential) Borrowing**

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

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

Statement of Accounts 201718

Newport City Council

Further information about the Statement of Accounts is available from:

Head of Finance
Civic Centre
Newport
South Wales
NP20 4UR

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



Newport Norse is a Joint Venture between
Newport City Council, Norse Commercial
Services and NPS Property Consultants

BRIEFING NOTE

SUBJECT: Michaelston Y Fedw Village Hall
FROM: Head of Regeneration, Investment and Housing
DATE: 5 September 2018

1. PURPOSE OF THE NOTE

To outline the reasons for taking a decision to grant a lease of the above premises, under urgent action procedure.

2. BACKGROUND

The subject premises is owned freehold by the Council but has been subject, for many years, to a lease to the local Village Hall Committee (“the Lessee”). The arrangement has worked well, in that the premises is used for a range of community activities, all delivered at no cost to the Council.

Key events in the timeline to this matter are set out below.

17 September 2013 – The then current lease expired by effluxion of time. The Lessee continued to utilise the premises, “holding over” on the terms of the previous lease. The parties were unable to agree terms for a new lease, especially those relating to maintenance of the premises.

20 November 2017 – It was confirmed that Welsh Government funding available for installation of high-speed Broadband to improve services to the wider community. Plan of proposed Broadband equipment and cabling tabled. No indication of programme provided.

17 January 2018 – Following technical and legal reviews, it was noted that the existing tenure was inappropriate for the proposed Broadband installation works. The Lessee requested that the Council grants a new (amended) lease.

24 January 2018 – The Lessee changes details of the proposed infrastructure works. Norse, on behalf of the Council, outlines indicative terms, which would cover the requirements, to the Lessee.

25 January 2018 – Norse officer, on behalf of the Council, meet the Committee to discuss terms for a new lease. The Committee was prepared to accept all terms proposed but would proceed only if the lease contained a right for it to purchase the premises, at full value, in the first 5 years.

The Committee indicated it has committed to the new Broadband contract and could delay deciding the location of the services no later than 12 February. The strong preference was to locate infrastructure within the premises but this required the new lease.

30 January 2018 – Norse provided detailed Heads of Terms for a new lease. These were subject to formal instructions from the Council. Instructions requested from the Council.

6 February 2018 – The Lessee indicates its decision date for the location of the infrastructure has been brought forward to 9 February. The Lessee indicated however, that it might take a view and proceed at risk, in order to ensure the infrastructure improvements are delivered.

7 February 2018 – Head of Law and Regulation asked to confirm procedural requirements under the Council's constitution.

14 February 2018 – Head of Law and Regulation advises. As the lease will contain a binding right to purchase the freehold, a formal Cabinet Member decision to proceed is required. He highlighted the urgent decision making process, available under the constitution.

Cabinet Member briefed.

The Lessee continues to press for progress due to works being undertaken at their risk.

Legal officers asked to prepare draft lease, pending decision by Council.

15 February 2018 – First draft of urgent action report prepared.

28 February 2018 – The Lessee expresses concern that the lease is not concluded and work is underway. Update provided for the latest Committee Meeting.

22 March 2018 – Formal decision to grant new lease, incorporating revised terms, taken by the Cabinet Member.

9 April 2018 – New lease completed.

3. COMMENT

Installation of the high-speed Broadband infrastructure improved services to the wider community. Funding for the works however, was available within a specific time window. Completing the new lease was required to properly manage the installation works and therefore the lease process needed to be concluded as a matter of urgency. There was insufficient time for any prior consultation or post-decision call-in period.

4. RECOMMENDATION

That the Committee notes the content of this note.

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Newport City Council and Newport City Council Group**

Audit year: 2017-18

Date issued: September 2018

Document reference: 808A2018-19

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work comprised Anthony Veale, Gareth Lucey and Ramim Khan.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some matters to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Newport City Council (the Council) and Newport City Council Group (the Group) at 31 March 2018 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Council and the Group is £4.641 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity. For example, we adopt lower materiality levels for the audit of officers' remuneration and related party disclosures
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Council and the Group, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2018 prior to the agreed deadline of 30 June 2018 and have now substantially completed the audit work.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Head of Finance and Assistant Head of Finance.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 10 We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.

Value of Newport Transport Ltd. depot understated by £434,000

The Newport City Council Group (the Group) accounts contain land and buildings relating to both the Council and Newport Transport Ltd. The Group accounting policy for land and buildings states that such assets are to be revalued at least every five years.

However, Newport Transport Ltd. apply a different accounting policy where land and buildings are recorded at historical cost at the time of purchase or acquisition, less accumulated depreciation and impairments. These assets are not revalued.

Consequently, the accounting policy followed by Newport Transport Ltd. is not aligned with the accounting policy of the Group. Newport Transport Ltd. only has one significant land and building asset recorded in its balance sheet – the Newport Transport bus depot. This has been included in the Group accounts at a net book value which is £434,000 below that provided by an external valuer in 2015.

Therefore, according to the Group accounting policy for property, plant and equipment, the value of the bus depot is understated by £434,000.

Given the low value involved and the many accounting entries that would result, management have decided not to correct this item. Management will liaise with Newport Transport Ltd. to determine how this issue can be resolved for the Group accounts in future years.

Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**

We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures are unbiased, fair and clear.

- **We did not encounter any significant difficulties during the audit.**

We generally received information in a timely and helpful manner and were not restricted in our work. However, we have not received declaration of interest forms for eight Council Members as part of our review of related party disclosures in the financial statements. We have obtained other information to provide assurance over the completeness of these disclosures this year.

In this report we have outlined the future requirements for the submission and audit of the financial statements, for your attention.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2017-18 financial audit work

- 13 The recommendations arising from our financial audit work will be reported separately in a Financial Accounts Memorandum, which we expect to present to the Audit Committee in November 2018. We will follow up progress on recommendations during next year's audit. Where any recommendations are outstanding, we will report them to you in next year's report.

Independence and objectivity

- 14 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 15 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Council or the Group that we consider to bear on our objectivity and independence.

Future accounts and audit deadlines

- 16 Under the Accounts and Audit (Wales) (Amendments) Regulations 2018, the Council and the Auditor General are required to meet earlier statutory financial reporting deadlines from 2018-19 onwards. Under the amended regulations the new deadlines are due to change in stages towards 2020-21. **Exhibit 1** sets out the new dates.

Exhibit 1: changes to financial reporting deadlines in future years

Annual financial statements	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Council and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 onwards	31 May 2021	31 July 2021

- 17 This year the Audit Committee received draft financial statements on 21 June and audited financial statements on 20 September. For the 2018-19 financial year, these Committee dates will need to be brought forward to incorporate the revised statutory deadlines above.
- 18 The draft 2017-18 financial statements were presented for audit in late June, at a similar time to the 2016-17 year. After submitting the statements for audit, Council officers engaged with us well throughout the audit, helping us to substantially complete our audit work in August this year (compared to September last year).
- 19 Further work by the Council and ourselves is required to achieve the deadlines outlined through to 2020-21 and beyond. For example, there were issues and delays in the production of the Group accounts this year which resulted in a number of audit adjustments. Similarly, we have identified further aspects of our work which we can schedule for completion during our interim audit phase.
- 20 This coming autumn we will continue to work closely with officers to identify and implement further improvements to the preparation and audit of the 2018-19 financial statements, to ensure that we work in partnership in meeting these challenging deadlines.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

20 September 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Newport City Council and Newport City Council Group for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-18; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:

- all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Newport City Council and Newport City Council Group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

There are no material differences between the accounting policies of Newport City Council and Newport City Council Group.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

Value of Newport Transport Ltd. depot understated by £434,000

The statement of accounts for the Group are based on the consolidation of Newport City Council's and Newport Transport Ltd.'s single entity accounts. The value of the asset that has been consolidated into the Group accounts is that which is included in the Newport Transport Ltd. accounts. Due to the accounting treatment used by Newport Transport Ltd. and those required to be used as per the accounting policy for the group, there is a small difference in the valuation that is recorded as per the latest valuation undertaken by Newport Transport Ltd.

Due to the small value and the complex nature of the transactions that would need to be put through the accounts it has been decided we will not make an adjustment for this.

Representations by the Audit Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the company maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 20 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Meirion Rushworth
Head of Finance/Section 151 Officer

Date: 20 September 2018

Signed by:

John Baker
Chair of Audit Committee

Date: 20 September 2018

Appendix 2

Proposed audit report of the Auditor General to Newport City Council

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Newport City Council; and
- Newport City Council Group

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

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

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

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

In my opinion the financial statements:

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

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including

the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

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

statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of Newport City Council

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

There are no corrections that affect the Council's General Fund balance.

Exhibit 2: corrections to the financial statements which do not affect the General Fund

Value of correction	Nature of correction	Reason for correction
£3.1 million increase in gross income within the Comprehensive Income and Expenditure Statement (CIES).	To accurately record income following the transfer of a school to Council ownership.	Jubilee Park Primary School was transferred to Council ownership during 2017-18 via a Section 106 agreement. The Council correctly valued this asset once transferred but recorded the corresponding increase in asset value as a revaluation gain, rather than income (as required by the CIPFA Code). This correction reduces the 'deficit on provision of services' by £3.1 million but under statute, asset transfers are not recorded against the General Fund.
£1.3 million increase in gross expenditure within the CIES.	To recognise the impairment of assets brought into operational use.	The Council recently created new public open space in the city centre. In last year's final accounts memorandum, we recommended that this asset be revalued from its carrying value of £1.3 million (as required by the CIPFA Code) as the space had been brought into use. This asset was subsequently revalued in July 2018 to a value of £1. This correction increases the 'deficit on provision of services' by £1.3 million but under statute, asset impairments are not charged against the General Fund.

Exhibit 3: corrections relating to presentational/disclosure matters only

Area of correction	Nature of correction	Reason for correction
<p>Note 8 (Expenditure and Income Analysed by Nature): Classification of income and expenditure.</p>	<p>To correctly classify income and expenditure within Note 8.</p>	<p>Our audit identified four separate classification errors in this note:</p> <ul style="list-style-type: none"> • £5.8 million of 'employee benefits' classified as 'other services expenditure'; • £2.0 million of 'government grant income' incorrectly classified throughout the note; and • £1.0 million of 'fees and charges' and 'investment income' and 'other service expenditure' classified as 'loss on disposal of assets'. <p>Changes have been made to correctly classify the income and expenditure in this note for 2017-18, as well as restate the 2016-17 entries where applicable.</p>
<p>Note 14 (Property, Plant and Equipment): Disclosure of capital commitments.</p>	<p>To accurately disclose capital commitments.</p>	<p>Our audit identified that total capital commitments were understated by £475,000. The total commitment has therefore been amended to £4.7 million.</p>
<p>Note 29 (Members' Allowances and Expenses): Amendment of total allowances and expenses paid.</p>	<p>To accurately report Members' allowances and expenses in Note 29.</p>	<p>Our audit identified that total allowances and expenses paid in the financial year was overstated by £149,111, due to an error within supporting working papers. The correct total of £917,356 is now disclosed in the Note.</p>
<p>Note 30 (Officer Remuneration): Amendment of Council disclosures on senior employees and exit packages.</p>	<p>To present this disclosure in line with the Accounts & Audit Regulations (Wales) 2014.</p>	<p>Our audit identified a number of presentational amendments required throughout the disclosures in this note. Amendments have now been processed, and consequently we are satisfied that this disclosure now complies with the Regulations and the CIPFA Code.</p>

Area of correction	Nature of correction	Reason for correction
<p>Note 35 (Leases): Overstatement of operating leases as a lessor.</p>	<p>To accurately reflect operating leases as a lessor within Note 35.</p>	<p>Our audit identified two separate misstatements in this note, leading to future minimum lease payments due being overstated by £14.0 million. The disclosure has now been amended, with £10.9 million of these payments being correctly reclassified as relating to a finance lease.</p>
<p>Note 42 (Financial Instruments): Amendment of loan maturities.</p>	<p>To correctly disclose the loan maturity table in the 'liquidity risk' section.</p>	<p>Our audit identified that £30.0 million of loans (while correctly classified in the Balance Sheet) had been incorrectly classified as due in less than one year in Note 42, when they fall due in more than five years. The table has now been amended to correctly reflect the maturity of the Council's borrowings, ensuring that this separate disclosure note agrees with the amounts included in the Balance Sheet.</p>
<p>Cardiff Capital Region City Deal (CCRCD): Inclusion of the Council's share of this Joint Committee.</p>	<p>To accurately incorporate the Council's share of this Joint Committee in the accounts.</p>	<p>The Joint Committee for the CCRCD was established in 2017-18. Initial expectations across the ten local authorities involved was that each Council's share of the Joint Committee would not be material and therefore the Council opted not to consolidate in 2017-18, in line with its accounting policy. On receipt of the draft CCRCD 2017-18 accounts, it was evident that the Council would need to incorporate its share of this Joint Committee into its own accounts due to the values attributable to the Council and those of the Council's other joint and wholly owned entities. The Council's share of this Joint Committee has now been included within the final version of the accounts, reducing the 'deficit on provision of services' in the CIES by £2.4 million.</p>
<p>Group Accounts: Various amendments required.</p>	<p>To ensure that the Group accounts are presented in line with the CIPFA Code.</p>	<p>Following a detailed review, our audit identified a number of required amendments to the accounts of Newport City Council Group. These amendments have now been incorporated in the final version of the 2017-18 Group accounts.</p>

Area of correction	Nature of correction	Reason for correction
Various: Other presentational changes to supporting notes.	To ensure that all disclosures are accurately presented.	A number of other narrative, presentational and minor amendments were made to supporting notes throughout the final financial statements.

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Report

Audit Committee

Part 1

Date: 20 September 2018

Item No: 10

Subject Internal Audit – Progress against audit plan 2018/19 Quarter 1

Purpose To inform Members of the Council's Audit Committee of the Internal Audit Section's progress against the 2018/19 agreed audit plan for the first 3 months of the year and for information on audit opinions given to date and progress against key performance targets.

Author Chief Internal Auditor

Ward General

Summary The attached report identifies that the Internal Audit Section is making good progress against the 2018/19 audit plan and internal performance indicators.

Proposal 1) The report be noted by the Council's Audit Committee

Action by The Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change

Signed

Background

1. This report aims to inform Members of the Audit Committee of progress of work undertaken by the Internal Audit Section of the Council against the agreed audit plan. Progress against the audit plan for the first 3 months of the year will be reported.
2. The report gives Members assurance (or otherwise) on the adequacy of the internal control environment operated within the Council by providing the audit opinions on work undertaken at the end of Q1.

Internal Audit Staffing

3. The team currently operates with an establishment of 8 audit staff. At the start of the year there were 8 audit staff in the team.
4. In order to take account of the budget savings contribution and the delayering exercise required by senior management following the job evaluation exercise, the Internal Audit team was restructured in 2016/17.
5. The relationship with Monmouthshire County Council (for sharing of the Chief Internal Auditor) continues.

Audit Plan

6. The Public Sector Internal Audit Standards (PSIAS) (IIA) came into force from April 2013 (updated March 2017) which the team needs to ensure it is compliant with as it carries out work in line with the Audit Plan. These standards replace the former Code of Practice for Internal Audit within Local Government (CIPFA).
7. A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option of a peer review in order to meet the requirements of this external assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Newport's peer review took place in 2017/18; the outcome being that the team is generally compliant with the Standards; this is the highest standard of compliance.
8. The 2018/19 Draft Audit Plan was agreed by the Audit Committee on the 28th March 2018 with the Final being approved on the 24th May 2018.

Performance

9. The Audit Section's performance is measured against planned work, which incorporates externalities like special investigations, financial advice and financial regulations training. Where actual time taken for the review exceeds planned time there will be an impact on the audit plan. Ad-hoc reviews requested by management cannot be planned for but will have an immediate impact on the achievement of the audit plan; we will endeavour to minimise these throughout the year. The section has been involved with minimal special investigations so far this year but if this increases significantly it could have an impact on this year's achievement of the audit plan; so far there have been no unplanned reviews.
10. The section's performance is measured against performance indicators set and agreed by the Welsh Chief Auditors' Group. Performance against these indicators is reported to the Audit

Committee on a quarterly basis; the targets for each of the indicators are set internally by the Chief Internal Auditor.

11. The performance for Quarter 1 2018/19 is summarised below with the detail shown at **Appendix A**:
 - a. 20% of the audit plan has been achieved so far which is higher than the profiled target of 10%;
 - b. The promptness of issuing draft reports (comparing timescale between finalising all fieldwork and issuing the draft report to management) averages at 3 days which is well below the target time of 10 days;
 - c. The promptness of report finalisation (comparing timescale from meeting with client to discuss issues raised in the draft report to issue of finalised report to management) averages 2 days which is within the target time of 5 days.
12. Coverage of the plan at this stage of the year is above expectations; the target being 10% for Quarter 1. The team has had very little involvement with special investigations. Although performance may dip throughout the year, historically things have picked up in the final quarter; this year will depend on sufficient audit resources being available to complete the audit plan. All key financial systems will be reviewed by the year end.
13. 19 (16) days have been spent finalising 17 (14) 2017/18 audit reviews; all of which have now been finalised.
14. A vacancy / secondment provision was taken into account in the planning stage which related to the Chief Internal Auditor's work with Monmouthshire.
15. Inevitably there will be some overruns on reviews undertaken within the team which may result in not as many reviews being undertaken as were planned for the year, but there has been a significant improvement in this over previous years.
16. From time to time the team does get involved with non-planned audit work which often results in special investigations.

Quality Control

17. On completion of all audit reviews, an evaluation questionnaire is sent out to the service manager with the final report. This gives the manager who has been audited an opportunity to comment on the audit review itself, confirming (or not) that it was of benefit to their service and that the main risks had been covered; the staff, their approach, constructiveness and helpfulness; the report, covering the benefits of discussing the draft report, whether the balance was right via the inclusion of strengths and weaknesses, whether management comments were correctly reflected and if the report format was easy to follow. These questionnaires are returned in confidence to the Chief Internal Auditor who will assess the comments and address any criticisms. Generally, there has been positive feedback from service managers via these questionnaires; this will continue to be collated throughout the year and fed into the annual audit report for 2018/19.

Financial Training

18. In the Audit Section's continued efforts to ensure that Council's assets are safeguarded and to provide assurance to management that their internal controls are robust, further training

specifically on financial regulations and contract standing orders is offered to all service areas. An overview of financial management is also part of the Corporate Induction Programme and the course is also available on a self-nomination basis, quarterly, as part of the Corporate Training Programme. Feedback from staff who have attended courses has been positive. During this year the financial training is continuing to be targeted to areas of previous poor performance, in line with the agreed protocol for dissemination of good practice.

19. The training programmes will continue throughout the year; 3 sessions have been delivered up to the end of Q1 to 56 delegates.

Audit Opinions 2018/19

20. Audit opinions issued so far in 2018/19 are shown at **Appendix B**. Definition of audit opinions currently given is shown at **Appendix D**.
21. 6 jobs completed to at least draft report stage by 30 June 2018 warranted an audit opinion: 6 x *Reasonable with no Unsatisfactory or Unsound*. In addition 2 grant claim audits have been undertaken during the year; both were *Unqualified*. Other work completed related to the Annual Governance Statement, provision of financial advice and training (**Appendix C**).
22. The audit opinion relates to the adequacy of internal controls within the system or establishment being reviewed. The opinion is derived from the balance of strengths and weaknesses identified from evidence obtained, and testing undertaken, during the audit. Where the auditor believes that any issues identified are the result of a deliberate action and may be in breach of the Disciplinary Code or Employee Code of Conduct, further investigations will be carried out and action taken as appropriate.

Service Management Responsibilities

23. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by incorporating their agreed actions into the audit reports. When management sign off the reports they are accepting responsibility for addressing the issues identified within the agreed timescales.
24. Although Heads of Service are responsible for implementing and maintaining adequate internal controls within service areas, operational managers are responsible for working within those controls and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

Follow up audit reviews

25. Where unsatisfactory and unsound opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These are reported separately to this Audit Committee on a six-monthly basis.

Financial Summary

26. There are no financial issues related to this report.

Risks

27. If the plan is not completed due to a lack of resource in the team, the Chief Internal Auditor may have to qualify his year end assurance opinion provided to the Audit Committee.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Audit Plan not completed	M	M	Passed potential management issues back to management	Chief Internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

28. 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 Available

29. This is a factual progress report and therefore there are no specific options, as such. The quarterly reports provide a mechanism for monitoring the performance and progress of the Internal Audit team and the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.

30. The Audit Committee is asked to note progress on delivery of the audit plan and audit opinions given to date and ask questions, make observations and recommendations, as necessary.

Preferred Option and Why

31. N/A

Comments of Chief Financial Officer

32. I can confirm that I have been consulted and have no additional comments.

Comments of Monitoring Officer

33. There are no legal implications. The Report has been prepared in accordance with the Council's internal audit procedures and the Performance Management framework. The progress made to date in delivering the objectives set out in the approved Audit Plan highlights the effectiveness of the work undertaken by this service area in ensuring that adequate and effective internal financial controls are in place.

Staffing Implications: Comments of Head of People and Business Change

34. In terms of Corporate Policy & Performance, the report presents a review of audit activity during the period concerned and is set out in the context of performance framework. Clearly the work of the audit team is critical in giving assurance that the work of the Council is being undertaken within the set policies and procedures. It is also critical in ensuring that the organisation meets its statutory responsibilities under the Well-being of Future Generations Act (2015).

Comments of Cabinet Member

35. N/A

Local issues

36. N/A

Consultation

37. N/A

Background Papers

38. N/A

Dated:

Appendix A

Newport City Council

Internal Audit Service

Performance Indicators

2017/18	2017/18 Target	1 st Qtr 17/18	2 nd Qtr 17/18	3 rd Qtr 17/18	4 th Qtr 17/18	Comments
Proportion of planned audits complete	80%	21%	35%	54%	84%	[Profiled Target 10%]
Proportion of planned audits complete within estimated days	65%	N/A	50%	73%	68%	Cumulative figures
Directly chargeable time against total time available	50%	52%	63%	64%	62%	Quarterly performance
Directly chargeable time against planned	84%	62%	92%	84%	91%	Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	N/A	100%	100%	100%	Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	11	2	4	6	9	Cumulative figures
Staff turnover rate (number of staff)	1	1	0	0	0	Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	4 days	13 days	16 days	14 days	Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	8 days	6days	4 days	4 days	Cumulative figures

2018/19	2018/19 Target	1 st Qtr 18/19	2 nd Qtr 18/19	3 rd Qtr 18/19	4 th Qtr 18/19	Comments
Proportion of planned audits complete	85%	20%				[Profiled Target 10%]
Proportion of planned audits complete within estimated days	65%	50%				Cumulative figures
Directly chargeable time against total time available	50%	59%				Quarterly performance
Directly chargeable time against planned	84%	92%				Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	N/A				Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	11	3				Cumulative figures
Staff turnover rate (number of staff)	1	0				Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	3 days				Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	2 days				Cumulative figures

Appendix B
Opinions as at 30 June 2018, Qtr 1

Good	0
Reasonable	6
Unsatisfactory	0
Unsound	0
Total	6

Internal Audit Services - Management Information for 2018/19 Q1

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Opinion given
P1819-3	CE	Finance	Accountancy	Income Returns (D)	Medium	Reasonable
P1819-16	CE	People & Bus Change	Human Resources	Members' Allowances (D)	Medium	Reasonable
P1819-49	Place	RI&H	Community Regeneration	Families First (D)	High	Reasonable
P1819-55	Place	RI&H	Housing, Regeneration & Property	Housing Needs (Common Register) (F)	Medium	Reasonable
P1819-77	Place	Education Serv	Primary Schools	Milton Primary (PAR) (2017/18) (D)	Medium	Reasonable
P1819-80	Place	Education Serv	Primary Schools	Pillgwenlly Primary (D)	Medium	Reasonable

(D) – report is in draft status
(F) – report has been finalised

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Opinion given
P1819-36	People	Adult & Comm Serv	Service Development & Commissioning	Supporting People Programme Grant (SPPG) Certification (Outcomes)	Medium	Unqualified
P1819-46	CE	Law & Regulation	Public Protection	Scambusters Grant Claim 2017/18	High	Unqualified


Appendix C

Non Opinion work 2018/19 Q1

Job number	Group	Service Area	Section or Team	Job Title	Opinion
P1819-10	CE	Finance	General	Annual Governance Statement	Not applicable
P1819-12	CE	Finance	General	Financial Advice	Not applicable
P1819-23	CE	People & Bus Change	General	Financial Advice	Not applicable
P1819-24	CE	People & Bus Change	General	Financial Regulations Training	Not applicable
P1819-39	People	Adult & Comm Serv	General	Financial Advice	Not applicable
P1819-47	CE	Law & Regulation	General	Financial Advice	Not applicable
P1819-56	Place	RI&H	General	Financial Advice	Not applicable
P1819-69	Place	Streetscene & City Serv	General	Financial Advice	Not applicable
P1819-88	Place	Education Serv	General	Schools Financial Regulations Training	Not applicable
P1819-89	Place	Education Serv	General	Financial Advice	Not applicable

Appendix D

INTERNAL AUDIT SERVICES – OPINION DEFINITIONS

	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

Unqualified	<p>The Financial Statement is free from material misstatement and presents fairly the activities of the organisation.</p> <p>The terms and conditions of the grant funding have been complied with.</p>
Qualified	<p>There is a lack of supporting information or documentation to verify that that figures quoted in the Financial Statement fairly represent the activities of the organisation.</p> <p>The terms and conditions of the grant funding have not been fully complied with.</p>



Report

Audit Committee

Part 1

Date: 20 September 2018

Item No: 11

Subject Internal Audit – Public Sector Internal Audit Standards (PSIAS)

Purpose To inform Members of the Council's Audit Committee of the outcome of the external assessment undertaken to ensure compliance with the PSIAS.

Author Chief Internal Auditor

Ward General

Summary The attached report is the external assessor's report on how compliant the Newport City Council Internal Audit team is with the PSIAS; a requirement of the Standards themselves. The overall conclusion was that the IA team generally conforms with the PSIAS and the impact of non-conformance is not considered to be significant. The assessment was undertaken by the former Chief Internal Auditor of Swansea City Council. An Action Plan has been developed to monitor the progress of further improvements.

Proposal

- 1) The report be noted by the Council's Audit Committee
- 2) The Committee be updated every 6 months on progress in fulfilling the action plan until all aspects implemented.

Action by The Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change

Signed

Background

1. The Public Sector Internal Audit Standards (PSIAS) became effective from 1st April 2013 (updated March 2017) and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.
2. The two possible approaches to external assessments outlined in the Standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer. In order to facilitate this process of external validation a peer review group was established by the Welsh Chief Auditors' Group.
3. Newport City Council elected to adopt the self-assessment approach with an external validation undertaken by a suitably qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS.
4. Newport's peer review was undertaken during Q4 of 2017/18 by the former Chief Internal Auditor of Swansea City Council. He was provided with all of the self-assessment information and associated documents/evidence.
5. The results of the peer review assessment and external validation process can be found in Appendix 1 in the form of the final assessment report that has been prepared by the external assessor.
6. In summary, the peer review concluded that Newport City Council Internal Audit team generally conforms with the PSIAS and the impact of non-conformance is not considered to be significant.
7. Whilst no significant deviations from the Standards were noted, some areas of improvement were highlighted as part of the review and these are shown in the action plan at the end of the report. This will be monitored and reported to Audit Committee to assess the progress of improvements.
8. In terms of the review that has been undertaken, it is considered that Newport City Council's Internal Audit service generally conforms with the PSIAS and the impact of the non-conformance is not considered to be significant. Overall, it is felt that Internal Audit complies with the Standards in all significant areas and operates independently and objectively

Financial Summary

9. There are no financial issues related to this report.

Risks

10. Risks are minimal.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
PSIAS non compliance	L	L	The whole of the IA team have been made aware of the requirements to comply with the PSIAS. The recommendations noted in the	Chief Internal Auditor

			Action Plan will be worked through to ensure greater compliance moving forward	

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

11. 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 Available

12. This is a factual progress report and therefore there are no specific options, as such. The quarterly reports provide a mechanism for monitoring the performance and progress of the Internal Audit team and the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.
13. The Audit Committee is asked to note the external assessment of the team's compliance with the PSIAS and ask questions, make observations and recommendations, as necessary.

Preferred Option and Why

14. N/A

Comments of Chief Financial Officer

15. I can confirm that I have been consulted and have no additional comments.

Comments of Monitoring Officer

16. There are no legal implications.

Staffing Implications: Comments of Head of People and Business Change

17. There are no human resource implications for this report. Clearly the work of the audit team is critical in giving assurance that the work of the Council is being undertaken within the set policies and procedures. It is also critical in ensuring that the organisation meets its statutory responsibilities under the Well-being of Future Generations Act (2015).

Comments of Cabinet Member

18. N/A

Local issues

19. N/A

Consultation

20. N/A

Background Papers

21. N/A

Dated:

Appendix A

Public Sector Internal Audit Standards (PSIAS)
External Assessment of Newport City Council Internal Audit Service
March 2018
Final Report

Date of Assessment Fieldwork	March 2018
Date of Report Issue	22/03/2018
Report Status	Final
Report Author	Paul Beynon
Issued to	Andrew Wathan

1. Introduction

- 1.1 The Public Sector Internal Audit Standard (PSIAS) became effective from 1st April 2013 and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.
- 1.2 The two possible approaches to external assessments outlined in the Standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 1.3 Newport City Council elected to adopt the self-assessment approach with an external validation undertaken by a suitable qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS.

2. Purpose

- 2.1 The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment is designed to be a supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the authority.

3. Results

- 3.1 In summary there are 334 best practice lines within the PSIAS. A self-assessment review of conformance against the PSIAS was undertaken during March 2018 by Paul Beynon, former Chief Auditor of the City and County of Swansea.
- 3.2 Following the validation, the Internal Audit Service of Newport City Council is currently conforming to 239 of the requirements of the Standards, with partial conformance with 17 requirements and non-conformance with 21 requirements.
- 3.3 In addition, there are 57 requirements where the requirements of the PSIAS are found to be not applicable to the circumstances of Newport City Council e.g. it is the Chief Internal Auditor's view that the service does not undertake any consulting work at the present time with all work being assurance based and aimed towards the delivery of the annual opinion on internal control for the Council.
- 3.4 The following table summarises the outcome of the external assessment

Standard	Conformance				Total
	Y	N	P	N/A	
1. Definition of Audit Risk	3				3
2. Code of Ethics	13				13
3. Attribute Standards					
1000. Purpose, Authority and Responsibility	20	1	1	1	23
1100. Objectivity and	19	6		4	29

Independence					
1200. Proficiency and Due Professional Care	17		1	3	21
1300. Quality Assurance and Improvement Programme	14	4	4	5	27
4. Performance Standards					
Managing the Internal Audit Activity	36	2	2	6	46
Nature of Work	13	7	8	3	31
Engagement Planning	39			19	58
Performing the Engagement	22				22
Communicating Results	40	1	1	13	55
Monitoring Progress	3			1	4
Communicating the Acceptance of Risks				2	2
Total	239	21	17	57	334

3.5 The main areas of non-compliance or partial compliance are in respect of the following areas.

Standard 1000: Purpose, Authority and Responsibility

3.6 Internal Audit has an Audit Charter which defines its purpose, authority and responsibility and meets all the requirements of the Standards apart from recognising the mandatory nature of the Standards.

3.7 The Charter was last updated during 2015/16 and was approved by the Audit Committee in December 2015. The Standards require that the Charter is reviewed and updated periodically by the Chief Internal Auditor.

Standard 1100: Independence and Objectivity

3.8 The Standards highlight a number of ways of identifying the organisational independence of Internal Audit including the Audit Committee being responsible for approving the risk-based Audit Plan. The Audit Plan is reported to the Audit Committee but the minutes of the meeting show that the Committee noted the Plan rather than approving it.

Standard 1300: Quality Assurance and Improvement Programme

3.9 The Standards require that a Quality Assurance and Improvement Programme (QAIP) is developed which covers all aspects of the internal audit activity and enables conformance with all aspects of the Standards to be evaluated. The processes which form the contents of the QAIP are largely in place with the completion of the self-assessment checklist being an important element of the QAIP as are the various performance targets and measures that are currently in place to monitor Internal Audit's activities. However, as yet, these haven't been formally set out in a QAIP document.

3.10 The Standards require an external assessment, at least once every five years and the self-assessment checklist asks various questions regarding the performance and reporting of that assessment. The need for an external assessment within this timeframe has been recognised and has been discussed with the Chair of the Audit Committee and the Head of Finance. However, no report has been taken to the Audit Committee setting out the options for the external assessment and highlighting the qualifications and independence of the external assessor or assessment team as required by the Standards. The Chief Internal Auditor intends to take a comprehensive report to the Committee once this external assessment report has been received and finalised.

Standard 2000: Managing the Internal Audit Activity

3.11 Where possible, the Standards say that Internal Audit should seek to rely on other sources of assurances to assist the effective delivery of the annual assurance opinion. The Chief Internal Auditor has said that other sources of assurance are considered as part of the annual audit planning process but is not formally recorded or reported to the Audit Committee in the Internal Audit Plan report. The Standards identifies an Assurance Mapping exercise as best practice in terms of identifying other sources of assurance although it is felt that the requirements of the Standards can be met without the need for a full Assurance Mapping exercise.

Standard 2100: Nature of Work

3.12 The Standards suggest that the Internal Audit Plan should include a review of the Council's ethics related objectives, programmes and activities as well as how the information technology governance supports the Council's strategies and objectives. However, the Standards also say that the Chief Internal Auditor should consider the proportionality of work in these areas against other areas of assurance work. It is the Chief Internal Auditor's view that work in the suggested areas would not be proportional and this view is accepted.

3.13 An evaluation of the effectiveness of the Council's risk management processes is also identified in the Standards. No review of risk management has been undertaken to date but an audit of risk management has been included in the Audit Plan for 2018/19.

3.14 The Standards also expect an evaluation of the risks relating to the Council's governance, operations and information systems which Internal Audit partially complies with due to the presence of the Chief Internal Auditor and Audit Manager on the Council's Governance Group and the role of the Chief Internal Auditor in preparing the Annual Governance Statement.

3.15 Internal Audit plays a significant role in the investigation of frauds with time being included in the Audit Plan for special investigations however there has been no evaluation of the fraud risk across the Council or how the fraud risk is managed as required by the Standards.

3.16 Some other areas of non or partial conformance with the Standards were identified during the external review but they are not felt to be significant due to the particular

circumstances of internal audit in local government and therefore are not included in this report.

4. Impact of non-compliance and steps to be taken to ensure compliance.

- 4.1 Any non-conformance with the Standards and the impact must be disclosed to senior management and the Audit Committee.
- 4.2 In terms of the review that has been undertaken, it is considered that Newport City Council's Internal Audit service generally conforms with the PSIAS and the impact of the non-conformance is not considered to be significant. Overall, it is felt that Internal Audit complies with the Standards in all significant areas and operates independently and objectively.
- 4.3 The attached Action Plan shows the recommendations arising from the external assessment to address the issues identified in this report and to ensure increased compliance with the Standards.

**Newport City Council – Public Sector Internal Audit Standards
External Assessment
Action Plan – March 2018**

Standard	Action to address non / partial compliance	Responsible for implementation	Timescale	Progress
1000	The Internal Audit Charter should recognise the mandatory nature of the PSIAS.	Internal Audit Charter will be updated and presented to Audit Committee Chief Internal Auditor	September 2018	
1000	The Internal Audit Charter should be kept up to date and reviewed by the Chief Internal Auditor on a regular basis. The Charter should be reviewed at least every 2 years or whenever there is a significant change to the PSIAS.	Internal Audit Charter will be reviewed, updated and presented to Audit Committee Chief Internal Auditor	September 2018	
1100	The Audit Committee should approve the Internal Audit Plan	The Audit Committee	May 2018	Audit Committee noted and endorsed 2018/19 Audit Plan on 24 th May 2018
1300	The Chief Internal Auditor should bring the existing process together to form a Quality Assurance and Improvement Programme (QAIP). All relevant processes included in the Standards relating to the QAIP should be complied with annually e.g. including the results of the QAIP in the Internal Audit Annual Report.	Best practice formal QAIPs will be reviewed and an assessment will be made on how best they can be applied at Newport. Chief Internal Auditor	June 2019	
1300	The external assessment of compliance with the PSIAS has to be completed at least once every 5	The options available for the next external	September 2022	

Standard	Action to address non / partial compliance	Responsible for implementation	Timescale	Progress
	years. When the next external assessment is being planned, a report should be taken to the Audit Committee outlining the options available in the Standards for the external assessment and the qualifications and independence of the external assessor or assessment team.	assessment will be taken to Audit Committee prior to the assessment. Chief Internal Auditor		
2000	The Chief Internal Auditor should review and document any other sources of assurances that can be relied upon as part of the audit planning process.	Assurance mapping best practice will be reviewed to determine how applicable it will be to support the Internal Audit assurance work. Chief Internal Auditor	March 2019	
2100	The audit of risk management included in the Audit Plan 2018/19 should be completed.	Agreed Chief Internal Auditor	March 2019	
2100	The Chief Internal Auditor should consider whether an audit of the risks relating to the Council's governance, operations and information systems is necessary or whether the existing arrangements provide sufficient compensating controls.	This will be undertaken as part of the annual audit planning process. Chief Internal Auditor	March 2019	
2100	A formal evaluation of the fraud risk across the Council should be undertaken including how the fraud risk is managed. The results of the evaluation should be used as part of the annual audit planning process.	A review will be undertaken to best determine the fraud risk across the Council Chief Internal Auditor	March 2019	

Standard	Action to address non / partial compliance	Responsible for implementation	Timescale	Progress

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Report

Audit Committee

Part 1

Date: 20 September 2018

Item: 12

Subject **Standing Order 24 (Urgent Decisions) or Waiving of Contract Standing Orders Quarter 1: April to June 2018**

Purpose To inform Members of the use of Standing Order 24 or the Waiving of Contract Standing Orders in recent decisions taken by Cabinet and Cabinet Members.

Author Governance Officer

Ward General

Summary This report provides details of decisions on the use of Standing Order 24 (decisions taken urgently) or the Waiving of Contract Standing Orders for the above period.

In consideration of this report, Members are reminded that they are not questioning the merits of the decisions taken but are focussing on why decisions were taken as urgent or why contract standing orders needed to be waived.

Proposal **The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.**

Action by Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of Finance
- Chief Internal Auditor

Background

Details of the decisions taken by Cabinet/Cabinet Members during the above period are set out in the table below, together with a commentary from the Chief Internal Auditor. Copies of the report giving rise to the decision are attached.

In this section you must set out all necessary information to allow Councillors to take an informed decision. You will need to put forward the case to support your proposals.

Financial Summary

The cost implications of the decisions were set out in the original reports to the Cabinet Members. There are no cost implications of the Committee's consideration of this report.

Risks

Scrutiny of these matters by the Committee is an important means of ensuring that the reasons for the urgency or waiving of Contract Standing Orders were properly addressed in the decision making process and that decisions are transparent.

Options Available / Preferred Option and Why

The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.

Comments of Chief Financial Officer

See original reports attached.

Comments of Monitoring Officer

See original reports attached.

Comments of Head of People and Business Change

See original reports attached.

Equalities Impact Assessment and the Equalities Act 2010

See original reports attached.

Children and Families (Wales) Measure

See original reports attached.

Wellbeing of Future Generations (Wales) Act 2015

See original reports attached.

Consultation

See original reports attached.

Subject	Decision & Date	Reason for Urgency/Reason to waive Contract Standing Orders	Comments of Chief Internal Auditor
<p>Families First Programme</p>	<p>Cabinet Member for Communities and Resources</p> <p>16 May 2018</p>	<p>The reason for urgency was that in October 2017 Newport discovered it was to become an early adopter of Welsh Government's new grant funding initiative Flexible Funding from 1 April 2018. Little information however, was made available on how this new fund was to operate and the recommissioning of Families First, which was already in progress, was put on hold until a fuller understanding of how the funding would impact the service was understood. The current Families First contracts were due to expire on 31 March 2018 and as all extensions within the existing contract terms were exhausted it was being requested that Contract Standing Orders be waived so an extension for a further year be granted. This extension would allow a further review of the programme in accordance with the Flexible Funding guidance and result in either recommissioning services or commissioning new services from 1 April 2019.</p>	<p>There is appropriate justification within the report to support the CM's decision to waive the Council's CSOs.</p> <p>However, there is very little justification in the report to support the urgency of the decision.</p> <p>The report was dated 16 May 2018, as was the CM decision even though action was required by the 1 April 2018; there is no valid reason within the report why the CM was asked to make a retrospective decision.</p> <p>The report clearly states that WG issued new guidance in April 2017 to become effective from April 2018 and that NCC had been notified of their Pathfinder status in October 2017. This would give ample time to request that the CM waive CSOs for the reasons stated in the report and therefore the need for an urgent decision was not required. The request to make an urgent decision should be justified.</p>

Background Papers

The following documentation is provided as background to the above decisions:

Cabinet Member for Communities and Resources – 16 May 2018

Families First

- Decision Schedule attached as **Appendix A**
- Report attached as **Appendix B**

Dated: 31 August 2018

Appendix A

Decision Schedule



Cabinet Member for Community & Resources

TO ALL MEMBERS OF NEWPORT CITY COUNCIL

Decision Schedule published on 16 May 2018

The Cabinet Member took the following decision/s on 16 May 2018. I will take immediate effect. The reason for this is that in October 2017 Newport discovered it was to become an early adopter of Welsh Government's new grant funding initiative Flexible Funding from 1 April 2018. Little information however, was made available on how this new fund was to operate and the recommissioning of Families First, which was already in progress, was put on hold until a fuller understanding of how the funding would impact the service was understood. The current Families First contracts were due to expire on 31 March 2018 and as all extensions within the existing contract terms were exhausted it was being requested that Contract Standing Orders be waived so an extension for a further year be granted. This extension would allow a further review of the programme in accordance with the Flexible Funding guidance and result in either recommissioning services or commissioning new services from 1 April 2019.

The decision is not subject to the 'Call-in' Process.

In accordance with Standing Order 24 – Urgent Matters, this matter will be forwarded to the Audit Committee.

In accordance with reports relating to staffing issues/confidential reports are not circulated to all members of the Council as part of the consultation/Call-in Process.

C&R 04/18

Families First Programme

Options Considered/Reasons for Decision

If urgent approval was not given to a waiver of Contract Standing Orders, current services would not be in place for the start of the new financial year and vulnerable families already receiving the services would be left without support. There is also a risk that all the money for 2018- 2019 available under the Families First grant (within the Flexible Funding allocation) would not be spent in line with the spending profile, which could result in ultimately losing money from the overall programme.

As all of the extensions to the external contracts permitted within Contract Standing Orders were exhausted, a Cabinet Member decision would be required to waive Contract Standing Orders for this proposed extension. The values of the individual Families First contracts were below the OJEU 'Light Touch Regime' for Social and other specific services (Regulation 74) threshold of £615K so there was no legal requirement for the Council to tender them in accordance with the Public Procurement Regulations Act 2015 and therefore we were seeking approval to extend them for a further year.

Decision

To approve the waiving of Contract Standing Orders to extend the Families First contracts with the organisations named within the report until 31 March 2019.

To take this decision urgently as it was so urgent that it could not go through the Council's agreed consultation process and/or must be implemented immediately and therefore not subject to the Council's call in procedures for the reasons set out under 'Reasons for Urgency' above."

Consultation

Head of Law and Regulation, Head of People and Business Change, Head of Finance

Implemented By: Head of Regeneration, Investment & Housing
Implementation Timetable: Immediate

COUNCILLOR D MAYER, CABINET MEMBER FOR COMMUNITY & RESOURCES

16 May 2018

Appendix B

Report



Cabinet Member for Communities & Resources

Part 1

Date: 16 May 2018

Subject Families First Programme

Purpose To seek the Cabinet Member's approval to waive Contract Standing Orders to extend for a period of one year, until 31st March 2019, existing Families First contracts granted to external consortia as the provision of extensions within the contract terms have been exhausted.

Reason For Urgency

In October 2017 Newport discovered it was to become an early adopter of Welsh Government's new grant funding initiative Flexible Funding from the 1st April 2018. However little information was made available on how this new fund was to operate and the recommissioning of Families First, which was already in progress, was put on hold until a fuller understanding of how the funding would impact the service was understood. The current Families First contracts are due to expire on the 31st March 2018 and as all extensions within the existing contract terms have been exhausted it is being requested that Contract Standing Orders be waived so an extension for a further year can be granted. This extension will allow a further review of the programme in accordance with the Flexible Funding guidance and result in either recommissioning services or commissioning new services from the 1st April 2019.

If urgent approval is not given to a waiver of Contract Standing Orders, current services will not be in place for the start of the new financial year and vulnerable families already receiving the services will be left without support. There is also a risk that all the money for 2018- 2019 available under the Families First grant (within the Flexible Funding allocation) will not be spent in line with the spending profile and this could result in ultimately losing money from the overall programme.

Author Families First Programme Manager

Ward All

Summary This report proposes that the contracts for the strands named below are extended until 31st March 2019. This extension is outside of the contract terms and is not in compliance with Contract Standing Orders but will allow the Council to implement the flexible funding arrangements for Families First as these become clearer over the next year. This would also allow a review of the Programme to take place under these arrangements which would lead to commissioning/decommissioning of Families First services as required within the city.

As all of the extensions to the external contracts permitted within Contract Standing Orders have been exhausted a Cabinet Member decision will be required to waive Contract Standing Orders for this proposed extension. The values of the individual

Families First contracts are below the OJEU 'Light Touch Regime for Social and other specific services (Regulation 74) threshold of £615K so there is no legal requirement for the Council to tender them in accordance with the Public Procurement Regulations Act 2015 and therefore we are seeking approval to extend them for a further year.

Proposal **To approve the waiving of Contract Standing Orders to extend the Families First contracts with the organisations named below until March 31st 2019.**

To take this decision urgently as it is so urgent that it cannot go through the Council's agreed consultation process and/or must be implemented immediately and therefore not subject to the Council's call in procedures for the reasons set out under 'Reasons for Urgency' above."

Contact Sue O'Brian

Action by Head of Regeneration, Investment and Housing

Timetable To be in place by 1st April 2018

This report was prepared after consultation with:

- Strategic Director - Place
- Head of Law and Regulation – Monitoring Officer
- Head of Finance – Chief Finance Officer
- Head of People and Business Change
- Head of Regeneration, Investment and Housing
- Audit Manager
- Category Manager – Finance
- Community Regeneration Manager

Signed

Background

Newport has been in the receipt of the Families First Grant from Welsh Government since 2011. The current programme was put in place in 2012, the total budget for 2017/18 was £2,428,374.00 with external contracts as listed below amounting to £1,233,548.00. A list of the external contracts are detailed below:-

Strand (or Project)	Lead Organisation
Family Health and Wellbeing:	Newport Live
Confident and Nurturing Families:	Barnardos
Newport Parent Network:	GAVO
Income Maximisation (Disability Strand):	CAB
Young Carers (Disability Strand):	Barnardos
Serennu Play and Youth Clubs (Disability strand):	Sparkle (jointly with NCC)
Children with Additional Needs Service (Disability Strand):	Barnardos (jointly with NCC)

In October 2016 an extensive and thorough review and evaluation of Families First in Newport was carried out by the Institute of Public Care. This review judged the programme to be fit for purpose and to be meeting the needs of the citizens of Newport.

The Review states:

“The Newport Families First Programme has remained largely unchanged since its initial inception with the structure of six strands still in place. However, the services offered to children and families have undoubtedly been on a journey in this time. This journey has led to the development of a well-structured model that provides a continuum of support, which is informed by, and responds to, local needs and provides a level of early intervention and prevention for children and families that aims to prevent the escalation of their needs to such an extent that they require intervention through Social Services.”

A Recommissioning Group began to meet in February 2017 to look at the current needs in Newport but in April 2017 Welsh Government issued new guidance effective from April 1st 2018, refocussing delivery of the Programme. Within the new guidance we would be unable to include any strands that supported families dealing with debt or employability issues (unless they were in the Disability Strand). In fact the refocusing of the Programme meant that it would now work with families to support parenting, work with young people, and work to prevent or mitigate Adverse Childhood Experiences (ACE'S). Therefore the Family Skills project delivered by SEWREC would have to be decommissioned from April 2018.

In October 2017, the Local Authority heard that the city had been chosen to be a Full Flexibility Pathfinder under the new Flexible Funding arrangements. The Full Flexibility pathfinder will give 100% flexibility across grants in order to achieve increased programme alignment, make more effective use of funding and meet local needs.

Forward planning for Flexible Funding has been problematic as with any new funding stream, information regarding implementation from the Welsh Government has not always been available, which has resulted in delays in decision making. Consequently the recommissioning of Families First was paused and it was decided that the Cabinet Member should be approached to give permission to extend the Families First Contracts for another year to provide time for the local authority and partners to decide the best utilisation of the money available through Flexible Funding. This will benefit the services provided in Newport as it will avoid duplication of services and give more scope to design services to support the drive for more preventative, long-term approaches.

As current contracts for Families First are due to expire on 31st March 2018, the Local Authority as the Grant Holder has to seek a Cabinet Member decision to waive Contract Standing Orders to extend the current contracts relating to Families First (where the activities of the strands concerned meets the requirements of the new guidance for Families First). However as the disaggregated value of the contracts are below the OJEU 'Light Touch Regime for Social and other specific services (Regulation 74) threshold of £615K there is no legal requirement in accordance with the Public Procurement Regulations 2015 to invite competitive tenders we are seeking approval to extend them for a further year.

As will be seen in the table below (within the Financial Summary) which illustrates the plans for the contracts for the next year, there are staffing implications within Newport City Council and with external providers if these contracts are not extended. The delivery plan based on the extension of these contracts has been accepted by the Welsh Government which means that there will not be any claw back of funding.

Financial Summary

Strand	Project	Lead Organisation	Activity	17/18 Total External Contract Budget £1,233,548.00	18/19 Total External Contract Budget £840,279.00
Children and Young People Skills	Newport Parent Network	GAVO	To enable parents and carers to have a voice in and influence the planning and delivery of services and to increase the voices of seldom heard parents in Newport.	£27,000	£26,514
Family Well-Being	Family Well-Being	Newport Live	This project provides a multi-agency approach to addressing the family and community health needs of Newport through targeted health promotion, focused events, activities and provision designed to encourage physical activity. Professional support on all family diet, mental health and substance misuse issues will be available to meet identified needs. The project is led by Newport Live in Consortia with Newport Mind, Aneurin Bevan Health Board and Kaleidoscope.	£348,190	£325,055
Confident and Nurturing Families	Confident and Nurturing Families	Barnardos	This project recognises and builds on parenting strengths and increasing resilience, and encourages healthy relationships and support networks	£206,165	£202,454
Disability Family Support	Children with Additional Needs	Barnardos and NCC	The CANS team provides support for families whose child or children are aged 0-17 years and present with additional needs, which may be associated with a physical or cognitive impairment, and extends to physical, learning difficulties,	£109,955	£107,976

Strand	Project	Lead Organisation	Activity	17/18 Total External Contract Budget £1,233,548.00	18/19 Total External Contract Budget £840,279.00
			sensory impairment and complex health needs.		
Disability Family Support	Young Carers	Barnardos	The project supports young people who help look after a member of the family who is sick, disabled, has mental health problems or is affected by substance misuse.	£101,462	£99,636
Disability Family Support	Maximising Income for Families with a Disability	CAB	The service maximises the income of children and families with disabilities, improves their access to services to meet their needs, and provides financial assistance with regards to financial exclusion and debt	£40,112	£39,390
Disability Family Support	Serennu Play	Sparkle	Multi-agency Family Support Provision for Children and Young People with a Disability or Developmental Difficulty, and provides a specialist play provision for those aged 0 – 18 years.	£39,974	£39,254

The total external budget for 18/19 has been significantly reduced due to:

- An overall 1.8% decrease in the grant from Welsh Government
- the decommissioning of the Family Skills Project and Family Forest Centre which equates to £360,690.00 due to refocusing of the Families First Programme and a reduction of £23,000.00 for the budget for Family Wellbeing (this includes the 1.8% cut in the grant i.e. £6267.00, and the remainder has been used to support internally delivered Families First services).

All costs above will be met through the Families First Grant (now Flexible Funding).

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
If the contracts are not extended - the non-delivery of services	High – The Authority would then need to complete a full tender process which will take a maximum of six months.	Medium/Low The Lead agencies have informally indicated they wish to continue with the contracts for a further year	Maintain an active dialogue with Strand leads and commence negotiations regarding services as soon as possible	Families First programme Manager
Lack of cooperation by projects leading to new Families First Programme not being achieved	H	M	Close working continues with Projects concerned and relevant support provided where necessary	Families First Programme Manager
Non-compliance to the performance requirements of the WG, resulting in less funding being received	High -	High -	Work with Lead Agencies to ensure delivery is agreed and starts from April 1 st 2018	Families First programme Manager
Reduction in Project budgets now and in the future reduce services available to families therefore increasing poverty in the city	H	L	Projects delivering directly to families have been prioritised.	Families First Programme Manager

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The Families First contracts are a part of the £2,384.663.00 Families First Grant which is funded by the Welsh Government under the Flexible Funding initiative, for which Newport is a Full Flexibility Pathfinder.

Options Available and considered

The Cabinet Member could decide to not issue any contracts under Families First for the 2018/19 period which would mean that there would not be any services available during that time for families. This would result in an increased need for statutory services during that time and internal members of staff would need to be redeployed into other work.

As current contracts for Families First are due to expire on 31st March 2018, the Cabinet Member could seek to re-commission the whole programme from April 1st. It is now not possible to do this fully, within the timescale.

Preferred Option and Why

The preferred option is for the Local Authority as the Grant Holder to seek a Cabinet Member decision to waive contract standing orders to extend the current contracts relating to Families First. However as the disaggregated value of the contracts are below the OJEU 'Light Touch Regime for Social and other specific services (Regulation 74) threshold of £615K we are seeking approval to extend them for a further year.

Comments of Chief Financial Officer

There is no adverse financial impact in implementing this proposal. Newport City Council has been awarded Full Flexibility Pathfinder status under the new Flexible Funding arrangements and so extending these contracts for one year will allow for a full review of the programme in 2018/19. The values of the individual Families First contracts are below the OJEU 'Light Touch Regime for Social and other specific services (Regulation 74) threshold of £615K so there is no legal requirement for the Council to tender them in accordance with the Public Procurement Regulations Act 2015

The Full Flexibility pathfinder will give 100% flexibility across grants in order to achieve increased programme alignment, make more effective use of funding and meet local needs. There are staffing implications within Newport City Council and with external providers if these contracts are not extended.

Under Contract Standing Orders, this will need to be reported to the Audit Committee and justification reviewed there, in addition to this decision making process. This does not stop the CM making a decision at this time – it will be reviewed and scrutinised retrospectively.

Comments of Monitoring Officer

The proposed extensions to the current Families First contracts for a further period of 12 months as from 1st April 2018, will enable the current services to be delivered, pending a wholesale review of the commissioning of these services in the light of the new flexible funding arrangements. These 12 month contract extensions are not covered by the terms of the existing contracts and, therefore, will constitute a direct award to the providers, without any competitive tendering. However, the values of the contracts are below the OJEU threshold of £615K under the "Light Touch" Regime for social care services. Therefore, there is no legal requirement for the Council to tender them in accordance with the Public Contracts Regulations. However, Contract Standing Orders will need to be formally waived in order to allow for this. This will need to be done as a matter of urgency because the current contracts expired as at the end of March 2018 and there is insufficient time for pre-decision consultation or post-decision call-in. Therefore, if the Cabinet Member agrees to waive Standing Orders urgently to allow for the contract extensions, then the reason for the urgency will need to be reported to Audit Committee in due course.

Comments of Head of People and Business Change

The Families First Programme helps to meet various sustainable development duties under the Well-being of Future Generations (Wales) Act 2015, in particular the prevention and collaboration duties.

The ethos of Families First Programme is preventative. It helps, advises and supports families to prevent any issues or problems from getting worse, dealing with the root cause of problems to enable families to make progress after the support has ended. The Newport programme is truly collaborative with partner organisations working together to deliver the six Families First strands. Families are very much involved in the decisions that affect them and regular engagement events take place to gather the views of families.

From an HR perspective if the decision is to not extend contracts of employment, we need to be mindful of due process when ending employment contracts. Particularly those employees who have rights to a redundancy payment or those employees who have 2 years or more service. Consultation has been ongoing with staff regards cessation of funding however if contracts are required to end on 31 March 2018, then relevant notice periods will be required to be paid in lieu.

Comments of Cabinet Member

The report author is to confirm that the Cabinet Member has approved the report.

Local issues

Not Applicable

Scrutiny Committees

Not applicable

Equalities Impact Assessment and the Equalities Act 2010

Not applicable

Children and Families (Wales) Measure

This Measure placed a duty on Welsh Ministers, local authorities and other public bodies to set specific objectives for tackling child poverty and to publish child poverty strategies. Families First Programme came into being as a result of this Measure and is one of the Welsh Government's anti-poverty programmes.

Wellbeing of Future Generations (Wales) Act 2015

Long term: The extension of these contracts will support families to avoid becoming engaged with statutory services thus preventing long term needs escalating.

Prevention: Families First is a prevention and early intervention Programme

Integration: The services provided by Families First are family centred and provided following an assessment of individual need. The Team Around the Family meeting is an integrated meeting with all professionals present and the resulting Action Plan is agreed and owned by the family. Therefore the family will be assisted to realise their potential in all aspects of life across the Wellbeing Goals (economic, social, cultural and environmental)

Collaboration: Families First provision as a whole is a collaboration between 5 different services within NCC and works in collaboration with health, police, schools, Newport Mind, Barnardo's, CAB, GAVO, Newport Live under the governance of the PSB.

Involvement: Families First holds regular Engagement days with Parents and Families in Newport (the last was on Feb 23rd 2018) in the City Centre and activities are devised to particularly include hard to reach families. As a whole Families First utilises a multi-agency engagement process with families recording their views and completing Distance Travelled Tools at different stages of their involvement. We have also had a Review of services provided by Families First carried out by the IPC, where over 60 families were involved in giving feedback about the Programme

Crime and Disorder Act 1998

1Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

Consultation

Comments received from wider consultation, including comments from elected members, are detailed in each application report in the attached schedule.

Background Papers

None

Dated: 16 May 2018



Report

Audit Committee

Part 1

Date: 20 September 2018

Agenda Item: 13

Subject Work Programme

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

Author Governance 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.

22 November 2018
Internal Audit Plan 2018/19 – Progress (Quarter 2)
Financial Memorandum on the 2017-18 Financial Audit
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 2017/18
Corporate Risk Register (Considered by Cabinet in October)
Regulatory Reports Summary (every 6 months - May and November)
Referrals to Audit Committee

24 January 2019
Internal Audit Plan – Progress (Quarter 3)
Treasury Management Report
Corporate Risk Register (Considered by Cabinet in Jan)
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
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)

24 May 2018
Appointment of Chairman
Internal Audit Annual Report 2017/18
Internal Audit Annual Plan 2018/19
Annual Governance Statement
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4, Jan to March)
Corporate Risk Register Update (considered by Cabinet in April)
Regulatory Reports
Treasury Management covering the Financial Year 2017/18
Referrals to Audit Committee
21 June 2018
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Call in Head of Service, Regeneration, Investment & Housing – Standing Order 24 (Urgent Decisions) Quarter 4 – January – March 2018
Draft Financial Accounts 2017/18
Audit Enquiries Checklist 2017/18
Referrals to Audit Committee
20 September 2018
Progress Against Internal Audit Plan 2018/19 – Qtr 1
Call in Head of Streetscene & City Services to respond to Unsatisfactory Audit Opinions within Streetscene
Call in Head of Regeneration, Investment & Housing – SO24/Waiving of Contract Standing Orders: Quarterly report reviewing Cabinet/CM Urgent Decisions or Waiving Contract SOs (Quarter 1 April – June 2018)
Public Sector Internal Audit Standards – External Review
Statement of Accounts 2017-18
Audit of Financial Statements Report 2017-18
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)
Report on Audit Committee Self Evaluation Exercise
Referrals to Audit Committee

22 November 2018
Internal Audit Plan 2018/19 – Progress (Quarter 2)
Financial Memorandum on the 2017-18 Financial Audit
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 2017/18
Corporate Risk Register (Considered by Cabinet in October)
Regulatory Reports Summary (every 6 months - May and November)
Referrals to Audit Committee

24 January 2019
Internal Audit Plan – Progress (Quarter 3)
Treasury Management Report
Corporate Risk Register (Considered by Cabinet in Jan)
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Referrals to Audit Committee

28 March 2019
Annual Audit outline for the 2018/19 Financial Audit
WAO Annual Report on Grants Works 2017-18
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)

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