

Agenda



Audit Committee

Date: Thursday, 6 June 2019

Time: 5.00 pm

Venue: Committee Room 1 - Civic Centre

To: Councillors J Guy, J Jordan, L Lacey, H Thomas, K Thomas, R White, D Williams and P Hourahine

Item

- 1 Agenda yn Gymraeg / Agenda in Welsh (Pages 3 - 4)
- 2 Apologies for Absence
- 3 Declarations of Interest
- 4 Minutes of the Last Meeting (Pages 5 - 12)
- 5 Appointment of Chairman
- 6 Quarter 4 Corporate Risk Register Update (Pages 13 - 44)
- 7 Internal Audit Unsatisfactory Audit Opinions (Pages 45 - 62)
- 8 Internal Audit Annual Report 2018/19 (Pages 63 - 84)
- 9 Internal Audit Annual Plan 2019/20 (Pages 85 - 108)
- 10 Annual Governance Statement Draft 2018/19 (Pages 109 - 160)
- 11 Treasury Management Year End Report 2018/19 (Pages 161 - 168)
- 12 Draft Financial Accounts 2018/19 (Pages 169 - 314)
Presentation by Head of Finance
- 13 Response from the Chief Executive following Unsatisfactory Audit Opinions within City Services (Pages 315 - 318)
- 14 Date of Next Meeting
5 September 2019

Contact: Pamela Tasker Governance Officer

Tel: 01633 656656

E-mail: democratic.services@newport.gov.uk

Date of Issue: Thursday, 30 May 2019



Agenda

Pwyllgor Archwilio

Dyddiad: Dydd Iau, 6 Mehefin 2019

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, R White, P Hourahine, 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 28 Mawrth 2019
5. Penodi Cadeirydd
6. Cofrestr Risg Gorfforaethol (Chwarter 4)
7. Archwilio Mewnol-Barn Archwilio Anfoddhaol (adroddiad 6 mis)
8. Archwilio Mewnol - Adroddiad Blynnyddol 2018/19
9. Archwilio Mewnol Blynnyddol Cynllun 2019/20
10. Datganiad Llywodraethu Blynnyddol 2018/19
11. Adroddiad Diwedd Blwyddyn Rheoli Trysorlys 2018/19
12. Cyfrifon Ariannol Drafft
13. Ymateb Gan y Prif Weithredwr yn Dilyn Barn Archwilio Anfoddhaol o Fewn Gwasanaethau'r Ddinas
14. Dyddiad y cyfarfod nesaf – 5 Medi 2019

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Minutes



Audit Committee

Date: 28 March 2019

Time: 5.00 pm

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

In attendance: Andrew Watham (Chief Internal Auditor), Rhys Cornwall (Head of People and Business Change), Dona Palmer (Audit Manager), Robert Squance (Audit Manager), Gareth Lucey (WAO Audit Manager), Owen James (Assistant Head of Finance), Anthony Veale (Director WAO), Paul Flint (Performance & Risk Business Partner), Pamela Tasker (Governance Support Officer)

Apologies: Councillors D Davies, H. Townsend

1 Declarations of Interest

None

2 Minutes of the Last Meeting held on 24 January 2019

The minutes of the meeting held on the 24 January 2019 were submitted. It was agreed at the last meeting for the Annual Governance Statement to be updated. The Chief Internal Auditor confirmed this would be completed for the next Audit Committee Meeting on 6 June 2019. In relation to the requested comment from the Chief Executive concerning City Services as stated on page 10 of the minutes, a letter was in the process of being drafted by the Chief Internal Auditor to be approved by the Chair.

It was noted on page 10; paragraph five that the correct term was Streetscene and not street cleansing.

~~Llanwern High School~~ on page 10, paragraph 3 were requested to be amended to 'Llanwern'

3 Quarter 3 Corporate Risk Register Update

In relation to the Corporate Risk Register, the Chair confirmed that the Committee was not there to question scoring but to look at the process only. It was commented by a Member that auditors from the Wales Audit Office make observations, but members of the Committee were not allowed to also make observations. The Chair confirmed that the Audit Committee could be renamed the Audit and Risk Committee in another forum, but this Committee was not part of risk. For this to be altered a change to the constitution would have to occur but this could not be done.

Members considered an updated version of the Corporate Risk Register for the end of Quarter 3 (31st December 2018).

- Head of People and Business Change commented that recent recommendations had been taken on board and any issues that could not be raised here could be taken up with Heads of Service and Corporate Directors.
- The Head of People and Business Change stated that the Risk Management Strategy detailed how the Council managed its risk assessment processes and detailed how the Council assesses and mitigates risk and that it was a robust process.
- It was stated that the Risk Report discussed project risk and how there were escalation processes in place for potential corporate wide risks to be escalated into the Corporate Risk Register and these included Civil Contingencies, the Newport Well-Being Plan, Information Governance Risk etc.

It was noted that at the end of Quarter 3 (31st December 2018) there were 14 corporate risks consisting of 6 high risks and 8 medium risks. At the previous Audit Committee in November 2018, recommendations were made in relation to the Councils Brexit Risk, asset management and partnerships work.

Summary of Risks

- It was noted that a highlight was Brexit (Risk 4). Following guidance from the Welsh Local Government Association (WLGA) and using the WLGA tool kit the Council were able to assess the impact of Brexit on services. However, the Risk score had increased from 9 to 16 due to a potential 'No Deal' scenario. There is to be a vote on Brexit in the House of Commons on the 29th March 2019 and the Risk Register will be affected depending on what occurs on that date.
- Risk 8 (Stability of External Suppliers)- The risk score had increased due to the ongoing uncertainty of a potential 'No Deal' Brexit and the impact it could have on private and third sector services.
- Risk 9 (Pressure and Infrastructure) - The risk was focused on the recent removal of the Bridge Tolls on the M4 and the impact on the Councils highway infrastructure.
- Risk 11 and 12 involved IT Modernisation and Cyber Attack, which involved modernisation and its pressures and how this was funded. Cyber Attack was another separate risk and has been previously discussed.
- Risk 13 (Maintaining the Highways Network) was reduced to 20 and Risk 16 (Council buildings and Assets) was scored at 12.
- Risk 15 (Newport City Centre Security and Safety) was focused on improving the city centre and its regeneration, an attack that occurred last year on two young people showed a real tangible risk.

Questions and Discussions:

- A Member commented that the way that the Risk Register was reported, could be construed to be a complacency; a risk was mentioned so all we know is that it was a risk.
- The Member commented that it should be reported how the Council were covering risks. The Member stated that children with complex care needs were living longer. It was noted that there was a new school at Maes Ebbw but it was questioned how much this costs the Council in terms of austerity. What was the cost to the Council as they are very vulnerable children and it is very costly? It

was commented by the Member that this was not just the case of a school place. Schools were reporting concerns regarding cuts being made to services.

- The Member also remarked on the refurbishment of Oaklands. Oaklands was only able to provide respite for one child and their particular need. The Member stated that the report implied that this was prepared and it was covered. Brynglas Bungalow was provided but this was tiny and was not suitable. It was commented on how the Council chose to report and what the specifics are.
- The Head of People and Business Change confirmed that they were not able to comment on specifics as not everything could go into the report as it was so detailed. They confirmed that it was a case of managing the mitigated risk. It was commented that there was now a far greater linkage between performance, risk and finance.
- The Chair commented that the Corporate Risk Register was a summarised version of what has occurred, and the Risk was seen from an authority wide point of view and not to the individual.
- A Member questioned whether certain items could be left out? The Chair confirmed that the Committee would want the risk to be considered. All aspects needed to be considered, and Members were encouraged to ask questions, so all bases were covered.
- A member questioned as to whether the Council was ready for a cyber-attack if it occurred and that they were questioning where the risk was as some of the risks could build up, but the cyber-attack risk could happen suddenly.

The Head of People and Business Change confirmed that Cyber threats would always be present that the Council may not be ready for. It was commented that other organisations spend far more on cyber prevention and may still receive cyber threats. There has been a lot of communication to staff regarding Office 365 which was cloud based and not on a server so it was accessed securely. There has been a significant update to cyber security where more money has been provided for this. The Council has been constantly kept up to date from other companies and Local Government. Emails also come through to users in the Council stating what emails are quarantined which has been far more proactive.

Risk Score Profile

Members of the Committee were requested to view page 17 on the Risk Score Profile, which displayed the table of risks summary:

- It was commented that the **RO6- Balancing the Councils Medium Term Budget** was expected to drop off.
- The risk was increased due to budgets and financial pressures.
- The Assistant Head of Finance confirmed that it was not about balancing risk going forward as it was more difficult to deliver savings that were being put forward. They suggested that it was more long term, looking over the next 4 years and the £30 million gap. This was reflected in the scores on the risk register.
- It was commented that the Risk Register was viewed on an ongoing basis. It was a change of view rather than a change in the environment and that it was subjective.
- The Chair commented that management should be mitigating this, as risk was a living thing, an issue that needed to be reduced.
- The Assistant Head of Finance confirmed that external factors such as Brexit and external funding for example affect this so we cannot guarantee.
- In relation to **R4-Decision to Leave the European Union (Brexit)** the risk went up in Quarter 3. It was confirmed that Brexit was something that may happen and

the risk could be different tomorrow. There has been a Members seminar regarding Brexit covering a range of issues and options. The risk would be reviewed on a fortnight basis.

- It was commented that it was crucial to understand the arrangements behind the risk at service level and the role of scrutiny etc that underpins the overall Corporate Risk Register.
- The Chair commented that about four years ago there was a big debate concerning the Audit Committee and a lot of work was completed on risk and the reports that were now published were very good compared to that time. It was advised by Democratic Services to look at the process as it comes to us. Boundaries are pushed but all comments are taken on board and actioned.
- In relation to the Audit side, the risk management of Audit was being completed at present. Opinions will be brought to the Committee soon.
- A member questioned whether Councillors really scrutinise and stated that people do not trust Councillors to scrutinise properly. Scrutiny has improved greatly but it was mentioned that Cabinet Members etc do not like to come and be challenged. The member stated that there was an underlying feeling that councillors do not know enough to be seen.
- It was remarked that the Brexit seminar did not include everyone that needed to be there. However, it was noted that Newport does very well in scrutiny compared to other authorities.
- A Member stated that there were three different scrutiny committees and it can get frustrating when they tell members that certain information was incorrect.
- The Chair commented that a lot of time was now spent on risk compared to previous years; the present Committee scrutinises and asks questions which was very beneficial.
- It was questioned by a Member as to who audits the auditor? It was commented that there was a lot of accountability due to external scrutiny.

4 Annual Audit outline for the 2018/19 Financial Audit

The WAO Audit Manager introduced the 2019 Audit Plan which was presented each year and was standard.

The key highlights were as follows:

- The Financial audit plan on page 51 of the Annual Audit Plan report showed the audit risks as part of the planning process.
- It was noted that the risk of management override was a mandated significant risk and was required for every audit completed by the WAO.
- In relation to other areas of audit attention, the Council's 2018-2019 financial statements was to include consolidated financial statements.
- In relation to accounting entries, the Friars Walk- Revenue Subsidy needed to be reviewed.

Accounting Standards:

Issues here included the concept of materiality which has been adopted. On page 54 of the report it was noted that there was also an examination of the Greater Gwent Crematorium Joint Committee Annual Return which was an independent examination.

- In relation to Performance audit, on page 10 of the Audit Plan: Exhibit 3 performance audit programme showed the main areas:

An assurance and risk assessment carried out by performance audit with discussions with the various service areas etc.

- The Well Being of Future Generations Act (Wales) 2015 and how it was being implemented.
- Appendix 2 on page 17 showed four performance audit projects still to be finalised.
- On page 57 of the report presented the proposed audit fee which displayed a slight decrease compared to 2018. The proposed fee was an estimated fee.
- Details of the Audit team itself were noted as well as timelines and deadlines.
- The closing report was to be reported to the Committee in September 2019.

Questions and Discussion:

- It was questioned as to how much time the Wales Audit Office spent in Newport? It was reported that the WAO were in Newport quite frequently. Planning is from Dec to March/April and the summer period is when the accounts were audited. It was commented that grants and returns were steady. The WAO also complete work with the NHS. Colleagues in the WAO also complete work with other Councils in Wales.
- The Chair referred to group accounts under 'Other areas of audit attention' on page 51 in relation to consolidation and whether any issues were anticipated as the non-alignment of policies was an issue previously.
- It was confirmed that as the WAO were carrying out the work there were not too many issues last year. The alignment on accounting policies and fixed assets were issues last time.
- The Assistant Head of Finance confirmed that timing was an issue rather than accounting policy. Discussions with audit team take place, estimations were used etc and there were mitigations in place.

5 WAO Annual Report on Grants Works 2017-2018

Members were requested to view the WAO Annual Report on Grants Works 2017/18.

- It was noted that external auditors must certify certain grants, this was detailed on page 4 of the report summary.

Key highlights were as follows:

- There were fewer grant claims certified, with 10 grants this year rather than 16 grant claims in 2016-2017.
- A good working relationship was in place with Newport City Council ensuring an accurate and up to date schedule of grant claims were in place.
- The housing benefit subsidy as detailed on page 72 showed its certification status as qualified this year.
- It was noted that costs were slightly down this year and there was a slight reduction expected again next year.

Questions and Discussion:

- A member questioned the £54.5 million housing subsidiary grant and it was confirmed that this was the subsidy that the council received from the DWP.
- The Chair commented on the errors noted and whether these were routine and regular errors and whether staff were trained further following the report? It was confirmed that the report was discussed with service area managers, so they were aware of it.

- The Chair also commented on the management responses and whether service areas agreed?
The Assistant Head of Finance confirmed that the service area received a copy of the qualifying letter, so they go back to finance areas.

The WAO will also provide their own response to the DWP and respond to Welsh Government and what they're doing about it and will speak to the service area. In relation to Housing benefit a lot of transactions go through this department at any one time so it depends on individual circumstances at any one time.

The number of transactions did have errors and so work needed to be carried out on how they could be prevented. The audit cost went up as the service area wanted to look at certain transactions etc.

6 Internal Audit Annual Plan 2019/2020

Members were requested to view the Internal Audit Section's Draft Operational Audit Plan for 2019/20.

Key Points:

- It was noted that internal auditing improved the effectiveness of processes in governance arrangements.
- The drafting of the plan was discussed with Heads of Services and has also been sent to SRS for their commentary.
- There was a lot of background in the report as to how the audit plan was compiled.
- The 2019/20 operational plan aims to cover the areas stated within the given time allocations, to prioritise and to look at the key risks and provide assurance.
- It was noted that there were 1258 productive audit days that have been incorporated into the plan with training, annual leave, professional exams etc affecting the overall available audit days.
- A special allocation was given to special investigations which members of the team may get involved with during the year.
- It was commented that more of the audit plan would be reported to the Committee in due course.
- Page 87 showed the Operational Audit Draft Plan for all service areas with details on specific areas on page 88. Not all areas have been allocated a risk.
- It was noted that the current draft plan was over allocated so there were not enough resources to cover it at present.

Questions and Discussions:

- A Member questioned as to whether the Audit Team were ever fully staffed? It was noted that the current situation was not ideal but set targets for 2018/19 at 82% to be achieved was currently on target.
- It was discussed how the plan could be reprioritised and that higher risks could potentially be chosen. Lower risks could then be moved to next year. Conversations with Heads of Service confirmed things have changed and sometimes it was not effective for an audit to be completed.
- Another Member had a question in relation to internet banking and the last review on page 88 as to how internet banking was audited?

- It was discussed how audit were looking at the process of how Newport City Council makes payments, what should be made and how much. It was confirmed that a small number of payments go through internet banking and there were robust procedures in place for this.
- Audit staff numbers were also questioned and whether all the targets would be met due to staff levels? It was discussed how 151 days were allocated for finance but there were no days allocated for Streetscene? It was observed that that at times auditors in the team had to cover many services and often there were 2 auditors to audit a school etc. It was also commented how there were 180 productive audit days in total for each auditor.

The Chair commented on whether there were enough days allocated for audit. It was discussed that follow ups that were planned would not take as much time. In relation to external audit regulatory reviews were already taking place so don't want to replicate.

It was also discussed how there maybe could be scope for Audit to take on more extra work at some point. It was pointed out that social services were a very large area and there may be budget constraints. Streetscene also needed to be covered in greater depth where specific areas could be looked at.

It was questioned whether there were any new areas on the radar. It was confirmed that there was a review on an annual basis. The audit plan showed a medium risk for Museum and Galleries and that in 2004 it was not audited which was taken into consideration for the risk assessment.

7 Work Programme

The Work Programme was noted. Dates for the work programme to be updated in due course.

8 Date of Next Meeting

6th June 2019 at 5pm

The meeting terminated at Time Not Specified

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Report

Audit Committee

Part 1

Date: June 2019

Item No: 6

Subject Quarter 4 Corporate Risk Register Update

Purpose To present an update of the Corporate Risk Register for the end of quarter 4 (31st March 2019).

Author Head of People and Business Change

Ward All

Summary The Council's Risk Management Strategy and Risk Register enables the Council to effectively identify, manage and monitor those risks to ensure that the Council realises its Corporate Plan and ensure service delivery is provided to its communities and citizens.

At the end of quarter 4 there were 14 risks recorded in the Council's Corporate Risk Register made up of 5 high risks, 8 medium risks and 1 low risk. In quarter 4, the risk rating for the Council's Brexit risk decreased in the last quarter from 16 to 12. This reflected the postponement of Brexit from March to October 2019 and the imminent threat of a 'No Deal' Brexit from the EU. The Brexit risk will continue to be closely monitored and the Council has arrangements in place should the national position change. The 'Legislation' risk decreased from 12 to 6 in the last quarter which is in reflection of the work undertaken with the Well-being for Future Generations Act. The In-year Financial Management risk decreased to a risk score of 4 following the underspend incurred across the Council at the end of the financial year. All remaining risk scores remained the same in the last quarter. Newport Council is undertaking a Council wide review of all of its risks that will develop into a new Corporate Risk Register for 2019/20.

Proposal The Audit Committee is asked to consider the contents of this report and assess risk management processes in place for the Authority.

Action by Senior Leadership Team and Heads of Service

Timetable Immediate

This report was prepared after consultation with:

- Corporate Management Team

Signed

Background

As part of the Wellbeing for Future Generations (Wales) Act 2015, it is a requirement for all public sector bodies to set Wellbeing objectives in their Corporate Plans. This enables the Council to set its future vision and how it will improve lives of the current and future generations. With any Corporate Plan there will be risks that may prevent the Council from achieving its objectives. The Council's Risk Management Strategy and Risk Register enables the Council to effectively identify, manage and monitor those risks to ensure that the Council realises its Plan and ensure service delivery is provided to its communities and citizens.

As outlined by the Council's Constitution, the Audit Committee is required to examine and assess the risk management processes in place with comments and recommendations of the Committee on risk process considered by Cabinet.

1. Risk Management Strategy

The Risk Management Strategy outlines how the Council manages its risk management process in identifying, managing and monitoring corporate risks in the Council's risk register using the Management Information Hub system. All risks identified in the risk register are owned by a member(s) of the Senior Leadership Team and a Cabinet Member. Mitigating actions to minimise the risk from occurring are managed by members of the Corporate Management Team with updates on progress of delivery provided every quarter.

Below the Council's Corporate Risk Register sits other risk management activities, which are managed through their own governance processes and control frameworks. Escalation processes are in place to for potential corporate wide risks to be escalated into the Corporate Risk Register. These activities include:

- **Programme / Project Risk Management** – managed through the programme / project boards;
- **Civil Contingencies (emergency planning and business continuity)** – Managed through People & Business Change service area and the Gwent Local Resilience Forum;
- **Newport Well-being Plan / Partnership risks** – managed through the One Newport Public Services Board and supporting delivery boards;
- **Newport Council Service Area risks** – Managed through their Senior Management Boards;
- **Information Governance Risk** – managed through the Council's Information Governance Board;
- **Health & Safety** – managed by the Council's Health & Safety team and service areas.

As part of the Council's ongoing review of risk management the Corporate Risk is being reviewed to identify any new / emerging risks that could impact on the delivery of services in 2019/20 and beyond. The outcomes of this review will be reported to the Audit Committee in as part of the Quarter 1 review.

2. Summary of risks in this report

At the end of quarter four (31st March 2019) there were 14 corporate risks consisting of 5 high risks, 8 medium risks and 1 low risk. The risk mitigation actions identified for each risk is imperative for outlining how these risks are managed and enable the Council achieve its objectives. Appendix 1 of this report provides a summary of the risk register and movement of risks in the last 4 quarters. In quarter 4 there were three risks where there was a change in the risk score:

- **Risk 1 (Legislative Requirements)** – This risk was focused on the legislative changes with the Welsh Language Act, Well-being for Future Generations Act, Data Protection Act and Waste Management legislation. The risk score decreased from 12 to 6 in the last quarter to reflect the work that has been undertaken in relation to the Well-being for Future Generations Act. As part of a wider review of the corporate risk register, this risk will be re-assessed to identify new and emerging risks relating to legislation changes that will impact the delivery of Council services.
- **Risk 4 (Brexit)** – In the last quarter the Council had made sufficient preparations for the initial Brexit deadline of 29th March 2019 and was routinely in communication with Welsh Government, Gwent Local Resilience Forum, other public sector bodies, and the third sector. With the National Government postponing Brexit to 31st October 2019 and the work undertaken by the Council the

imminent threat of a 'No Deal' scenario has lessened for the time being resulting in the score decreasing from 16 to 12. The Council will be continuing to monitor the situation closely and will be prepared to increase its Brexit preparations should the situation change again.

- **Risk 5 (In Year Financial Management)** – This risk decreased from 8 to 4 in the last quarter following the Council's end of year financial review that reported an overall underspend in the Council's budget. However, in light of the ongoing demand pressures on the Council services for 2019/20, this risk will be re-evaluated to reflect the Council's budget position at the end of quarter 1.

Appendix 2 of this report is the Council's Corporate Risk Register which contains the detailed and planned mitigating actions for each risk taken from the Council's Management Information Hub.

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?
The Council does not achieve its objectives as corporate level risks are not adequately managed and monitored.	M	L	Risk Management Strategy has been adopted and mechanisms are in place to identify, manage and escalate emerging and new risks / mitigation strategies. Audit Committee oversight of risk management process.	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 quarter 4 update of the Corporate Risk Register and make recommendations for Cabinet and Officers on the Council's risk management arrangements.
2. To request further information or reject the contents of the risk register

Preferred Option and Why

Option 1 is the preferred option with recommendations raised by the Audit Committee to be considered and reported to Cabinet and Officers in accordance with the Council's Constitution.

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

Risk Management in the Council is a key area to implementing Wellbeing of Future Generations Act (Wales) 2015. The Corporate Risk Register enables the Council to capture, manage and monitor those risks, which could prevent the achievement of the objectives in the Corporate Plan and the Wellbeing plan. The risks and the mitigating actions identified in the Corporate Risk Register are subject to ongoing assessment, which also enables the Council to identify any new and emerging risks.

Comments of Cabinet Member

The Chair of Cabinet has been consulted and has agreed that the contents of this report goes forward to Audit Committee 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. The views of the Committee are considered in this 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

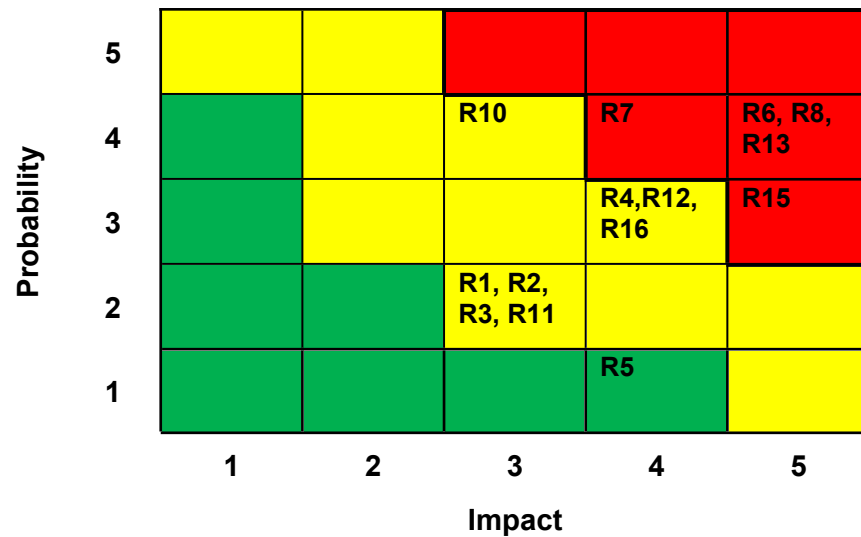
As above, the Risk Register is also considered by Cabinet

Background Papers

Corporate Risk Register, Cabinet 13th March 2019

Corporate Risk Register, Audit Committee 28th March 2019

Appendix 1 - Quarter 4 Corporate Risk Heat Map



Corporate Risk Heat Map Key	
R1 – Legislative Requirements	R8 – Risk of Stability of External Suppliers
R2 – Capacity and Capability to meet the Council's Objectives	R10 – Climate Change
R3 – Safeguarding	R11 – IT Services & Modernisation Agenda
R4 – Decision to leave the European Union (Brexit)	R12 – Cyber Attack
R5 – In Year Financial Management	R13 – Maintaining the Highways Network
R6 – Balancing the Council's Medium Term Budget	R15 – City Centre Security & Safety
R7 – Increased Pressure on Demand Led Services	R16 – Council Buildings and Assets

**Note: Risk 9 'Increasing Pressure on Existing Infrastructure' was closed in Quarter 3 of 2018/19
Risk 14 'Recruitment and retention of specialist staff was closed in Quarter 2 of 2018/19*

Risk Score Profile between Quarter 1 2018/19 and Quarter 4 2019/20

Risk Position	Risk No. - Description	Risk Score Quarter 1 2018/19	Risk Score Quarter 2 2018/19	Risk Score Quarter 3 2018/19	(Current) Risk Score Quarter 4 2018/19
1	R06 – Balancing the Council's Medium Term budget.	16	20	20	20
2	R08 – Risk of Stability of External Suppliers	16	16	20	20
3	R13 – Maintaining the Highways Network	25	25	20	20
4	R7 – Increased pressure on demand led services	16	16	16	16
5	R15 – City Centre Security and Safety	-	-	15	15
6	R4 – Decision to leave the European Union (Brexit)	9	9	16	12
7	R10 – Climate Change	12	12	12	12
8	R12 – Increasing Risk of Cyber Attack	12	12	12	12
9	R16 – Maintenance and improvement of council buildings and assets	-	-	12	12
10	R1 – Legislative Requirements	12	12	12	6
12	R2 – Capacity and capability to meet the Council's objectives	9	9	6	6
12	R3 – Safeguarding	8	8	6	6
13	R11 – Increasing demands on IT Services and the Modernised agenda	6	6	6	6
14	R5 – In year financial management	8	8	8	4

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				

Impact Matrix

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						
			Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
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
	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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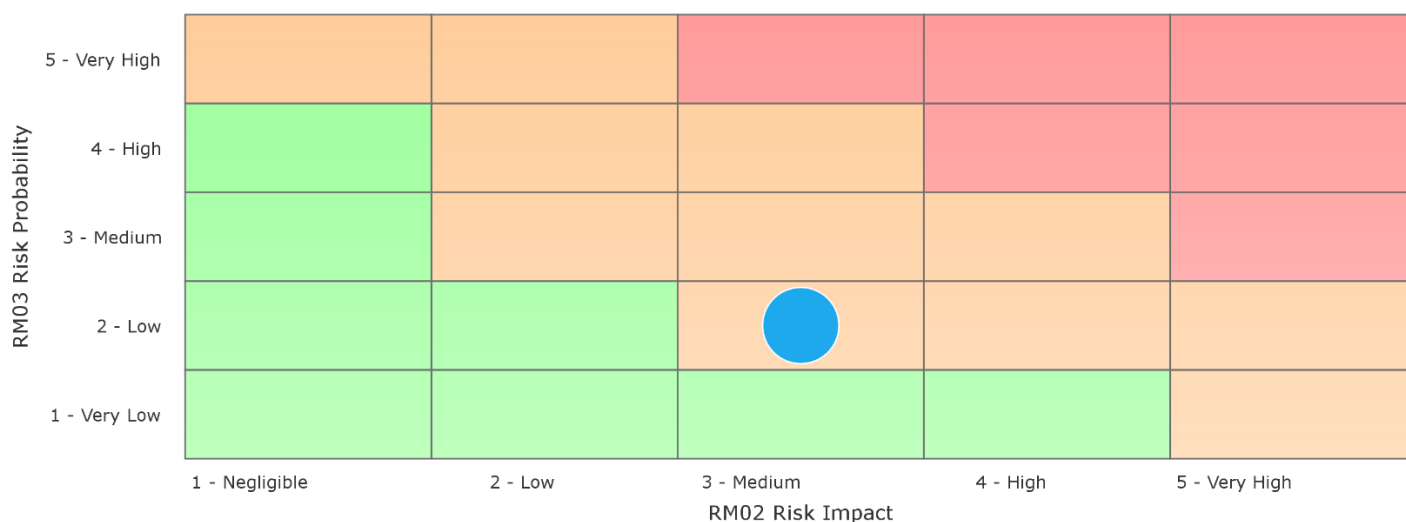


NCC Corporate Risk Register

2018/19 Quarter 4 Update

Legislative Requirements

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



Mar 2019		Risk 01 - Assessment Date & Score					
Risk - Direction of Risk	Direction	Series					
The risk score has decreased in the last quarter mainly as a result of the work being undertaken in relation to the Council's Well-being activities. As part of the Council's review of the risk register we will be re-examining this risk and the actions.	<div>✔</div>	Risk Score	Risk Rating				
				Jun 2018	Sep 2018	Dec 2018	Mar 2019
		RM01 Risk Rating	Risk Score	12	12	12	6
		Risk Rating					

Mar 2019		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 01.02	Welsh Language Act: Action plans in place and being monitored. This has shown significant progress.	Welsh Language action plans are monitored and used to monitor progress, which will also form part of the annual report. A 'mystery shopper' exercise is taking place and this will test the provision in place and highlight areas for future development.
<input checked="" type="checkbox"/> 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.	The authority has continued to promote awareness of Welsh Language Standards including guidance on the intranet and staff notice boards. Over the coming year, we will be looking to refresh this material to ensure we keep momentum in regards to Welsh Language Standards moving forward, the annual report will also reflect on this.
<input checked="" type="checkbox"/> Risk 01.04	Welsh Language Act: Partnership arrangements with another Council now in place and budget allocated, additional resources now available to support service areas and work such as website development now underway.	The annual budget for Welsh language and equalities funds posts within the corporate team to support the development of Welsh language provision, including meeting Welsh language standards as part of our overall equalities provision. There is a service level agreement in place with Cardiff Council and this can be used by officers across the Authority to provide translation services on request. This will mean more cost effective provision. Advice and guidance continues to be provided to services, and where complaints or issues are raised these are investigated for lessons learned.
<input checked="" type="checkbox"/> Risk 01.05	Welsh Language Act: 5 year strategy developed through consultation.	The 5 Year Welsh Language Strategy is published and the Authority has demonstrated good progress in delivering on many of the actions established within. This has included work with education and the update of promotional materials through the 'Benefits of Bilingualism' campaign. Progress will be further reported in the annual Welsh Language Report which is being compiled currently.
<input checked="" type="checkbox"/> 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.	Work on the mid year service plan reviews has reinforced the five ways of working, as have reviews by Wales Audit Office particularly around corporate plan progress. The most recent of these is being reported to Cabinet May 2019. The next WAO review is now being scoped. Annual reports will also provide an opportunity to take stock of progress in the next quarter.
<input checked="" type="checkbox"/> 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 reflect the principles of the Act. The service planning process has reinforced this, although this work needs to continue to evolve. WAO feedback on the use of the five ways of working will support this and can be used to develop work further. Head of People and Business Change comments on formal reports also provide assurance that the five ways of working of the WFG Act are considered in decisions. Work ongoing and may mean this risk is closed at year end.

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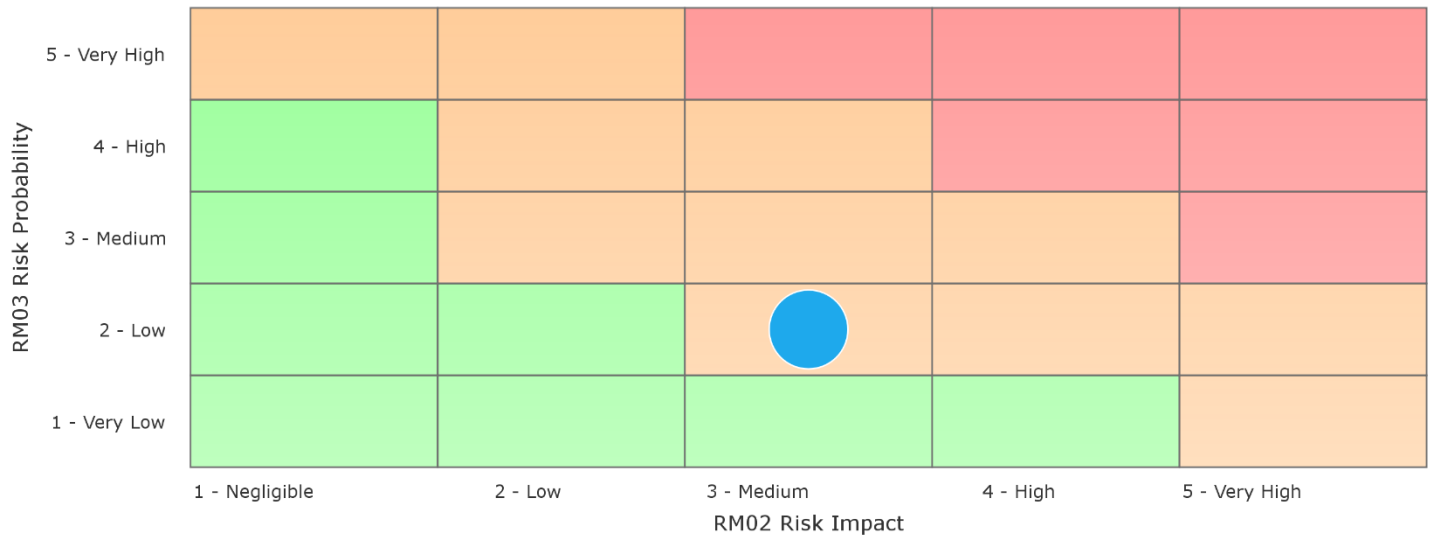
Legislative Requirements

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

<input checked="" type="checkbox"/> 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, focus currently on delivery of the Well-being Plan. First year progress will be published in the next quarter demonstrating progress, also reported to Scrutiny. Representatives from all sectors are involved in delivery of the plan although formal performance reporting has not yet commenced for some interventions. Newport's PSB is wider than the statutory participants and is providing an effective partnership forum for issues that impact across the city. Processes in place which may mean that this risk is closed at year end,
<input checked="" type="checkbox"/> 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.	Wellbeing assessment published and will be reviewed this year, work has commenced on updating the population data. Work programme reported to PSB, behind schedule owing to resource commitments. Development work with colleagues across the Gwent local authorities through the Gwent Strategic Well-being Assessment Group (GSWAG) officer group which now reports to the 'G10' leadership group.
<input checked="" type="checkbox"/> Risk 01.10	Future Generations Act: Development of wellbeing objectives finalised, and aligned with performance reporting.	The second annual report is now being drafted for Cabinet. This work will develop with service planning and work by WAO to review this area, as reported above.
<input checked="" type="checkbox"/> 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.	Still awaiting final performance figures for 18/19 but provisional data shows the recycling target has been met - confirming mitigation activities (sorting of waste, increased wood/rubble recycling etc.) have been effective. Also, main activities linked to the new waste strategy were approved by CM report on 28/12/18, including the implementation of household residual waste restrictions during 19/20 to increase recycling. Following this, during Q3 18/19 plans have been put in place so that roll out of smaller bins could start from 01/04/19. This has ensured NCC is well placed to meet the recycling targets in 19/20.
<input checked="" type="checkbox"/> 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's Information Governance Group provides the strategic management around data protection and the council's progress with General Data Protection Regulation (GDPR) supported by the important role of the council's Data Protection Group. Good progress has been made with a more formal and structured action plan around GDPR, especially around the processing of Subject Access Requests that are requests for personal data.
<input checked="" type="checkbox"/> Strategic Equalities Group - Welsh Language Act	Welsh Language Act: Strategic Equalities Group monitors implementation supported by Welsh Language Group.	<p>To reflect the significance of the Equalities Agenda the Strategic Equalities Group (SEG) now meets every other month, engaging with different Equalities Objective in each meeting. The group continues to be chaired by Deputy Leader who has responsibility for the equalities agenda. The group has ongoing representation from Trade Unions, Senior Management, and members.</p> <p>The Welsh Language Implementation Group continues as the internal working group charged with the responsibility of delivering and implementing the Welsh Language Standards across the authority. The group is facilitated by the authority's Welsh Language Officer with support from senior management.</p>

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 02 - Assessment Date & Score

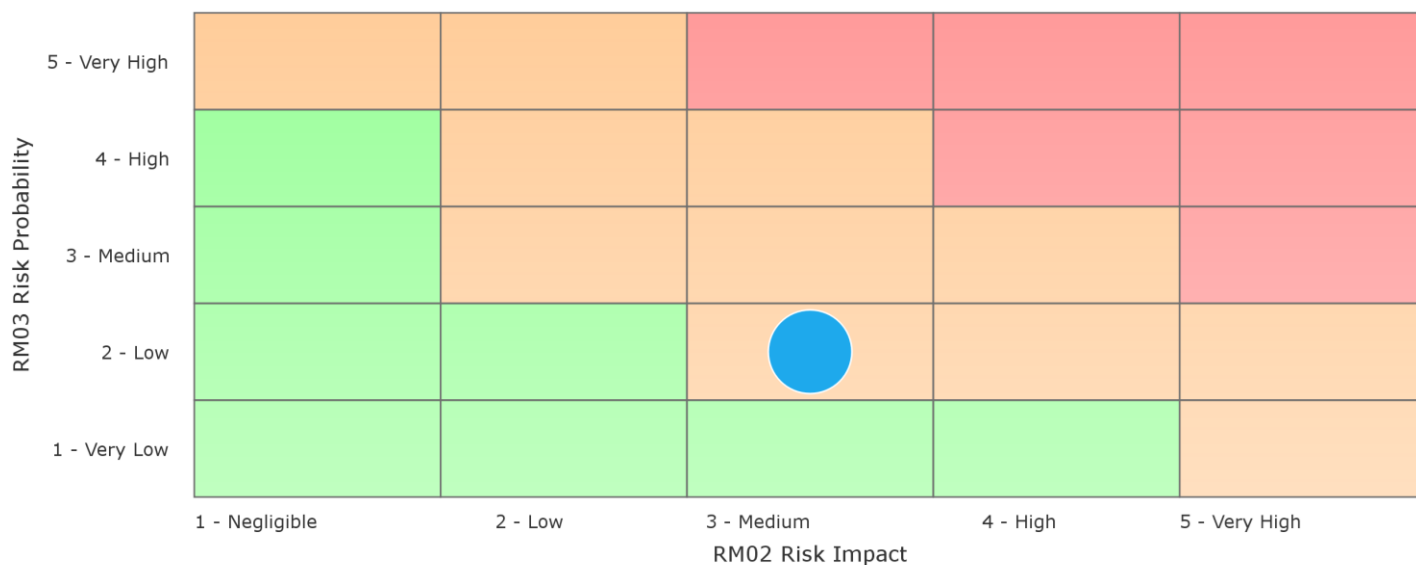
Series

Mar 2019		Risk Score	Risk Rating				
Risk - Direction of Risk	Direction			Jun 2018	Sep 2018	Dec 2018	Mar 2019
No Change for this period.	➔	> RM01 Risk Rating	Risk Score	9	9	6	6
			Risk Rating	●	●	●	●

	Mar 2019	
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 02.01	People and Business Change will pilot career pathway planning in Autumn 2017 to role model to other service areas.	Still in progress.
<input checked="" type="checkbox"/> Risk 02.02	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.	Education pilot completed. Continue to offer variety of NVQ/ILM opportunities across the Council and this has become more embedded as an option for the workforce to take advantage of for their personal development.
<input checked="" type="checkbox"/> Risk 02.03	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.	Still in progress.
<input checked="" type="checkbox"/> Risk 02.04	Additional Investment in Project Management and business change resources.	Senior Leadership Team considering approaches to additional resource requirements as part of the corporate plan delivery. Programme Managers currently finalising a new 'offer' for innovation and change.
<input checked="" type="checkbox"/> Risk 02.05	Coaching, shadowing and mentoring opportunities delivered as part of the change programme.	Two cohorts of ILM Level 5 coaches and mentors will be concluding by Summer 2019. The coaching and mentoring network has been launched and is now available for employees to self identify a coaching need, or managers to identify employees who could benefit from coaching or mentoring.
<input checked="" type="checkbox"/> Risk 02.06	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.	Still in progress as apt of wider innovation and change agenda
<input checked="" type="checkbox"/> Risk 02.07	People service plan to heavily focus on workforce planning and OD for next 12 months.	Workforce planning training took place in February 2019. HR Business Partners now collaborating on template setting and self assessment of individual service areas.

RISK 03 - Safeguarding

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

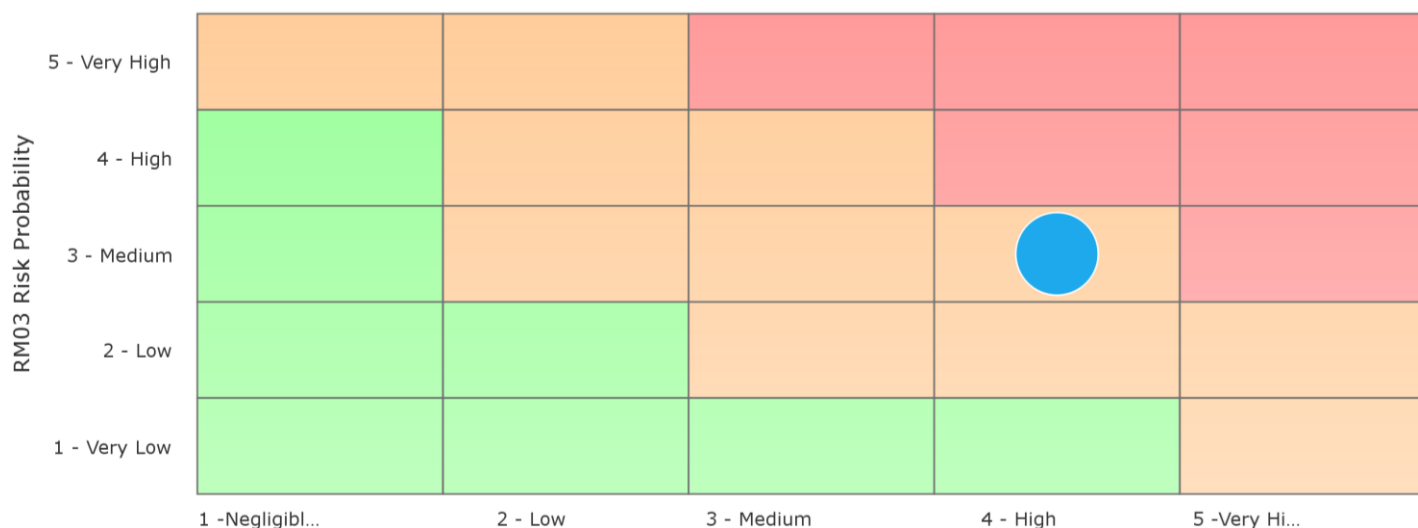


Mar 2019		Risk 03 - Assessment Date & Score					
Risk - Direction of Risk	Direction	Series					
In the last quarter there has not been any significant changes to the actions being taken and therefore the risk score for Quarter 4 remains at 6.	➔	Risk Score	Risk Rating				
				Jun 2018	Sep 2018	Dec 2018	Mar 2019
		> RM01 Risk Rating	Risk Score	8	8	6	6
			Risk Rating				

Mar 2019		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 03.03	Raising awareness of policies and procedures with staff.	Safeguarding Champions launched across the Council, second meeting planned in July 2019. Direction for all council staff to be aware of the safeguarding pages on the intranet and wider safeguarding information available through Gwent safeguarding website. Relaunch of safeguarding is everybody's business over the summer of 2019 will embed across service areas.
<input checked="" type="checkbox"/> Risk 03.04	Partnership working.	The safeguarding HUB operational for the last 12 months in the Civic centre, continues to build strong links with partners and evolve as a HUB to include additional partners from early intervention and prevention services closer together, in order that all referrals for children have clear outcomes and picked up early to prevent safeguarding issues in the future.
<input checked="" type="checkbox"/> Risk 03.05	Establishment of Safeguarding Champions across the service areas.	Safeguarding Champions launched successfully in 2019, next meeting in July 2019. List of key personnel to be available within each service area and on the intranet for staff communication. This will be reviewed at each safeguarding champion meeting to ensure accuracy.
<input checked="" type="checkbox"/> Risk 03.06	Review Schools DBS procedure.	Work with HR completed and a scoping paper to be presented to Education with advise for a way forward to ensure education can be safeguarded within the legislation available.
<input checked="" type="checkbox"/> Risk 03.07	Safeguarding Training to be provided to Council Members and staff	List of safeguarding titles with the Leaders office for ratification and approval for timetabling for Members. Members all invited to the safeguarding Network practitioner events twice a year.

RISK 04 - Decision to leave the European Union (Brexit)

Responsible Officer	Chief Executive
Lead Cabinet Member	Leader of the Council



Mar 2019	Risk 04 - Assessment Date & Score				
Risk - Direction of Risk	Direction	Series			
The likelihood of the risk has been reduced and the overall risk score is now 12 as a result of the decision for the the UK to leave the EU was postponed until October 2019 and the impact of a No Deal Brexit at the end of March 2019 has been alivated for the time being. The Council will continue to closely monitor the situation and react accordingly.	↓	Actual	Risk Rating		
				Jun 2018	Sep 2018
				Dec 2018	Mar 2019
		> RM01 Risk Rating	Actual	9	9
			Risk Rating	16	12

Mar 2019	Risk 04 - Assessment Date & Score				
Planned Mitigation	Risk - Action Status/Control Strategy				
<input checked="" type="checkbox"/> Risk 04.01 Finance / Supplies & Services – The Council will closely monitor its financial position as part of its annual budget setting process and Medium Term Financial Planning. For Council activities and services which are EU funded there is ongoing discussions with the Welsh Government to put in arrangements after 2021. The Council will be liaising with its strategic partners (Newport Norse / SRS / Newport Live) to assess the impact on its supplies and services. Also across the Council, service areas are being asked to identify their high risk / key contracts and to obtain the necessary assurances of any Brexit impact which could affect the availability and cost of supplies or services.	The Brexit Task and Finish Group has been monitoring closely the financial position of the Council with representatives from Finance and Procurement also in attendance at the meetings. In the short term, there are not any significant issues or pressures in relation to the Council's financial position and supplies and services. Whilst the national picture remains uncertain about the direction which the country will take in relation to Brexit, the overall longer term picture still remains uncertain at this stage and the Council's finance team will continue to monitor the situation as are the Council's social and education services.				
<input checked="" type="checkbox"/> Risk 04.02 Regulation / Legislation – The Council's Regulatory Services (Trading Standards and Licensing) will receive advice and guidance from the Home Office and work closely with Association of British Ports (ABP) to manage any impact on the service.	As the Brexit deadline date has been pushed back to October 2019 and the central government, for the time being, are not likely to have a No Deal Brexit the overall risk has reducaed. In the last quarter, the Council's Regulatory Services team have made arrangements and provided the necessary training to staff whilst the Council's Civil Contingencies team have been working with partners as part of the Gwent Local Resilience Forum to monitor the situation.				
<input checked="" type="checkbox"/> Risk 04.03 Governance – The Strategic Director/Place is part of a Brexit group led by the WLGA working with other local authorities and other public sector bodies. Brexit is included as a standard agenda item at the Corporate Management Team (CMT) meeting. A Task & Finish Group has been establish with service area experts to monitor and implement necessary actions in preparation of Brexit. Regular updates will be provided to the Senior Leadership Team (SLT) and Cabinet on the Council's Brexit preparations.	In the last quarter the Council has been monitoring the Brexit situation through the Task and Finish Group, Corporate Management Team (CMT) and through the Local Resilience Forum. In March 2019 we delivered an update to Members on the actions that the Council and the wider Welsh Local Government Association has taken. Since the deadline has been pushed back to October 2019 the Council has scaled back its arrangements but are continuing to hold Task & Finish Groups and monitor the situation with through CMT				

RISK 04 - Decision to leave the European Union (Brexit)

Responsible Officer	Chief Executive
Lead Cabinet Member	Leader of the Council

<input checked="" type="checkbox"/> Risk 4.04	<p>Human Resources - The Council will need to capture information on the number of existing staff members which are from the EU and ensure necessary arrangements are in place for new starters in the Council. Long term, the Council will monitor and liaise with service areas and partners on the impact of Brexit on resources and skill issues / opportunities as a result of leaving the EU.</p> <p>Guidance and advice will also need to be available to EU staff members on completing any residency applications.</p>	<p>In the last quarter the Council released internal and external communications to staff through the Intranet, Staff Newsletter and the Council website. Staff and members of the public have been provided guidance via the Home Office on how they can apply for settled status and contact Government agencies for advice and guidance.</p>
<input checked="" type="checkbox"/> Risk 4.05	<p>Civil Contingencies - For regular updates to be provided to the Council and Brexit Task & Finish Group on Regional and National wide Brexit preparations. Regular updates from the Gwent Local Resilience Forum which includes local authorities, Police, Fire, Health as well as Welsh Government, WLGA and other strategic group updates will be included as part of this process.</p>	<p>Civil Contingencies and its partners within the Gwent LRF have made Brexit preparations to enable communications on local and national levels. Civil Contingencies are still providing updates to the Task and Finish Group and there will be continuous monitoring up to the next deadline of October 2019.</p>

Risk 05 - In Year Financial Management

Responsible Officer

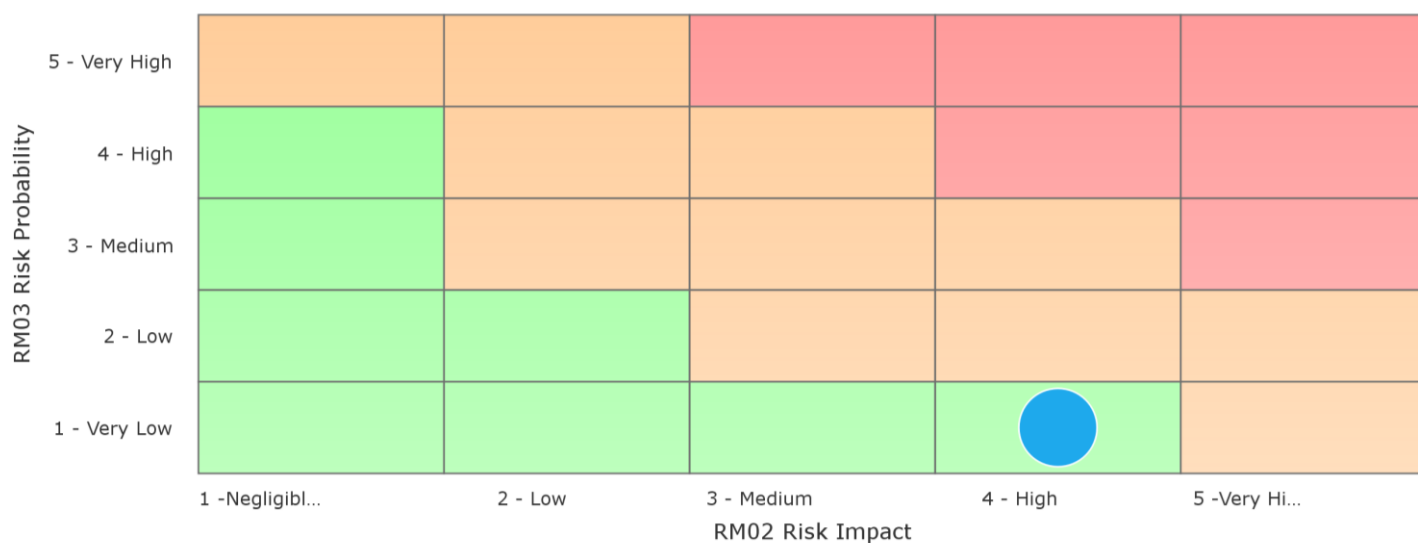
Chief Executive

Directors

Heads of Service

Lead Cabinet Member

Leader of the Council



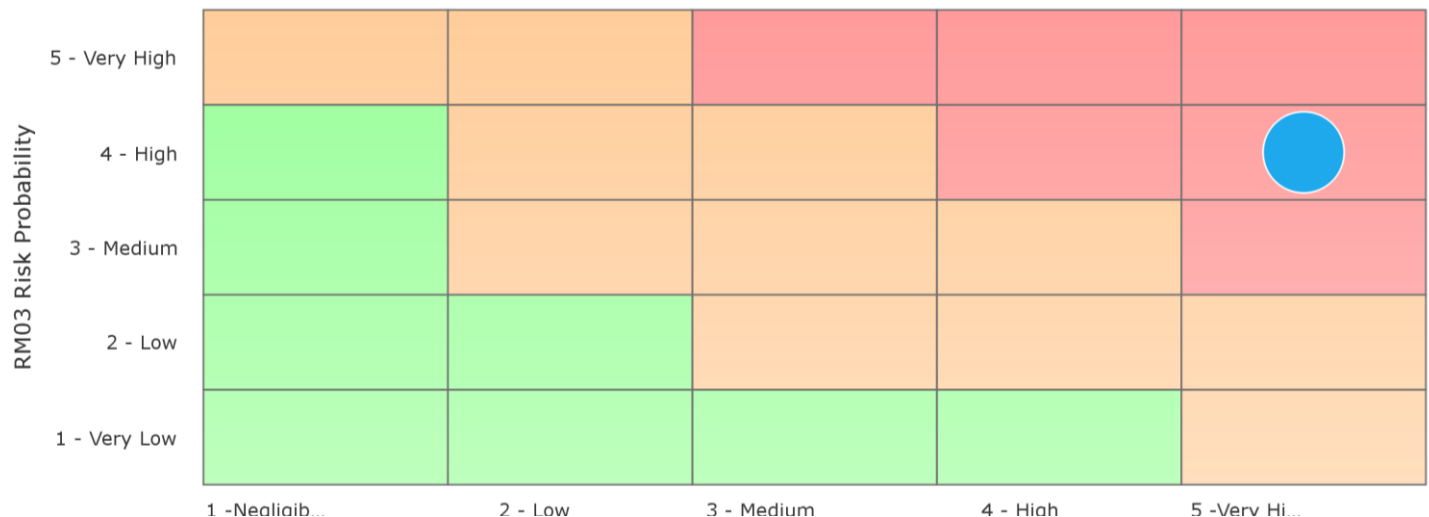
Mar 2019		Risk 05 - Assessment Date & Score				
Risk - Direction of Risk		Direction	Series			
As year end is now complete, there is an overall underspend across the Council therefore as at the 31st March 2019 the overall risk of in-year overspend is low. However this will need to be reflected in the next update where the risk may increase as a new financial year begins.			Actual	Risk Rating		
				Jun 2018	Sep 2018	Dec 2018
				Mar 2019		
> RM01 Risk Rating		Actual	8	8	8	4
			Risk Rating			

Mar 2019		
	Planned Mitigation	Risk - Action Status/Control Strategy
Risk 05.04	Heads of Service with their service managers, supported by corporate business partners will plan actions to mitigate and bring down overspends in the future.	Completed
Risk 05.05	Focus on forward planning to ensure early identification of potential overspending to enable early resolution and incorporate into medium term financial projections, where unavoidable, as appropriate.	In Year demand pressures have been identified for 2019/20 and cash limits have been set accordingly. Business Partners will be working with all service areas to closely monitor and risk manage the high demand areas to prepare for 2019/20.
Risk 05.06	Ensure medium term planning based on robust information on key cost drivers and risk areas.	As 5.05 we have identified the demand pressures for the Council and will be working closely through risk based support with service areas to plan / forecast models and inform key decisions made in 2019/20.

Risk 06 - Balancing the Council's Medium Term Budget

Responsible Officer

Chief Executive
Directors
Heads of Service



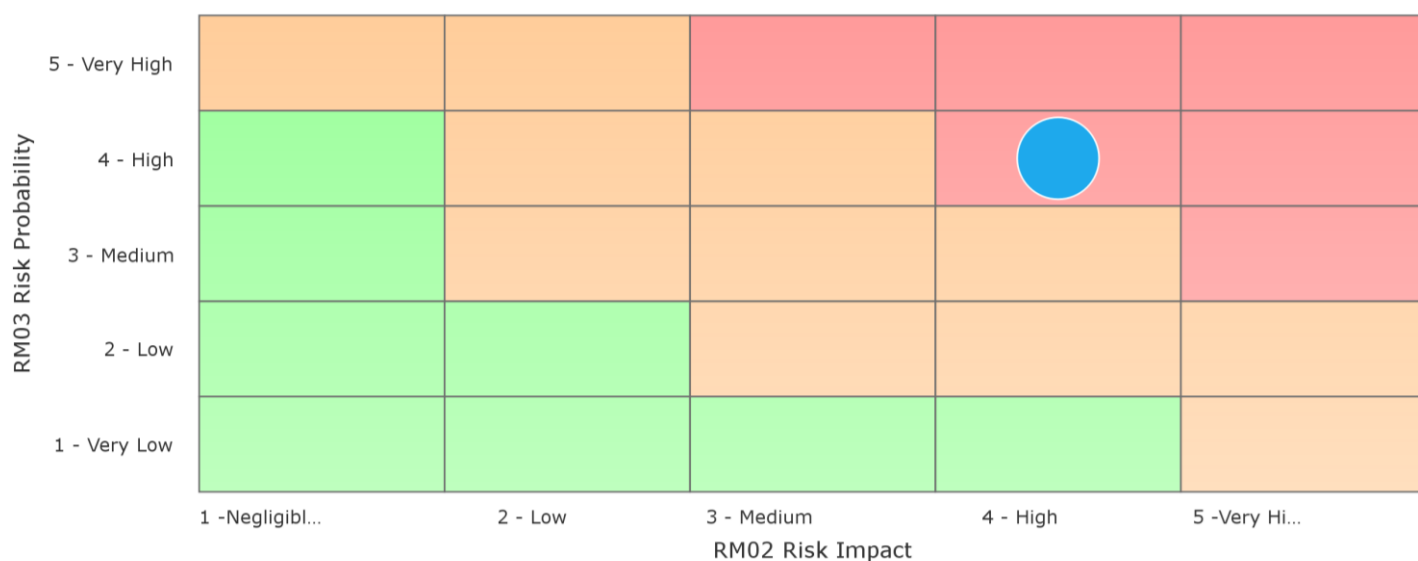
Risk 06 - Assessment Date & Score

Mar 2019		Series				
Risk - Direction of Risk	Direction	Actual	Risk Rating			
The risk remains high as, despite setting an overall balanced budget for the financial year 2019/20, there remains a significant budget gap over the medium term. Work is ongoing to identify way in which to reduce this budget gap	→					
			Jun 2018	Sep 2018	Dec 2018	Mar 2019
> RM01 Risk Rating		Actual	16	20	20	20
		Risk Rating	▲	▲	▲	▲

Mar 2019		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 06.01	On-going review and challenge to budget pressures within the MTFP	Going into the next MTFP the model needs to be updated with revised/newly identified pressures. Heads of service will need to work alongside finance colleagues to identify these and ensure robust forecasting and plan mitigation for these pressures.
✓ Risk 06.02	Discussions with SLT to review cash-limits for each service areas with view to identify savings and mitigation of pressures	An updated framework for the delivery of savings to reduce the budget gap on the MTFP is being formulated by SLT. This will be updated in future risk updates.
✓ Risk 06.03	Project initiated to draw up a medium term change programme by June 2018 latest.	SLT are discussing framework to deliver savings to meet the budget gap, this will be updated on future risk updates.
✓ Risk 06.04	4 boards to discuss and draw up strategic projects that will deliver savings over the medium term to mitigate the budget gap.	Boards continue to discuss ways in which savings can be delivered to meet budget gap. These will need to be linked with any framework agreed by SLT.

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 07 - Assessment Date & Score

Mar 2019	Series	Actual	Risk Rating				
Risk - Direction of Risk	Direction						
In quarter 4 the risk score remains at 16 as the Council continues to manage the demand on its services within Social Service, Education, Housing and City Services.	→			Jun 2018	Sep 2018	Dec 2018	Mar 2019
		> RM01 Risk Rating	Actual	16	16	16	16
			Risk Rating	▲	▲	▲	▲

Planned mitigation

All 32 selected

Mar 2019	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.01	Education 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.	POSP continues to operate to consider future provision. Glan Lyn Primary will open September 2018 as planned.
<input checked="" type="checkbox"/> Risk 07.02	Education 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.	Colloborative funding from Section 106, NCC and WG will provide a proposed new 3 form English Medium Primary at the Whiteheads site which is due to open in January 2022. This also comes with a proposed new, 2 form Welsh Medium School situated on the current Pillgwenly site. This will support the pupil place challenge within the city.
<input checked="" type="checkbox"/> Risk 07.03	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. The number of educational places within the city need to grow in order to provide provision for pupils with complex needs.	The expansion of Maes Ebbw is near completion.

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

<input checked="" type="checkbox"/> Risk 07.04	Growing population of highly vulnerable children: 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.	The new 10 place LRB at Lodge Primary has opened. A further 20 place LRB is due to open in Glan Lyn Primary in September 2019.
<input checked="" type="checkbox"/> Risk 07.05	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.	Out of County placements have reduced slightly. Local alternative provision is having a positive impact on supporting pupils. A further study is being completed on the most purposeful specialist provision for Newport (which will prevent and reduce Out of County expenditure).
<input checked="" type="checkbox"/> Risk 07.06	MANAGING DEMAND – PREVENTION EARLY INTERVENTION 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.	The Older Persons Pathway continues to operate out of GP's surgeries, identifying those at risk and offering a stay well plan to maintain health and well-being. The project has evidenced positive impacts on diverting the need for additional services and is part of a workstream led by Annuerin Bevan Unitary Health Board (ABUHB) that is developing well being networks across the city
<input checked="" type="checkbox"/> Risk 07.07	MANAGING DEMAND – PREVENTION EARLY INTERVENTION Reconfiguring a number of service pathways including Frailty & Reablement to reduce duplication, streamline provision, facilitate hospital discharge and provide services focused on maintaining independence.	The integration of reablement is now complete and offers a time limited intervention upon discharge and to those who may need short term assistance upon first referral to Social Services. The service maximises independence and prevents the need for longer term care and support. The implementation of Home First - a regional joint health and social care initiative to prevent hospital admission is now underway and the impact on demand for hospital beds is being monitored.
<input checked="" type="checkbox"/> Risk 07.08	MANAGING DEMAND – PREVENTION EARLY INTERVENTION Investment in preventative services including 2 Third Sector consortiums offering information, advice and assistance for any Newport citizen.	A review of both Third Sector Consortiums will take place during 2019/20. They have been in operation for over 2 years and whilst they have offered significant benefits to citizens needing to access low level support it is now appropriate to re-visit the service model to establish if they continue to be the most effective and efficient way to meet demand. There is a savings target of £250k against this budget in 19/20 that will need to be factored in to any new commissioning arrangements
<input checked="" type="checkbox"/> Risk 07.09	MANAGING DEMAND – PREVENTION EARLY INTERVENTION Utilisation of ICF for Community Connectors offering community based assistance to people who require support to access low level services	The Community Connectors continue to be resourced by the Intermediate Care Fund. Regular monitoring information is submitted to ABUHB in line with the funding requirements. The Connector service plays a vital role in managing demand through the delivery of preventative services
<input checked="" type="checkbox"/> Risk 07.10	MARKET MANAGEMENT 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.	The Commissioning Team work closely with providers to ensure quality and cost effectiveness. Relationships are well developed and communication ongoing. The Contracts Officers visit establishments regularly on a cyclical basis and in response to specific issues.
<input checked="" type="checkbox"/> Risk 07.11	MARKET MANAGEMENT Ensuring in house services are cost effective and targeted at community need.	The Supported Living Service has now been reduced from 4 homes to 1. The tenants have been successfully moved on to new independent living arrangements that is more appropriate to their needs. The remaining home will close when an appropriate outcome can be sourced for the remaining tenant. The Extracare service was transferred to Radis on 1 April 2019 as planned.
<input checked="" type="checkbox"/> Risk 07.12	MARKET MANAGEMENT Cost control –negotiating sustainable fees with providers that offer value for money whilst protecting the social care workforce	Fees have been agreed with providers for 19/20 as a result of early planning and communication with providers
<input checked="" type="checkbox"/> Risk 07.13	MARKET MANAGEMENT Engagement with Regional workstreams to address National issues around the purchase of domiciliary and residential care services	NCC continues to engage with Regional work streams around domiciliary and residential care. Specifically, work around the development of a pooled budget and common contracts are in progress and joint monitoring and intelligence exchange with Health and partner Authorities continue to develop.

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

<input checked="" type="checkbox"/> Risk 07.14	MARKET MANAGEMENT Early engagement with Health to maximise CHC funding for people with Health needs.	Ongoing - Where CHC triggers are identified there is an established process to ensure referrals are progressed
<input checked="" type="checkbox"/> Risk 07.15	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	There is a £250k saving attached to the Third Sector budget in 2019/20. A review will take place to inform a re-design of preventative services in accordance with new developments around well being networks and community hubs
<input checked="" type="checkbox"/> Risk 07.16	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.	The mental Health consortium is a Regional service mostly funded by Health. The service is being re-tendered during 19/20 solely by ABUHB. The NCC review of preventative services will need to take account of this re-tender and build in any new requirements into the new preventative services specification as part of the workstream.
<input checked="" type="checkbox"/> Risk 07.17	Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs. • Utilisation of ICF to deliver a Community Connector Service – offering community support for people to access services.	There is a £250k savings target linked to the Third Sector budget for 2019/20. A full review will take place during the year to scope a re-commissioning exercise that fits with the wider and evolving preventative services agenda that includes the Community Connector Service
<input checked="" type="checkbox"/> Risk 07.18	Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs. • Utilisation of ICF to employ a Carers Development Officer	The Carers Network is established - an e-training package to assist social care professionals identify carers and address their needs is now available and has been publicised within NCC
<input checked="" type="checkbox"/> Risk 07.19	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: • Re-tendering for the Strategic Collaborative Partnership that delivers the Family Assessment Support Service (FASS) and Family Support Team (FST).	Completed and new contract in place following review.
<input checked="" type="checkbox"/> Risk 07.20	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. Investment in developing preventative services to work with families to build resilience and to prevent children from being accommodated: • 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.	Refurbishment of Oaklands is now underway and will enable the Council to provide the necessary support for children in our care.
<input checked="" type="checkbox"/> Risk 07.21	Investment in developing preventative services to work with families to build resilience and to prevent children from being accommodated: • Carers Development Officer supports families with Children with disabilities.	The following has been agreed from the Transformation Fund around the preventative agenda for 2019/20: 1. Additional posts to be based in NCC hub to work with families who are below the threshold for statutory provision 2. An additional Child and Adolescent Mental Health Support (CAMHS) worker 3. Further funding for the Family Intervention Service 4. Funding for a post-natal worker
<input checked="" type="checkbox"/> Risk 07.22	Engagement with Regional work streams to address developing a consistent framework around Continuing Health Care Process.	This action has been completed and we now have a new process in place that is being monitored.
<input checked="" type="checkbox"/> Risk 07.23	Cost control – negotiating sustainable fees with providers that offer value for money whilst protecting the social care workforce.	Fees have now been agreed for 19/20 due to a structured plan of communication with providers who were willing to engage earlier in the year in order to clarify their financial position.
<input checked="" type="checkbox"/> Risk 07.24	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; • 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.	The Neighbourhood hub programme has been agreed by council, work has begun to appoint area managers and teams. This work when implemented in September 2019 will ease the pressures on services as it will promote collaborative working methods. The alignment of grants is being managed through both the NH programme and Flexible Fund. The work the consultant has carried out will provide proposals for, staffing teams, commissioning processes and duplication. Community assets are also be reviewed through this process.

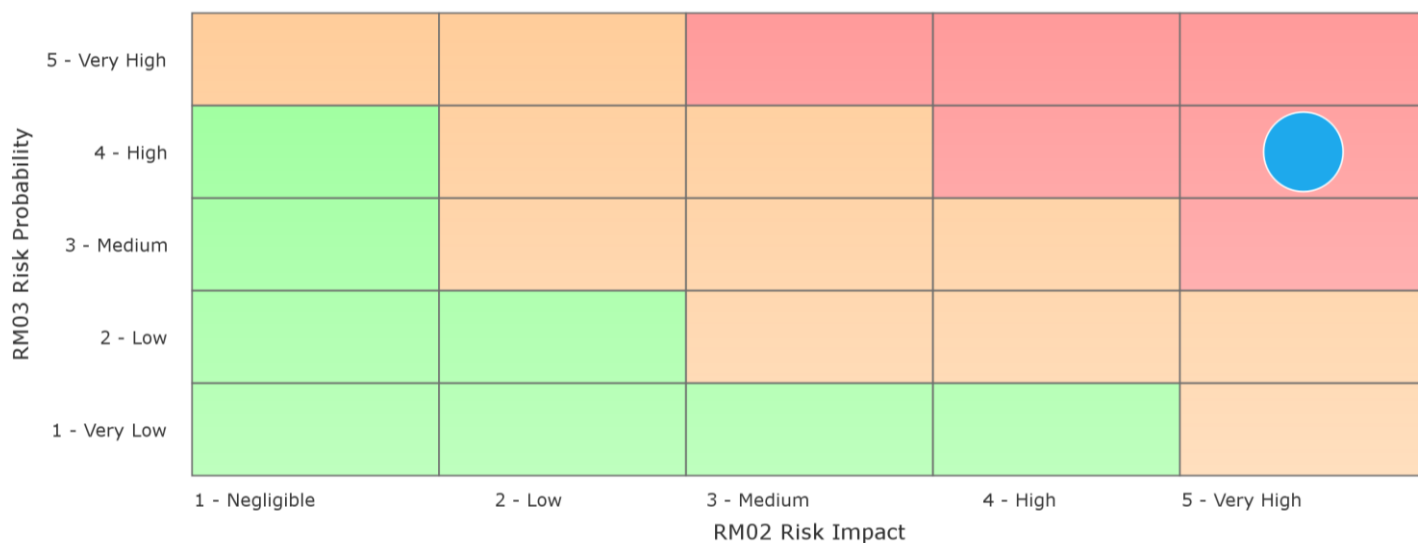
Risk 07 - Increased Pressure on Demand Led Services

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

<input checked="" type="checkbox"/> Risk 07.25	Community Regeneration Work with funders to identify further opportunities to provide additional resource to community delivery.	Work with partners to provide additional resource to communities is ongoing, the NH programme is promoting partnership working and identifying resource from alternative means. Therefore reducing the burden on the council in the future.
<input checked="" type="checkbox"/> Risk 07.26	Housing Services 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. 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	New affordable housing schemes for older people are being completed at Beechwood, the Gaer and the city centre.
<input checked="" type="checkbox"/> Risk 07.27	Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs. <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 	Following adoption of the Gwent Homelessness Strategy, a local action plan for Newport is being implemented to increase the joint planning, commissioning and delivery of services, improve the integration of support services into homelessness prevention work and enhance information-sharing between partner agencies, where there is benefit to service users.
<input checked="" type="checkbox"/> Risk 07.28	Increasing population putting extra pressure on demand for affordable housing or specialised housing 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 <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 	The independent review of the affordable housing supply has now produced a report setting out a range of recommendations to Welsh Government. The report acknowledges that existing levels of public subsidy cannot address all unmet housing need but proposes changes to make better use of existing resources, to achieve better integration between local needs assessment and planned provision. Welsh Government will now consider the recommendations and changes to the affordable housing system may then follow.
<input checked="" type="checkbox"/> Risk 07.29	Growing population of highly vulnerable children requiring housing solutions within the care system and once leaving the care system.	A scheme providing placements in shared accommodation for vulnerable young people is now operational with further units of dispersed accommodation to follow
<input checked="" type="checkbox"/> Risk 07.30	Increasing shift away from owner occupation towards private renting 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.	The Renting Homes (Fees etc)(Wales) Bill will introduce restrictions on the fees charged to tenants from September 2019 but it will be some time before the impact of this can be assessed.
<input checked="" type="checkbox"/> Risk 07.31	Increasing concerns about the standard and fitness within the existing housing stock 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.	A new Housing Improvement Loans Policy has been adopted and an accredited partner agency has been appointed to administer owner-occupier loans for the council. .
<input checked="" type="checkbox"/> Risk 07.32	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 Increasing pressure on the adaptations capital budget.	Increased waiting times for OT assessments during 18/19 (Social Services) have led to increased delivery times for DFG funded adaptations. RIH and Social Services are in discussion to consider arrangements to address this.

Risk 08 - Risk of Stability of External Suppliers

Mar 2019
Responsible Officer
Strategic Director - People
Lead Cabinet Member
Cabinet Member for Social Services



Mar 2019		Risk 08 - Assessment Date & Score									
Risk - Direction of Risk		Direction		Series							
The risk score remains at 20 for quarter 4 as the demand for placements and costs on the service areas are still impacting on the Council's budget.		➔		Actual		Risk Rating					
				Jun 2018		Sep 2018		Dec 2018		Mar 2019	
➤ RM01 Risk Rating		Actual		16		16		20		20	
		Risk Rating		▲		▲		▲		▲	

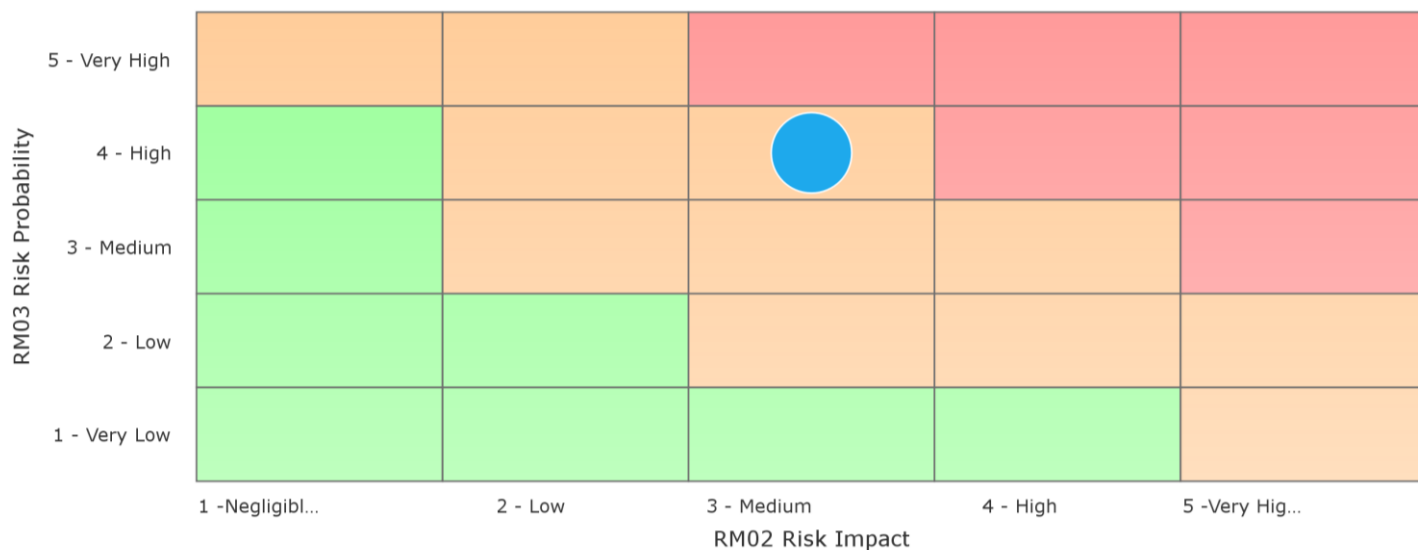
Risk 08 - Assessment Date & Score

Series		Jun 2018	Sep 2018	Dec 2018	Mar 2019
Actual	Risk Rating				
> RM01 Risk Rating	Actual	16	16	20	20
	Risk Rating	▲	▲	▲	▲

	Mar 2019	
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 08.01	Market Management Consultation and engagement with social care providers	<p>The Commissioning Team have regular dialogue with providers around a range of issues. Regional workstreams also engage domiciliary care and residential providers in discussions around fees and quality. There is still uncertainty in the market place around the impact of Brexit, specifically in relation to recruitment and availability of medicines and equipment.</p> <p>Although the possibility of a no deal BREXIT is in decline there is still much uncertainty that continues to be monitored.</p>
<input checked="" type="checkbox"/> 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 contract method of engaging domiciliary care providers is working well in Newport. The market is relatively stable and all requests are filtered through the Brokerage Team who have up to date market knowledge and close relationships with the domiciliary care agencies personnel.
<input checked="" type="checkbox"/> 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 Commissioning Team take every opportunity to talk to new providers. New services that are subject to tender are advertised and dialogue encouraged through supplier days.
<input checked="" type="checkbox"/> Risk 08.04	Developing New Sustainable Models of Service & Maximising Alternative Funding 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>The Independent Living Strategy will inform the future development of new accommodation options for people with learning disabilities. This work is dependent upon strong partnerships with RSL's. The Council's in house supported living scheme is closing and all but one of the tenants has been moved to accommodation that is better suited to their needs.</p> <p>Plans are in place for 2 more schemes in 2020 - Kings Hotel and Emlyn Street. Both will allow people to live in single units rather than group homes.</p>
<input checked="" type="checkbox"/> Risk 08.05	Working With Commissioning Partners Working Regionally & Nationally to share knowledge, best practice, market intelligence and to develop commissioning strategies in both adults and children's services.	Regional commissioning work is ongoing in both childrens and adults services. The Commissioning links between LA's and Health are strong and communication channels are active. All partners are sighted on the opportunities that collaborative working can offer to ensure consistent and efficient service models.
<input checked="" type="checkbox"/> Risk 08.06	Commissioning Function 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>The Commissioning Team now has a full complement of staff and is managing all of the activities around childrens/education/residential placements as well as the school meals contract.</p> <p>Efficiencies have already been identified through the application of consistent and professional commissioning and contract management practices.</p> <p>The team has now been re-structured to build in as much resilience and capacity to deal with the new responsibilities and will continue to be monitored.</p>

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

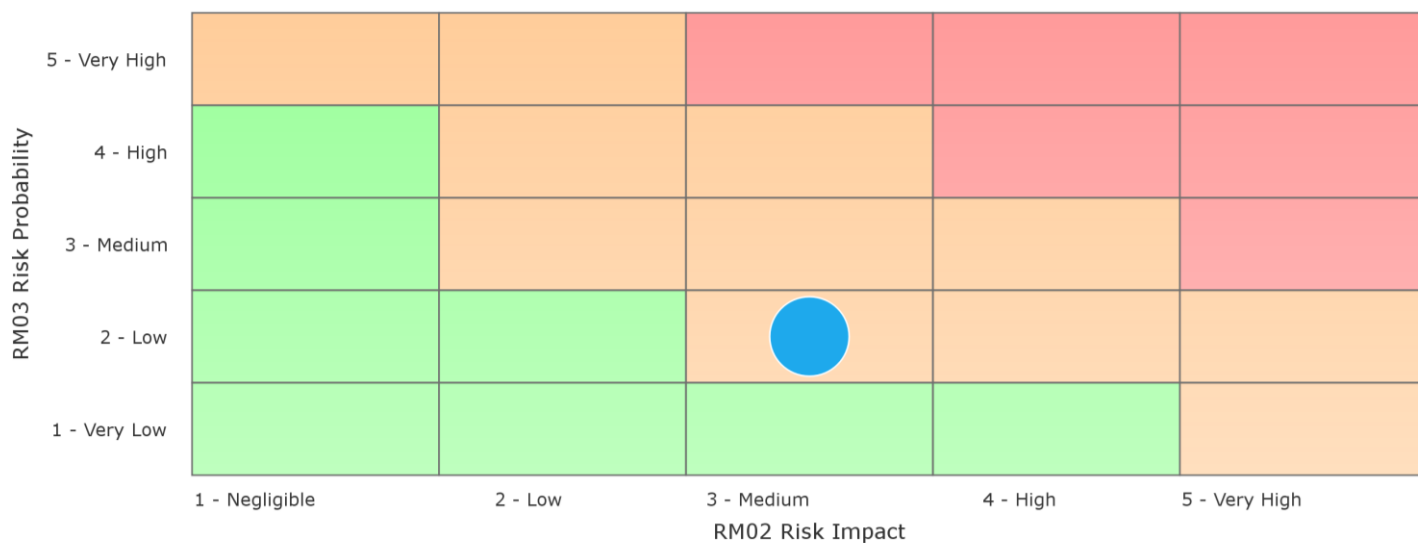


Mar 2019		Risk 10 - Assessment Date & Score					
Risk - Direction of Risk	Direction	Series					
		Risk Score	Risk Rating				
No change in Quarter 4. This risk will be re-assessed in Q1 2019/20.	➔			Jun 2018	Sep 2018	Dec 2018	Mar 2019
		> RM01 Risk Rating	Risk Score	12	12	12	12
			Risk Rating	●	●	●	●

Mar 2019		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> 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.	Due to entering a new year the carbon management plan is being re-assessed, principally in terms of baseline data and targets. Carbon savings are being achieved through the LED street lighting project which is now over 10% complete and due to be finished during 2019.
<input checked="" type="checkbox"/> 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.	NCC are now locked into purchasing 100% renewable energy (for electricity) through the National Procurement Service until the end of 20/21. Market conditions have meant higher prices for 19/20, a modified purchasing strategy should reduce the market risk for 20/21.
<input checked="" type="checkbox"/> 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.	Development work is continuing on a potential solar farm site which could deploy 2.4MW of solar PV (vs the 0.1MW we currently have installed within the estate), this is the current renewable energy priority for the Carbon Reduction Team.
<input checked="" type="checkbox"/> 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.	City Services are in the process of creating the new SuDS enforcement team to ensure the city's statutory duties are delivered.
<input checked="" type="checkbox"/> Risk 10.05	Comprehensive and robust Adverse Weather Plans.	Service area and Corporate plans remain in place to mitigate this risk
<input checked="" type="checkbox"/> Risk 10.06	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.	in partnership with NRW Green and Safe Vision has been created as a statement setting for the Green and Safe Strategy. The strategy will contain the wider Green Infrastructure Assessment and following results from the interactive consultation tool, the strategy will develop the four main themes that are emerging. These themes are: Access and Safety; Greening Opportunities; Value to the Community and Making the most of Green Assets. Delivery plan will follow on from strategy.
<input checked="" type="checkbox"/> Risk 10.07	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.	Current carriageway programmes focus on preventative treatments to maximise the residual life of the asset. These treatments restore texture depth and seal the surface from water ingress and deterioration due to the effects of weather
<input checked="" type="checkbox"/> Risk 10.08	Maximise on available Welsh Government funding to improve the defence of the city against fluvial and coastal flooding.	City Services continue to work with WG to deliver/improve fluvial and coastal defence from flooding

Risk 11 - Increasing Demands on IT Services and the Modernised Agenda

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

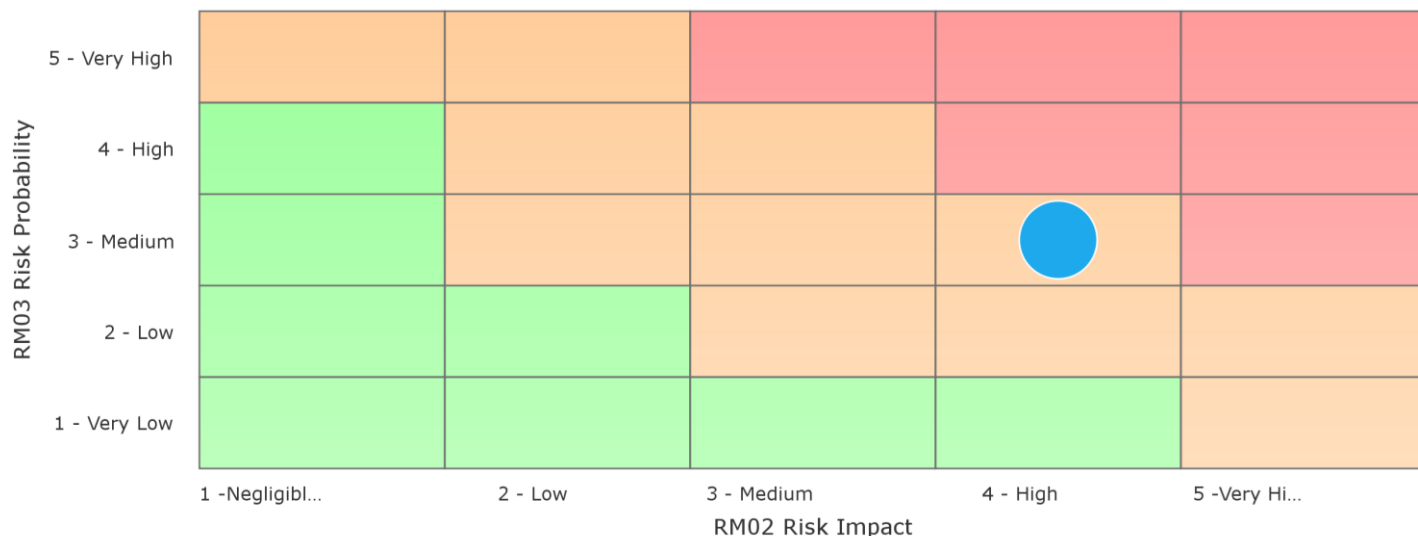


Mar 2019		Risk 11 - Assessment Date & Score					
Risk - Direction of Risk	Direction	Series					
The risk remains at a similar level to previously. The council's governance arrangements combined with the Shared Resource Service's governance are designed to manage the challenges and opportunities.	➔	Risk Score		Risk Rating			
				Jun 2018	Sep 2018	Dec 2018	Mar 2019
		> RM01 Risk Rating	Risk Score	6	6	6	6
			Risk Rating	●	●	●	●

Mar 2019		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 11.01	The Digital Service was established with a new structure to support its client management role. The monthly Delivery Group meetings with the SRS has been established to review performance (financial and non-financial) and project updates. This also includes project and core planned work to be prioritised. Regular briefings also take place with the Cabinet Member responsible and to the Chief Executive via the Head of Service. The Council is represented on all the SRS Boards by relevant staff.	Work with an external consultant was carried out to review the original investment objectives of the partnership and its organisation/governance. Improvements have been identified and these will be progressed over coming months. Representatives from the council play an active role in the boards of the Shared Resource Service (SRS) and regular updates are provided to the Cabinet Member and Senior Leadership Team (SLT).
✓ Risk 11.02	The Council's Programme Boards (Modernised Council, Thriving Cities, Resilient Communities, and Aspirational People) will provide the necessary oversight and scrutiny on the delivery of key Council projects involving IT services and infrastructure. The NCC Digital City Board was established to monitor the delivery of IT projects across the council with representation from SRS, Digital Service and council services. The Council will ensure that the necessary funding and financial monitoring and reporting controls are in place to ensure that the Council and SRS to deliver key projects and service delivery	Regular reporting and monitoring of IT projects takes place to the Modernised Council and Thriving City boards as well as to the Digital City Board. Recent successful major projects include the migration to Microsoft Office 365 cloud based e-mail/Skype for Business and the implementation of a new CRM system for customer services and the council's web site.

Risk 12 - Increasing Risk of Cyber Attack

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

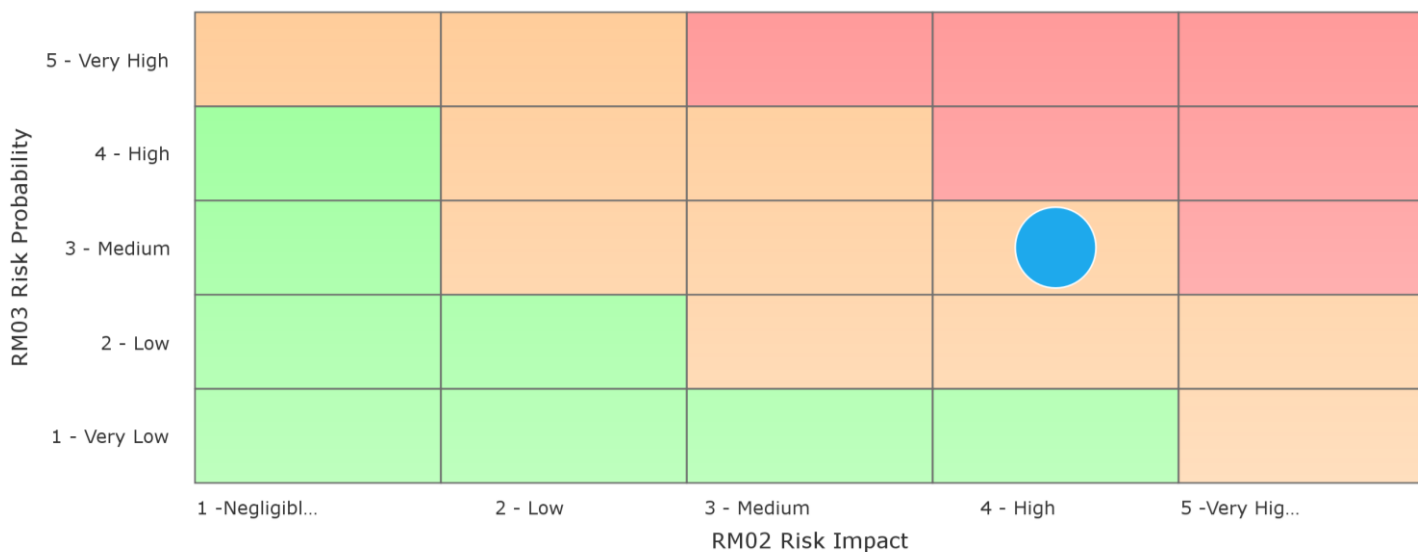


Mar 2019		Risk 12 - Assessment Date & Score					
Risk - Direction of Risk	Direction	Series					
The risk remains similar to previous quarters. It is mitigated by a number of processes but the environmental threat level remains relatively high.	➔	Risk Score		Risk Rating			
				Jun 2018	Sep 2018	Dec 2018	Mar 2019
> RM01 Risk Rating		Risk Score	12	12	12	12	
		Risk Rating	●	●	●	●	

Mar 2019			Risk - Action Status/Control Strategy	
Planned Mitigation				
<input checked="" type="checkbox"/>	Risk 12.02	<p>The Council is working Regular PSN accreditation and other IT security reviews such as the 'Minimum Cyber Security Standard' to be completed with findings / recommendations reported and monitored through the Information Governance Group.</p> <p>SRS will also undertake the necessary IT security updates on all new and existing IT infrastructure to minimise the risk of external and internal cyber threats. The Council's IT team to receive regular risk updates and notifications.</p>	<p>The council gained formal Public Services Network (PSN) accreditation in Q3 of this year. System updates/patches continue to take place and the next annual IT Health Check to support PSN accreditation is planned for May 2019. Work has also taken place to prepare for Cyber Essentials Plus.</p>	
<input checked="" type="checkbox"/>	Risk 12.03	<p>Policies, procedures and guidance relating to IT Security will be updated to align with the new GDPR legislation and also current arrangements in relation to the management and monitoring of cyber risks.</p> <p>Training and guidance is provided to all Newport City Council staff, agency workers and consultants which access the IT Network. The Council's Data Protection online training will also be updated to reflect recent GDPR changes and staff will continue to be encouraged to attend the Council's information Security training. SRS will also continue to notify and provide guidance to staff where potential cyber threats are received.</p>	<p>All information management policies have been updated to reflect any changes required as a result of General Data Protection Regulation (GDPR) and re-published. An on-going training programme continues with two monthly courses. Revised e-learning has been developed to incorporate the principles of GDPR and highlight key messages.</p>	
<input checked="" type="checkbox"/>	Risk 12.04	<p>Disaster Recovery and business continuity processes between the Council and SRS will be reviewed and updated. These processes will be subject to regular testing with findings and recommendations fed back to the Council's Information Governance Group to ensure the necessary action(s) are completed.</p>	<p>Phase 1 of the improved disaster recovery arrangements is now complete. Phase 2 is designed to provide key systems availability via reduced processing facilities when the primary system is unavailable. This is being progressed by the Shared Resource Service (SRS) in conjunction with the council and is being reviewed in line of new systems such as Office 365 and CRM.</p>	



Risk 13 - Maintaining the Highways Network

	Mar 2019
Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Streetscene The Deputy Leader and Cabinet Member for Assets and Member Development



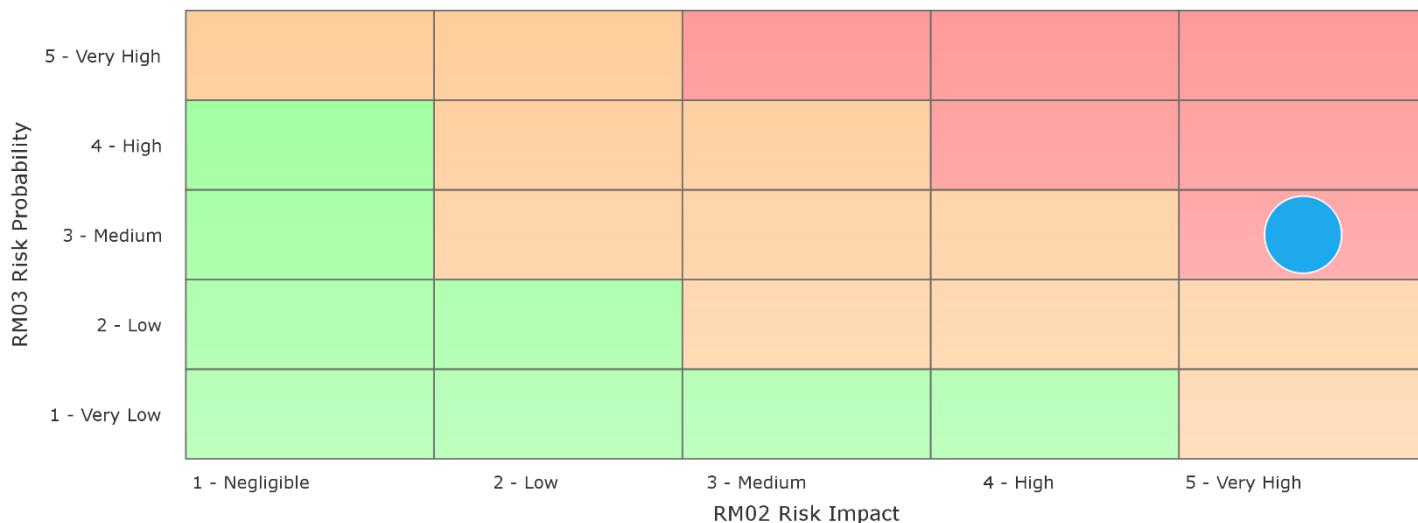
Risk 13 - Assessment Date & Score

Mar 2019		Risk 10 - Assessment Date & Score							
Risk - Direction of Risk		Direction		Series					
The risk remains at 20 for this period as the funding element for this risk remains a challenge for the Council in light of the backlog of work required to maintain and improve the highways network.		➔		Risk Score		Risk Rating			
						Jun 2018	Sep 2018	Dec 2018	Mar 2019
		> RM01 Risk Rating		Risk Score	25	25	20	20	
		Risk Rating	▲	▲	▲	▲			

Mar 2019		
	Planned Mitigation	Risk - Action Status/Control Strategy
<div> <div>  </div> <div> Risk 13.01 </div> </div>	<p>The limited capital investment available is implemented to maximise sustainability of the highway asset through good asset management planning. However, asset condition continues to decline. The authority continues to lobby through WLGA and CSS(W) for recognition of asset decline and commensurate funding to address the backlog.</p> <p>The Highways Asset Management Plan (HAMP) will support this approach by:</p> <ul style="list-style-type: none"> • Development of co-ordinated forward work packages for highway maintenance, operation and improvement • Maintenance strategies for the long term, based whole life costing • Calculating future funding requirements to maintain agreed levels of service • Managing risk of failure or loss of asset serviceability 	<p>The current gross replacement cost of the highway asset is calculated at £1.1b, depreciated replacement cost of £938m (cost to return assets to whole life from the existing condition) and an annual depreciation cost of £11.5m.</p> <p>Current maintenance backlog is calculated at £90m for Newport. This level of underinvestment is generally the picture for all local authorities in Wales</p>
<div> <div>  </div> <div> Risk 13.02 </div> </div>	<p>Robust inspection and repair regimes ensure that the safety and serviceability of assets are maintained and mitigate the risk of 3rd party claims against the authority as a result of failure of duty to maintain the highway under section 41 Highways act.</p>	<p>Inspection and repair regimes continue to ensure safety and serviceability of our highway assets</p>

Risk 15 - City Centre Security & Safety

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





Risk 15 - Assessment Date & Score

Mar 2019		Series							
Risk - Direction of Risk		Direction	Risk Score	Risk Rating					
No change in Quarter 4. This risk will be re-assessed in Q1 2019/20.		➔			Jun 2018	Sep 2018	Dec 2018	Mar 2019	
			> RM01 Risk Rating	Risk Score	~	~	15	15	
				Risk Rating	»	»	▲	▲	

Mar 2019		
	Planned Mitigation	Risk - Action Status/Control Strategy
✓ Risk 15.01	Secure vehicle access and pedestrian separation. – City Services are currently working on a plan to identify what mitigation measures can be put in place around the city centre to protect densely populated areas.	Preparatory works have been undertaken and full topographical and underground surveys have been completed. A basic bollard/ location design is currently undergoing the required vehicle dynamic assessment
✓ Risk 15.02	Training for those businesses operating within the city centre that may be affected by significant incidents – Gwent Police will lead on the training with the use of NCC channels to promote and raise initial awareness of the scheme.	Arrangements with Gwent Police have been confirmed and prior to delivery of the new ACT Strategic event key agreed lines of communication are being developed to ensure a consistent and accurate approach to any issues that will arise. Anticipated event delivery June / July 2019. All attendees will be advised of additional on line tools to assist in developing their individual supporting emergency arrangements.
✓ Risk 15.03	Co-ordinated evacuation arrangements for the city centre – NCC will be working with all partner organisations such as the emergency services and private business within the city centre to construct a co-ordinated evacuation system.	Preparatory work has been undertaken to evaluate potential delivery models and in consultation with Gwent Police a model similar to Cardiff EVAC has been identified as the preferred way forward. The joint training event with Gwent Police will also be utilised to introduce to city centre partners the concept of co-ordinated evacuation arrangements after which the key development of localised arrangements will commence.

	Mar 2019
Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Streetscene



	Mar 2019	
	Planned Mitigation	Risk - Action Status/Control Strategy
 Risk 16.01	The Council through its Strategic Property Partners Newport Norse are undertaking condition surveys which have been enhanced from 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.	Condition surveys have commenced and reports have recently been received by Newport Norse. A validation exercise is being undertaken and analysis to understand how the data compares to estimates previously used across the NCC estate.
 Risk 16.02	The Council's Building and Assets Evaluation matrix is regularly monitored and reported to the Capital Strategy and Asset Management Group.	This process of monitoring is undertaken every other month utilising members of the Capital Strategy and Asset Management Group (CSAMG).

Report

Audit Committee

Part 1

Date: 6th June 2019

Item No: 7

Subject Internal Audit – Progress against unfavourable audit opinions previously issued [to March 2019] (previous report was to September 2018)

Purpose To inform Members of the Council's Audit Committee of the progress made by operational managers to implement agreed management actions in order to improve the control environment, minimise risk and obtain a more favourable audit opinion within their service or establishment.

Author Chief Internal Auditor

Ward General

Summary The attached report identifies current progress of systems or establishments which have previously been given an unsatisfactory or unsound audit opinion. Although there will always be concerns over reviews given an unsatisfactory or unsound audit opinion, managers are 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.

During **2017/18** 40 audit opinions had been issued; 6 were *Unsatisfactory*, none were *Unsound*. The audit of **Agency / Overtime – Refuse** resulted in a second unfavourable audit opinion.

During **2018/19**, 48 audit opinions had been issued; 10 were *Unsatisfactory*, 1 was *Unsound*. A further follow up audit of **Agency / Overtime – Refuse** resulted in a *Good* audit opinion (March 2019).

- Proposal**
- 1) The report be noted and endorsed by the Council's Audit Committee
 - 2) To consider calling in any specific heads of service if members of the Audit Committee feel they require further assurance that improvements will be made to the control environment following unfavourable audit opinions.
- The follow up of **Trips & Visits (Evolve System)** within Education Services resulted in a second consecutive *Unsatisfactory* audit opinion. The agreed protocol is to invite the service manager and Head of

Service to Audit Committee to provide assurance that improvements will be made.

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 the current status of audit reviews previously given an *unsatisfactory* or *unsound* audit opinion and to bring to their attention any areas which have **not** demonstrated improvements within the financial control environment. The previous report was presented to Audit Committee in January 2019 which related to opinions as at 30 September 2018. The then 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. He gave a commitment that improvements would be made within 12 months. The same Head of Service also attended Audit Committee in September 2018 to respond to concerns raised about a second consecutive unfavourable audit opinion in relation to Refuse Agency & Overtime.
2. Since bringing this report to the Audit Committee there have been 13 reviews which had been given two consecutive *unsatisfactory* or *unsound* audit opinions and these have previously been brought to the attention of the Audit Committee by the Chief Internal Auditor; in each case the relevant Head of Service and Cabinet Member attended a meeting of the Audit Committee.
3. It is pleasing to report that improvements were made in 13 of the 13 areas and have been reported to Audit Committee previously. These reviews will now be picked up as part of the audit planning cyclical review and will be audited as part of that process.
4. Where the Internal Audit team comes across obstacles in undertaking follow up work, for example managers stating that the issues will be addressed by the implementation of a new system, the Chief Internal Auditor will take a view as to the usefulness of a follow up review at the time and report back to the Audit Committee.
5. Definitions of the audit opinions are shown at Appendix A

History of unfavourable audit opinions

6. In **2015/16**, 34 audit opinions were issued; 8 of which were deemed to be *Unsatisfactory*; a summary of the significant issues has previously been reported. 5 out of the 8 audits have been followed up and were given a more favourable audit opinion which has been reported previously. A further follow up resulted in a more favourable opinion. 2 out of the 8 have not yet been followed up.

	Original Date of follow up	Current Status
Joint Venture – Newport Norse	Unsatisfactory 2015/16 Follow up: 2019/20	Not yet followed up. Delay in finalising original report. Senior Managers requested follow up to be put back. Now planned for 2019/20 following the outcome of the independent CIPFA review.
Highways Improvements Contracts – Project Management	Unsatisfactory 2015/16	Not yet followed up. No further project management / contracts being undertaken in the service area.

CCTV / Security Telford Depot – Follow Up	Unsatisfactory 2014/15	Reasonable March 2019
	Unsatisfactory 2015/16	

7. In **2016/17**, 35 audit opinions were issued; 5 were deemed to be *Unsatisfactory*, 1 was *Unsound*. 4 out of the 6 have been followed up and were given more favourable audit opinions.

	Original Opinion / Date of follow up	Current Status
Payment Card Industry Data Security Standards	Unsatisfactory *1 July 2016	Now within SRS monitored by Information Governance Group
Highways Network Assets Valuation	Unsatisfactory *2 February 2017	N/A
Charles Williams Church in Wales Primary School	Unsatisfactory July 2017	Reasonable March 2019
Maes Ebbw School	Unsatisfactory March 2017	Good March 2018
Overtime & On Call Payments - Highways	Unsatisfactory December 2016	Reasonable March 2018
Agency / Overtime - Refuse (incl. Follow-up)	Unsound November 2016 Unsatisfactory March 2018	Good March 2019

*1 Still a number of actions outstanding which require work by the Shared Resource Service (SRS). These are behind due to the current workload of the SRS which includes a large number of projects. The matter is on the agenda and being monitored by the Council's Information Governance Group.

*2 The risk profile has reduced substantially as a result of CIPFA deciding not to proceed with the introduction of the Highways Network Asset Code into the financial reporting

requirements for local authorities and the fact that the valuation figures are no longer a mandatory requirement for the whole of government accounts.

8. In **2017/18**, 40 audit opinions were issued; 6 were deemed to be *Unsatisfactory*, none were *Unsound*. 4 out of the 6 have been followed up; 3 of which have resulted in a more favourable audit opinion; 1, Trips & Visits (within Education) resulted in a second consecutive *Unsatisfactory* audit opinion. The agreed protocol is to invite the service manager and Head of Service to Audit committee to provide assurance that improvements will be made. A further follow up audit of **Agency / Overtime – Refuse** resulted in a *Good* audit opinion.

	Original Opinion / Date of follow up	Current Status
Llanwern High School	Unsatisfactory December 2017	Reasonable August 2018
Cemeteries	Unsatisfactory January 2018	Reasonable March 2019
SGO / Kinships	Unsatisfactory March 2018 Follow up: 2019/20	
Trips & Visits (Evolve)	Unsatisfactory March 2018	Unsatisfactory March 2019
Outside Preferred Catering Contractor (Schools)	Unsatisfactory March 2018 Q1 2019/20 A follow up audit is subject to the School entering into a new contract.	
Agency / Overtime – Refuse Follow Up	Unsound November 2016 Unsatisfactory March 2018 [Head of City Services called into Audit Committee September 2018.]	Good March 2019

9. In **2018/19**, 48 audit opinions had been issued; 10 were deemed to be *Unsatisfactory*, 1 was deemed to be *Unsound*. A summary of the significant issues follows in the tables:

	Original Opinion / Date of follow up	Current Status
General Data Protection Regulation (GDPR)	Unsatisfactory November 2018 Final	
Subject Access Requests	Unsatisfactory November 2018 Final	
SRS Client Relationship Management	Unsatisfactory December 2018 Draft	
Adoption Allowances	Unsatisfactory March 2019 Draft	
Commercial & Industrial Property Portfolio	Unsatisfactory February 2019 Draft	
Highways	Unsatisfactory November 2018 Draft	
Vehicle Tracking System & Usage	Unsatisfactory February 2019 Draft	
Street Cleansing	Unsatisfactory August 2018 Final	
Trips & Visits (Evolve System) (Follow-Up)	Unsatisfactory March 2019 Draft	
Caerleon Comprehensive	Unsatisfactory March 2019	

	Draft	
Bridge Achievement Centre (PRU)	Unsound February 2019 Final	

a. General Data Protection Regulation (GDPR)

Previously reported

b. Subject Access Requests

Previously reported

c. SRS - SRS Client Relationship Management *

Ref.	SIGNIFICANT
1.10	There was no formal contract in place between NCC and the SRS for the provision of the IT service.
1.11	Limited evidence was available to confirm that NCC representatives attended and received minutes of the SRS board meetings.
1.12	The NCC Digital Board was no longer in operation and the Digital Business Development Group and Digital Champions meetings had not taken place for some time.
1.13	NCC officers and Members were not provided with assurance on the governance, risk management, and internal controls in place at the SRS in relation to the services provided to NCC.
1.14	The purchase order for the 2017/18 management fee was not raised promptly and the purchase order for the 2018/19 fee was not raised for the correct amount.
2.03	SRS Partnership Scrutiny updates were not reported on a periodic basis and there was no scheduled timetable for submission of the reports.
2.04	The investment objectives were not supported by clearly defined measures and there was insufficient evidence to determine whether or not they were being met 13 months after the collaboration had been entered into.
3.08	There was very little evidence available to confirm that IT goods and services charged to service area cost centres had been received.
3.09	There were no formal stock records for the consumable items held by the SRS on behalf of NCC.

* Whilst the draft opinion was 'Unsatisfactory' at the end of the 18/19 financial year, additional information provided by management in respect of two of the significant weaknesses has resulted in the removal and downgrading of those issues in the final report and consequently an improvement in the audit opinion to 'Reasonable'.

d. Adoption Allowances

Ref.	SIGNIFICANT
2.06	There was a lack of evidence to verify that financial assessment forms had been completed detailing the household composition of the adoptive family as well as the income and expenditure of the relevant family members.
2.07	A privacy notice was not held on the authority's website for the data processing activities undertaken in relation to adoption allowance assessments.
2.08	There was a lack evidence to verify that financial assessment forms had been supported with the appropriate evidence of income and expenditure.
2.09	There was a lack of evidence to verify that financial assessments had been accurately calculated and completed in a timely manner.
3.06	Annual review assessments, though completed in a timely manner, had not all been calculated accurately.
3.07	Review forms were not consistently supported with the appropriate evidence of income and expenditure.
3.08	Income and expenditure details provided were not cross-checked, including against the previous assessment, to allow any discrepancies to be investigated appropriately.
3.09	Annual reviews had not identified retrospective changes that were not previously notified, awards were not reviewed from the relevant date and, where appropriate, adopters were not advised of the overpayment amount that they were liable to repay.
3.10	Independent checks completed on annual review assessments to ensure correctness had failed to identify errors in the calculation of adoption allowance awards.

e. Commercial & Industrial Property Portfolio

Memo Ref	Recommendation
1	To review and ascertain all properties / land owned which are rented commercially by NCC to ensure that the estate portfolio is complete and being appropriately managed, monitored with rental value maximised.
2	To review those properties which are showing as lease expired to ensure that a new agreement has been entered into or reasons are available and documented to support why terms of the lease have been held over.
3	To populate the C&I portfolio spreadsheet with the required information to ensure that rent reviews are conducted as and when required and where on-going negotiations are taking place that these are documented for completeness.
4	To ensure that NCC have access to the K2 Asset Management system to ensure that the C&I Asset Portfolio and contracts are being effectively managed as per the lease arrangements.
5	Investigation needs to take place regarding the rental of Pill Library to ensure

Memo Ref	Recommendation
	that this is the most cost effective use of resource and if the premises is required operationally by NCC.
6	When sending a copy of the reconciled C&I portfolio spreadsheet back and forth to Newport Norse that either Egress Switch or a form of password protection is used.
7	To ensure that the information on the NCC website contains the most up-to-date and accurate information regarding opportunities within the C&I estate and this is reviewed on a regular basis.

f. Highways

Ref.	SIGNIFICANT
1.07	The Highways Maintenance Plan 2005 had not been reviewed and updated for over 10 years.
1.08	The Highways defect inspection target of 5 working days had not been reviewed since it was implemented and incorrect closure dates were recorded on occasions.
1.09	Works orders were being raised as 'passed to other departments' for 'aesthetic improvements' and not being actioned by departments in the same service area in a timely manner.
1.10	It was identified that works orders were not allocated to the appropriate gang / crew in a timely manner; and target dates for completion were calculated from the date the work was allocated and not from the date that the works order was raised.
1.11	There were no performance measures in place to monitor and report the efficiency and effectiveness of the Highways Inspection and Maintenance teams.
2.10	An officer in the Highways team had been receiving an 'Acting up' payment for over 6 months which had not been subject to a business case approval in accordance with the Council's 'Additional Duties' Scheme.
2.11	Highways staff were working for long periods without taking the necessary leave / rest days to ensure that their health and wellbeing was being managed effectively.
2.12	Operatives that had completed winter maintenance duties were paid overtime when they worked throughout the night but did not have their contracted hours deducted from pay for not working their contracted hours.
2.13	Operatives were not deducting breaks when they had worked over 6 hours overtime and had incorrectly claimed and been paid overtime.
2.14	There was high usage of agency staff to deliver the service whilst it was running with unadvertised vacancies.
2.15	Agency workers' timesheets and payments did not always match the hours worked as recorded on the Highways signing in / out sheets.
2.16	There were high sickness levels within Highways for the period 1 st April 2017 to 20 th July 2018. In addition there was insufficient recording of the reasons for the management actions taken to demonstrate that the Management of Attendance Policy had been followed.
2.17	Vehicle insurance and driving licence documents for Highways staff had not been checked for over 6 months.
3.03	The Highways team did not always follow Contract Standing Orders and demonstrate value for money when procuring goods and services.

Ref.	SIGNIFICANT
3.04	Purchase orders were sometimes raised after the completion of works and receipt of the invoice. Purchase orders relating to agency workers were also being raised retrospectively following the receipt of the invoice.

g. Vehicle Tracking System & Usage

Ref.	SIGNIFICANT
1.05	An agreed Fleet Tracker Policy has not been approved by the Cabinet Member and issued to staff.
1.06	A number of Supervisors, Team Managers & Senior Managers both across City Services and other Service Areas who should have had access did not have access to the Vehicle Tracking system.
2.01	The majority of vehicle drivers do not log in to the tracking system in the vehicle prior to undertaking journeys.
2.02	Regular reports from the Vehicle Tracking system were not being run and reviewed by the fleet team to monitor employees driving behaviour, vehicle use, location or to identify any issues with vehicles.
2.03	A number of vehicles were found to have been breaking the speed limit and travelling in excess of 90mph.
2.04	It was not formally documented which members of staff took Council vehicles home. Staff had not signed to confirm they were aware of any Terms & Conditions relating to taking vehicles home and any potential tax liability which they might have.
2.05	Where vehicles are taken home by City Services staff there has been no consideration if these long standing arrangements are an effective use of Council resources which was potentially costing circa £25k per annum.
2.06	From a review of the Vehicle Tracking records it appeared that some employees were not working their contracted hours.
2.07	Employee P11D's had not yet been completed for the 2017/18 tax year for relevant drivers.
2.08	There was no adequate monitoring of the panic alert facility on vehicles.
2.09	Driving Licence checks for regular fleet users were not always conducted on a 6 monthly basis.
3.03	Not all Council vehicles had a Vehicle Tracker installed.
3.04	A number of Vehicle Trackers were not operational. Issues with Vehicle Trackers had not been resolved promptly.
3.05	No monitoring was being conducted on the Vehicle Tracking system to ensure that usage of vehicles was appropriate.

Ref.	SIGNIFICANT
3.06	No provision had been made for the tracking of vehicles which were on long term hire arrangements.

h. Street Cleansing

Previously reported

i. Trips & Visits (Evolve System) (Follow-Up)

Ref.	SIGNIFICANT
1.05	The agreement in place with the third party Outdoor Education Adviser had not been reviewed and no formal agreement had been implemented. The current version of the agreement was also non-compliant with GDPR requirements.
1.07	Educational Visits Coordinator (EVC) training had not been received or renewed in the past 3 years for the majority of the schools in line with the Outdoor Education Advisory Panel's National Guidance.
1.08	Despite the annual review exercise carried out by Central Education, a number of inappropriate accounts remained present on the EVOLVE system.
1.09	The current engagement with the Outdoor Educational Adviser remains non-compliant with off-payroll, working through an intermediary, (IR35) regulations.
2.10	Trips and Visits categorised as adventurous, residential and overseas were not always submitted by the School's Education Visits Coordinator / Headteacher 28 days prior to the visit taking place, in accordance with the instruction issued by the Chief Education Officer.
2.11	Trips had taken place without required Local Authority approval, these were not reported to the Education Senior Management Team.

j. Caerleon Comprehensive

Ref.	CRITICAL
6.01	The School was operating with a large budget deficit which is projected to reach in excess of £1.6 million within the next 18 months. No recovery plan was in place to reduce the deficit amount and the School had exceeded the licenced deficit amount without obtaining further approval from the LEA. The School was in breach of the June 2014 Intervention Plan and unable to repay the £500k loan agreement with the LEA.

Ref.	SIGNIFICANT
1.05	Receipting of budget income was not always completed promptly. Formal receipts issued did not always reflect the actual date of income received.
1.06	The income processes at the School lacked a segregation of duties. Paye.net banking reports and paying-in counterfoils had not been independently certified by the Headteacher / a designated senior officer.
1.07	There was no evidence to confirm that the School's Lettings Policy and Fees & Charges had been reviewed and agreed by the Governing Body on an annual basis. Charges for the lettings were not consistent and were collected in arrears.
2.09	The procurement quotation process for appointing a Catering Contract Management company did not present all available options to Governors. The Contract Manager was costing the School in excess of £22k over a 3 year period, despite running a deficit budget.
2.10	The School had not acquired quotes in accordance with Contract Standing Orders for Schools and there was no evidence available to support that the School had always conducted market-testing to demonstrate value for money when purchasing goods and services.
3.04	A complete staffing structure could not be provided to Internal Audit. The Teaching and Learning Responsibility (TLR) posts at the School had not been reviewed since 2015.
3.05	DBS checks were not always completed prior to members of staff commencing work at the School. In the absence of a DBS check, a DBS Risk Assessment was not always completed prior to the employees start date with the DBS application form being submitted to the DBS.
3.06	Regular overtime was being paid to the Caretakers at the School. Income received from weekend lettings did not cover the overtime costs paid to staff. Overtime claim forms were not always completed in full.
3.07	Staff were permitted to take 3 days paid leave of absence if their child was unwell. There was no documented policy at the School and evidence of Governing Body approval for these arrangements was not provided.
3.08	High levels of Time off in Lieu (TOIL) were being accrued by members of staff with no evidence of authorisation for the additional hours being worked. The School did not have a TOIL policy and when requesting days off using accrued TOIL, full information was not provided to the Deputy Headteacher. TOIL earned was sometimes paid as additional hours.
3.09	A number of Sickness Absence and Return to Work Discussion forms could either not be located or were not completed in full.
3.10	The review of driving at work documentation was not sufficient, had not been conducted on an annual basis for all staff and those who drove fleet vehicles / transported young people did not have their licence reviewed every 6 months.
4.05	The School Private Fund management committee was not documented as meeting on a regular / termly basis to review the activities of the fund. The Fund Constitution document could not be located at the time of the audit.
4.06	Supporting documentation to identify the date and source of school private fund income being initially received was not present to support the School trip income. Teaching staff were collecting and holding significant sums of money which was in excess of the Schools Insurance arrangements.
4.07	Expenditure in relation to 'tips' on School trips were not always detailed and accompanied by supporting documentation.
4.08	The School was operating the School Private Fund across more than the permitted number of bank accounts and monthly reconciliations only accounted for 1 of the 3 SPF bank accounts held. There was no mandate held for the two additional bank accounts operated.

Ref.	SIGNIFICANT
	The treasurer had online bank account access and the ability to move funds without any prior authorisation or oversight.
4.09	The SPF accounts for 2017/18 had not been independently audited. Previous account audits had not included the full fund (i.e. 3 bank accounts) and were completed by an employee of the School.
5.05	The School's inventory record was incomplete at the time of the review and did not detail all required information. It was not possible to complete an inventory check of the School's assets.
5.06	The School did not have an adequate safe and had not reviewed the access controls for a considerable period of time.
5.07	The records in support of the School's minibus were not fully completed and the statutory daily defects check sheets were not being completed.
6.02	There was no evidence to confirm that the School's budget for 2018/19 had been formally approved by the Governing Body.
6.03	No visit had been made by Schools Finance to the School for budget monitoring purposes for 5 months, despite the projected deficit. Previous visits were not made in accordance with the School's Intervention Plan (June 2014).
6.04	No budget monitoring / reconciliation documentation could be provided by the School for the period prior to the new School Business Manager commencing employment. (July 2018)
6.05	The School budget was not a standing agenda item at the Full Governing Body meetings. The finances of the School were not regularly and sufficiently discussed by either the Full Governing Body or the Finance Sub-Committee as per the recorded minutes.
7.03	Minutes of Governing Body meetings were not available at the School (signed or otherwise)
7.04	Register of Business Interest forms for members of the Governing Body could not be located and had not been completed for staff employed at the School.
7.05	A number of Statutory School policies required review. Governing Body approval for these policies was not provided to Internal Audit.

k. Bridge Achievement Centre (PRU)

Previously reported

General

10. Internal Audit will continue to revisit any areas which have been given an *Unsatisfactory* or *Unsound* audit opinion within a twelve month timescale.
11. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and have agreed to do this by incorporating their comments within the audit reports and taking on board the agreed management actions.
12. Internal Audit are continuing to raise the awareness of financial regulations and contract standing orders within the Council by delivering seminars to all service areas; during recent years this training has been further targeted towards areas that have had *Unsatisfactory* / *Unsound* audit opinions.

13. Where managers are compliant with Council policies and procedures and sound financial management can be demonstrated then audit reviews should result in an improved audit opinion being given. If, as a result, improvements are made to internal controls then greater assurance can be given by Internal Audit to the Audit Committee, the Leader and the Chief Executive on the overall effectiveness of all the Council's internal controls

Financial Summary

14. There are no direct financial issues related to this report.

Risks

15. One of the key objectives of an audit report is to outline compliance against expected controls within a system, an establishment or the duration of a project or contract. The report should give management assurance that there are adequate controls in place to enable the system to run effectively, efficiently and economically. If adequate controls are not in place then there is greater exposure to the risk of fraud, theft, corruption or even waste.
16. Newport Internal Audit reports outline strengths of the system under review along with any weaknesses in internal control. The reports are discussed with operational management where the issues identified are agreed. The operational manager will then add his / her action plans to the report which will address the agreed issue and mitigate any further risk.
17. Reduced audit staff reduces the audit coverage across service areas which provides reduced assurance to management.

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; Agency staff taken on board to cover longer term vacancies.	Chief Internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

18. 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

19. This is a factual progress report and therefore there are no specific options, as such. The six monthly reports provide a mechanism for providing assurance on 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; that improvements are being made and where appropriate service managers and Heads of Service are held to account where expected controls are not as good as they should be.

Preferred Option and Why

20. N/A

Comments of Chief Financial Officer

21. This report is compiled on behalf of the Head of Finance. Areas of unsatisfactory / unsound audit opinions are a concern and in particular, those affecting significant amount of money in overtime/on-call arrangements. But having highlighted issues, it is expected that local managers implement appropriate improvements as soon as they can. Further on-going unsatisfactory / unsound opinions are then of even more concern and the Committee will need to come to a view, having made enquiries of the Chief Internal Auditor, what, if any further action may be required. For example, they may request that the relevant Head of Service and service manager come to a future meeting to explain the lack of progress and what changes they have planned and timescales.

Comments of Monitoring Officer

22. There are no legal implications. The report has been prepared in accordance with the Council's internal audit procedures and the Performance Management framework.

Staffing Implications: Comments of Head of People and Business Change

23. There are no direct Human Resources issues arising from this report. Internal Audit provide a critical function within the Council to provide assurance on financial systems and monitoring and to highlight weaknesses so that issues can be identified and addressed.

Comments of Cabinet Member

24. N/A

Local issues

25. N/A

Scrutiny Committees

26. N/A

Equalities Impact Assessment and the Equalities Act 2010

27. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
28. As this is a progress report on performance and audit opinions there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

29. N/A

Wellbeing of Future Generations (Wales) Act 2015

30. In compiling this report the principles of this Act have been considered:

- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan
- Prevention: Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
- Integration: Internal Audit opinions provide an objective opinion on the adequacy of the internal control environment in operation and support sound stewardship of public money.
- Collaboration: Internal Audit work with operational managers to develop an appropriate action plan in order to address identified concerns.
- Involvement: Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources.

Crime and Disorder Act 1998

31. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate.

Consultation


32. N/A

Background Papers

33. N/A

Dated:

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

Report

Audit Committee

Part 1

Date: 6th June 2019

Item No: 8

Subject Internal Audit Annual Report 2018/19

Purpose To inform the Members of the Council's Audit Committee of:

- i) the overall opinion on the internal controls of the City Council for 2018/19;
- ii) Internal Audit's progress against the agreed audit plan;
- iii) Internal Audit's performance against local performance indicators.

Author Chief Internal Auditor

Ward General

Summary Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This report has been prepared in accordance with the Public Sector Internal Audit Standards. It gives an overall opinion on the adequacy and effectiveness of the City Council's internal controls during 2018/19, which was **Reasonable** - Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.

The second part of the report relates to the performance of the Internal Audit Section and how well its key targets in the year were met. 83% of the approved audit plan was completed in the year against a target of 82%.

Proposal That the Annual Internal Audit Report 2018/19 and overall Audit Opinion be noted and endorsed 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. Newport City Council, a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for Internal Audit in accordance with the Local Government Act 1972.
2. The Regulations state that the Responsible Finance Officer of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.
3. In line with the Public Sector Internal Audit Standards, the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
 - disclose any qualifications to that opinion, together with reasons for the qualification
 - present a summary of the audit work undertaken to formulate the opinion
 - draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control
 - compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria
 - comment on compliance with these standards and communicate the results of the internal quality assurance programme.
4. This report is the Annual Internal Audit Report which incorporates the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the City Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.
5. The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations caused by whatever factors.

Overall Audit Opinion

6. The level of assurance that can be placed on the internal controls operating effectively for 2018/19 is "**Reasonable**" (**Appendix A**).

7. The opinion for the internal financial controls operating within the Council in 2018/19 is:

We have undertaken our internal audit work for the year ending 31/03/2019 in accordance with the audit plan agreed by the Head of Finance and approved by the Council's Audit Committee on 24th May 2018. The plan was designed to ensure adequate coverage over the year of the Council's accounting and operational systems.

Our audit work included reviews, on a sample basis, of each of these systems / establishments sufficient to discharge the Head of Finance's responsibilities under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. We planned and performed our work to obtain the information necessary to provide us with sufficient evidence to give us reasonable assurance of the internal control systems tested.

Based on this work, in my view the internal controls in operation are **Reasonable**. The opinion expressed relates only to the systems and areas reviewed during the year.

Andrew Wathan
Chief Internal Auditor
May 2019

Audit Opinions Issued

8. On undertaking audit reviews in accordance with the annual audit plan, an opinion is given on how well the internal controls of the system or establishment are operating (**Appendix B**). Internal audit reports provide a balanced view of the controls in place and record strengths and weaknesses. The opinion is determined by the number of issues identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Audit Manager and occasionally the Chief Internal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA Control Matrices.
9. The opinions given to individual audit reviews are shown at **Appendix A**. In summary the following opinions were issued following audit reviews:

	2015/16	%	2016/17	%	2017/18	%	2018/19	%
Good	9	26	7	20	11	28	10	22
Reasonable	17	50	22	63	23	58	27	57
Unsatisfactory	8	24	5	14	6	14	10	19
Unsound	0	0	1	3	0	0	1	2

Total	34	100	35	100	40	100	48	100
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Overall Opinion	Reasonable	Reasonable	Reasonable	Reasonable
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10. In the past external audit have relied upon the work undertaken by internal audit, in particular on the audit of the fundamental financial systems. The audit opinions issued on these during 2018/19 were Good / Reasonable. None were classified as unsatisfactory or unsound.
11. In addition to planned work the team also undertook “special investigation” reviews. 5 special investigations were undertaken during 2018/19. These arose for a number of different reasons, including information passed straight to the Section regarding allegations against members of Council staff, potential fraud, theft or non-compliance with Council policy / procedures for example. These reviews are typically time intensive and on occasions difficult to prove.
12. Work was also undertaken during the year which did not warrant an audit opinion on the control environment. This is shown at **Appendix C** as Non Opinion Work.

Key Issues

13. The opinion is derived from the audit opinions given to individual reviews undertaken during the year, as shown at **Appendix A**, and these range from Good to Unsound; a **Good** opinion - *Well controlled with some risks identified which require addressing; substantial level of assurance*.
14. Where unacceptable levels of risk have been identified Heads of Services and their service managers have the responsibility for addressing the situation.
15. It is pleasing to note that 10 “**Good**” audit opinions were issued during the year:
 - Budgetary Control (Capital)
 - Internet Banking
 - Council Tax
 - Family Contact Centre
 - Residential Care Provider Payments
 - Democratic Services & Governance
 - Inspire to Achieve
 - Agency / Overtime (Follow-Up #2)
 - St. Andrew's Primary
 - St Joseph's High
16. 27 “**Reasonable**” audit opinions were issued
17. However, 10 “**Unsatisfactory**” audit opinions were issued:
 - General Data Protection Regulation (GDPR)
 - Subject Access Requests
 - SRS Client Relationship Management
 - Adoption Allowances
 - Commercial & Industrial Property Portfolio
 - Highways
 - Vehicle Tracking System & Usage
 - Street Cleansing
 - Trips & Visits (Evolve System) (Follow-Up)
 - Caerleon Comprehensive

18. There was 1 “**Unsound**” audit opinion issued during 2018/19.

- Bridge Achievement Centre (PRU)

19. The main reasons for giving an unsatisfactory / unsound opinion would generally be where there was a failure to comply with the Council's Financial Regulations or Contract Standing Orders, failure to comply with financial procedures, lack of financial procedures, poor administration, failure to adhere to recognised best practice, non-compliance with the services' own procedures, insufficient controls in place to properly account for income or an inability to demonstrate value for money. A summary of the issues identified in the above **Unsatisfactory** audit reports will be reported to Audit Committee separately.

Implementation of Agreed Management Actions

20. Jobs were included in the plan to follow up on the implementation of previously agreed management actions relating to audit work in 2017/18. This is now a performance measure included in each Head of Service's performance suite.
21. During the year the team sought assurance from operational managers that previously agreed management actions to improve the internal control environment and reduce the level of risk had been implemented. This related to 2017/18 finalised audit reports.
22. Across all service areas, 90% of actions agreed by management had been implemented (includes actions partially implemented where the risk has been significantly or sufficiently mitigated). There are insufficient resources within the team to follow up all audit reports issued to test that all of the agreed management actions have been implemented at an operational level; the Internal Audit team therefore have to rely on the integrity of managers to provide accurate feedback on whether or not they have implemented the actions they agreed. **Appendix D.**

National Fraud Initiative (NFI)

23. The Internal Audit Team is responsible for co-ordinating the NFI process for the Council, an initiative run by the Cabinet Office. This is a biennial data matching exercise that matches electronic data within and between participating bodies to detect and prevent fraud and overpayments from the public purse across the UK.
24. For the 2016/17 exercise, a total of 5,123 matches (across 94 reports) were returned to NCC for consideration and investigation. Resources were focused on 'recommended matches', of which there were 1,344. In most cases there was a legitimate explanation for the match, including timing differences in the data submissions or out of date records held by the Authority. However, enquiries into the Housing Benefit matches resulted in 11 cases being referred to the DWP for suspected fraud. 6 errors in relation to Housing Benefit, the Council Tax Reduction Scheme and Private Residential Care Homes were also identified. The largest of these errors was in respect of fees for a residential care placement, which the Council had continued to pay after the client had died. This resulted in an overpayment of £68,184.29 which has subsequently been recovered from the care home provider.

The Way Forward

25. Managers of the service areas need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of Service have a responsibility to ensure that the Council's Financial Regulations are complied with at an operational level. Staff

should be made aware of the Financial Regulations and the requirements therein and the consequences of non-compliance.

26. Internal Audit currently run seminars on what Financial Regulations and Contract Standing Orders mean, why they are in place, what they are about and to whom they relate. 9 (9 in 2017/18) sessions were delivered to 176 delegates during 2018/19 (175 in 2017/18).
27. Adequate financial procedures need to be put in place and disseminated to all concerned to make sure that they are complied with to ensure systems and processes are run as intended by management. Agreed management actions stated in audit reports should be implemented to eliminate or reduce the weakness and minimise the risk.

Performance of the Internal Audit Section 2018/19 (**Appendix E**)

28. Despite not having a full complement of staff for the whole year, 83% of the approved audit plan was completed against a target of 82%; (84% completed in 2017/18). A total of 91 (81) audit reviews were planned during the year with 75 (68) being completed to at least draft stage by the end of the year. (The total number of jobs in the plan was adjusted from 91 to 90 to reflect the fact that managers were not able to accommodate the audit during the year). Comparisons against periods 2016/17 to 2018/19 are shown at **Appendix E**.
29. As a result of the commitment and dedication of the remaining Internal Audit staff in post during the year, the team did really well against pre-set targets.
30. Although 180 days were planned for special investigations during the year, 64 productive days were actually spent auditing specials and unplanned work, which meant more planned audit work could be undertaken.
31. There continued to be audit coverage throughout the service areas of the Council which again, was met with positive feedback from management. The team continually provides advice on financial matters to ensure managers are better placed to ensure sound financial management in their service areas. This may impact on the audit plan but this is where internal audit adds value to the Authority.
32. The efficiency of turning final reports around and getting them out to operational managers is generally within the targets set (average of Welsh local authority internal audit teams). Having agreed identified issues with management we are now giving management the responsibility for coming up with their own actions of how controls can be improved; the use of laptops at draft report discussions has speeded up this process and has been welcomed by management.
33. Getting draft reports out this year took 11 days against a target of 10. Final reports were sent out within 3 days of receiving agreed management comments.
34. In 2018/19 the Audit Section continued to send out evaluation questionnaires to managers after an audit review had been undertaken in their area, which gave them an opportunity to feedback on the performance, professionalism and the audit process in general. Following the finalisation of reviews, 46% of questionnaires were returned (32% in 2017/18) with 100% of managers stating they were satisfied with the audit process and that it added value to service provision, which is reassuring.
35. As examples of where the team has added value in the work undertaken, feedback comments are shown at **Appendix F**.
36. The Audit Team had an establishment of 8 staff (including the Chief Internal Auditor). The section is split into two teams which cover the whole of the Council's systems, establishments and staff,

each managed by an Audit Manager. During the year the team was supported external agency staff to help achieve the plan.

37. The majority of the fundamental financial systems audited were completed to at least draft report stage by the year end.
38. The Audit Section's management realistically plans for externalities like special investigations, financial advice and financial training although ad-hoc reviews requested by management are not always taken into consideration but will have an immediate impact on the achievement of the audit plan. In 2018/19, 5 special investigations were undertaken across all service areas which dealt with allegations of fraud and non-compliance with policy.
39. Many of the managers within the Council also call upon the Audit Section for financial advice which is generally reactive. Internal Audit staff are more than willing to offer any help and assistance they can to ensure that operations are undertaken properly but this can also have an impact on planned audit reviews.
40. The number of planned audits completed within the estimated time allocation amounted to 64% in 2018/19 compared with 68% in 2017/18. Generally, overruns are due to issues being identified during the course of the audit. The reasoning behind any significant overruns will be explored by management.
41. Newport's Internal Audit Section's performance is benchmarked annually with the other 21 authorities in Wales via the Welsh Chief Auditors' Group.
42. Where targets have not been achieved, Internal Audit management will continue to address this in the 2019/20 audit plan which should lead to future improvements in performance. Inevitably, delays caused by means beyond the control of the audit section can only be minimised by on-going discussions with management.
43. The Policy Finance Committee (1998) requested that on-going consideration be given to the sufficiency of internal audit resources. Audit staff resources have been reduced over the last few years which means that fewer audit jobs can be undertaken in the audit plan which results in the provision of less assurance across all service areas.
44. With a full complement of staff, the audit resource is only just about sufficient to provide assurance on the Council's internal control environment, but given the experiences of staff changes in the last couple of years, the Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. The Chief Internal Auditor will endeavour to provide adequate and appropriate audit coverage throughout the Council although prioritisation is required, given the reduced resources within the team.
45. The current level of resources is just about adequate to meet the continuing needs of service led demands. However, the level of resources needs to be assessed in line with Internal Audit's on-going involvement with The Measure, performance indicators, the changing risk profile of the Council and auditing grant claims not reviewed by the external auditor.

Developments

46. In the spirit of Making the Connections and shared services the Chief Internal Auditor has continued in his dual role acting in that capacity for Newport City Council and Monmouthshire County Council. This is a permanent arrangement.
47. Where unfavourable audit opinions are issued it is the Head of Service's responsibility to inform their respective Cabinet Member of the situation and ensure that appropriate action is taken to address the issues identified.

48. During 2017/18 the Internal Audit team had its self-assessment against the Public Sector Internal Audit Standards externally validated. The outcome was that the team is Generally Compliant, which is the highest level of achievement. The report and subsequent action plan was reported to Audit Committee in September 2018; progress against this action plan will be reported to Audit Committee separately.

Financial Summary

49. There are no financial issues related to this report.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

Risks

50. If Members are not involved in the endorsing the Annual Audit Report it would weaken the overall governance arrangements of the Council and be non-compliant with the Public Sector Internal Audit Standards, which therefore, could be subject to adverse criticism from the external auditor, currently WAO.

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?
Members not involved with audit reporting process	M	L	Internal Audit attend all Audit Committee meetings and present reports on a regular basis	Chief internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

51. 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, hence Improving People's Lives.

- 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

52. This is a factual report and therefore there are no specific options to be considered. The annual report provides 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.
53. The Audit Committee is asked to note progress on delivery of the audit plan and the annual audit opinion given to date and ask questions, make observations and recommendations, as necessary.

Preferred Option and Why

54. Option (1) as it is requirement of the Public Sector Internal Audit Standards and ensures good governance.

Comments of Chief Financial Officer

55. I can confirm that I have been consulted on the Annual Audit Report 2018/19 and have no additional comments.

Comments of Monitoring Officer

56. The Annual Report is in accordance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The report confirms that adequate and effective internal financial controls are in place to ensure that the Council complies with its financial duties. The second part of the report puts the work of the Audit Section into context within the Council's Performance Management Framework and again highlights the effectiveness of the work undertaken by this service area.

Staffing Implications: Comments of Head of People and Business Change

57. There are no other specific HR issues arising as a result of the report. 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

58. Not applicable.

Local issues

59. No local issues.

Scrutiny Committees

60. Not appropriate.

Equalities Impact Assessment

61. Not required.

62. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

63. As this is an annual report on performance and audit opinions there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

64. Not appropriate.

Wellbeing of Future Generations (Wales) Act 2015

65. In compiling this report the principles of this Act have been considered:

- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan
- Prevention: Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
- Integration: Internal Audit opinions provide an objective opinion on the adequacy of the internal control environment in operation and support sound stewardship of public money.
- Collaboration: Internal Audit work with operational managers to develop an appropriate action plan in order to address identified concerns.
- Involvement: Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources.

Crime and Disorder Act 1998

66. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate.

Consultation

67. Not appropriate.

Background Papers

68. 2018/19 Approved Audit Plan.

Dated:

APPENDIX A

Overall Council Opinion for 2018/19 is **Reasonable**

	15/16	16/17	17/18	18/19
Good	9	7	11	10
Reasonable	17	22	23	27
Unsatisfactory	8	5	6	10
Unsound	0	1	0	1
	34	35	40	48


Internal Audit – Management Information 2018/19

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	FINAL	Opinion given
P1819-1	CE	Finance	Accountancy	Budgetary Control (Capital)	High		Good
P1819-4	CE	Finance	Accountancy	Internet Banking	Medium		Good
P1819-6	CE	Finance	Income Collection	Council Tax	Medium	Final	Good
P1819-26	People	Children & Young People Serv	Integrated Family Support Service	Family Contact Centre	Medium		Good
P1819-35	People	Adult & Comm Serv	Service Development & Commissioning	Residential Care Provider Payments	High		Good
P1819-41	CE	Law & Regulation	Democratic Services & Communications	Democratic Services & Governance	High		Good
P1819-50	Place	RI&H	Community Regeneration	Inspire to Achieve	Medium	Final	Good
P1819-67	Place	Streetscene & City Serv	Waste & Cleansing	Agency / Overtime (Follow-Up #2)	High		Good
P1819-82	People	Education Serv	Primary Schools	St. Andrew's Primary	Medium	Final	Good
P1819-85	People	Education Serv	Secondary Schools	St Joseph's High	Medium	Final	Good
P1819-2	CE	Finance	Accountancy	Taxation (VAT)	Medium	Final	Reasonable
P1819-3	CE	Finance	Accountancy	Income Returns	Medium	Final	Reasonable

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	FINAL	Opinion given
P1819-7	CE	Finance	Procurement	Creditors CAATs	Medium		Reasonable
P1819-8	CE	Finance	Procurement	Petty Cash / Imprest Accounts	Medium	Final	Reasonable
P1819-9	CE	Finance	Procurement	Purchasing Cards (Transactions)	Medium		Reasonable
P1819-13	CE	Finance	General	Follow up of Agreed Management Actions	Not applicable	Final	Reasonable
P1819-14	CE	People & Bus Change	Business Improvement & Performance	Performance Indicators	Medium	Final	Reasonable
P1819-15	CE	People & Bus Change	Business Improvement & Performance	Risk Management	High		Reasonable
P1819-16	CE	People & Bus Change	Human Resources	Members' Allowances	Medium	Final	Reasonable
P1819-17	CE	People & Bus Change	Human Resources	Payroll CAATs	Medium		Reasonable
P1819-18	CE	People & Bus Change	Human Resources	Equal Pay	Medium		Reasonable
P1819-27	People	Children & Young People Serv	Operations	Adoption Fees	High		Reasonable
P1819-34	People	Adult & Comm Serv	Managed Care	NCN Teams (x 3 - East, North, West)	High	Final	Reasonable
P1819-38	People	Adult & Comm Serv	Care & Support Services	Parklands	Medium	Final	Reasonable
P1819-43	CE	Law & Regulation	Public Protection	Food Safety	Medium	Final	Reasonable
P1819-45	CE	Law & Regulation	Public Protection	Consumer Protection Team	Medium		Reasonable
P1819-49	Place	RI&H	Community Regeneration	Families First	High	Final	Reasonable
P1819-55	Place	RI&H	Housing, Regeneration & Property	Housing Needs (Common Register)	Medium	Final	Reasonable
P1819-58	Place	Streetscene & City Serv	Customer Experience	Housing Benefits	High	Final	Reasonable
P1819-59	Place	Streetscene & City Serv	Bereavement Services	Cemeteries (Follow-Up)	High		Reasonable
P1819-66	Place	Streetscene & City Serv	Asset Management	Telford Depot CCTV & Security (Follow-Up)	High		Reasonable
P1819-77	People	Education Serv	Primary Schools	Milton Primary (PAR) (2017/18)	Medium	Final	Reasonable
P1819-78	People	Education Serv	Primary Schools	Charles Williams Primary (Follow-Up)	High	Final	Reasonable
P1819-79	People	Education Serv	Primary Schools	Maindee Primary	Medium	Final	Reasonable
P1819-80	People	Education Serv	Primary Schools	Pillgwenlly Primary	Medium	Final	Reasonable

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	FINAL	Opinion given
P1819-81	People	Education Serv	Primary Schools	Ysgol Gymraeg Ifor Hael	Medium	Final	Reasonable
P1819-84	People	Education Serv	Secondary Schools	Llanwern High (Follow-Up)	High	Final	Reasonable
P1819-19	CE	People & Bus Change	Digital & Information	General Data Protection Regulation (GDPR)	High	Final	Unsatisfactory
P1819-21	CE	People & Bus Change	Digital & Information	Subject Access Requests	Medium	Final	Unsatisfactory
P1819-22	CE	People & Bus Change	Digital & Information	SRS Client Relationship Management	High		Unsatisfactory
P1819-29	People	Children & Young People Serv	Resources	Adoption Allowances	Medium		Unsatisfactory
P1819-54	Place	RI&H	Housing, Regeneration & Property	Commercial & Industrial Property Portfolio	High		Unsatisfactory
P1819-61	Place	Streetscene & City Serv	Highways Maintenance	Highways	High		Unsatisfactory
P1819-62	Place	Streetscene & City Serv	Transport	Vehicle Tracking System & Usage	High		Unsatisfactory
P1819-68	Place	Streetscene & City Serv	Waste & Cleansing	Street Cleansing	High	Final	Unsatisfactory
P1819-71	People	Education Serv	Resources & Planning	Trips & Visits (Evolve System) (Follow-Up)	Medium		Unsatisfactory
P1819-86	People	Education Serv	Secondary Schools	Caerleon Comprehensive	High		Unsatisfactory
P1819-73	People	Education Serv	Inclusion	Bridge Achievement Centre (PRU)	High	Final	Unsound

Appendix B - Audit Opinions used in 2018/19

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

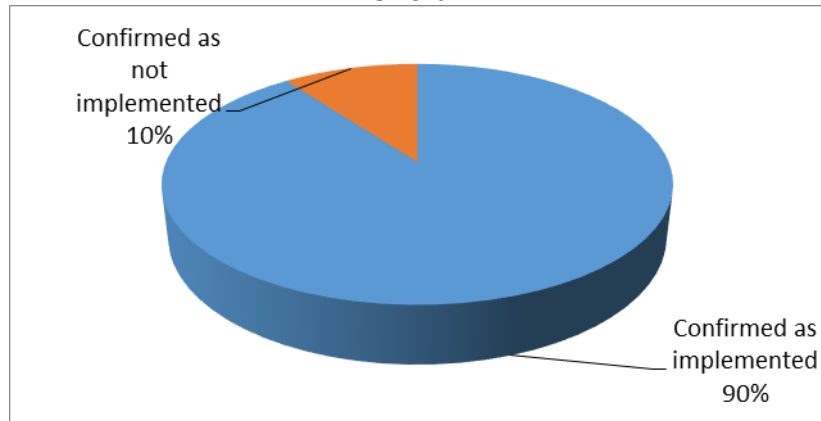
Appendix C – Non opinion audit work 2018/19

Job number	Group	Service Area	Section or Team	Job Title
P1819-10	CE	Finance	General	Annual Governance Statement
P1819-11	CE	Finance	General	National Fraud Initiative (NFI)
P1819-12	CE	Finance	General	Financial Advice
P1819-23	CE	People & Bus Change	General	Financial Advice
P1819-24	CE	People & Bus Change	General	Financial Regulations Training
P1819-25	CE	People & Bus Change	General	Follow Up of Agreed Management Actions
P1819-31	People	Children & Young People Serv	General	Financial Advice
P1819-32	People	Children & Young People Serv	General	Follow up of Agreed Management Actions
P1819-39	People	Adult & Comm Serv	General	Financial Advice
P1819-40	People	Adult & Comm Serv	General	Follow up of Agreed Management Actions
P1819-47	CE	Law & Regulation	General	Financial Advice
P1819-48	CE	Law & Regulation	General	Follow-Up of Agreed Management Actions
P1819-56	Place	RI&H	General	Financial Advice
P1819-57	Place	RI&H	General	Follow up of 2017/18 Agreed Management Actions
P1819-65	Place	Streetscene & City Serv	Transport	Civil Parking Enforcement
P1819-69	Place	Streetscene & City Serv	General	Financial Advice
P1819-70	Place	Streetscene & City Serv	General	Follow-Up of Agreed Management Actions
P1819-87	People	Education Serv	Other - Schools Related	CRSA's / Healthcheck - Secondary / Primary / Nursery
P1819-88	People	Education Serv	General	Schools Financial Regulations Training
P1819-89	People	Education Serv	General	Financial Advice
P1819-90	People	Education Serv	General	Follow up of 2017/18 Agreed Management Actions
P1819-91	External	Ext Audits	General	SWCAG Training

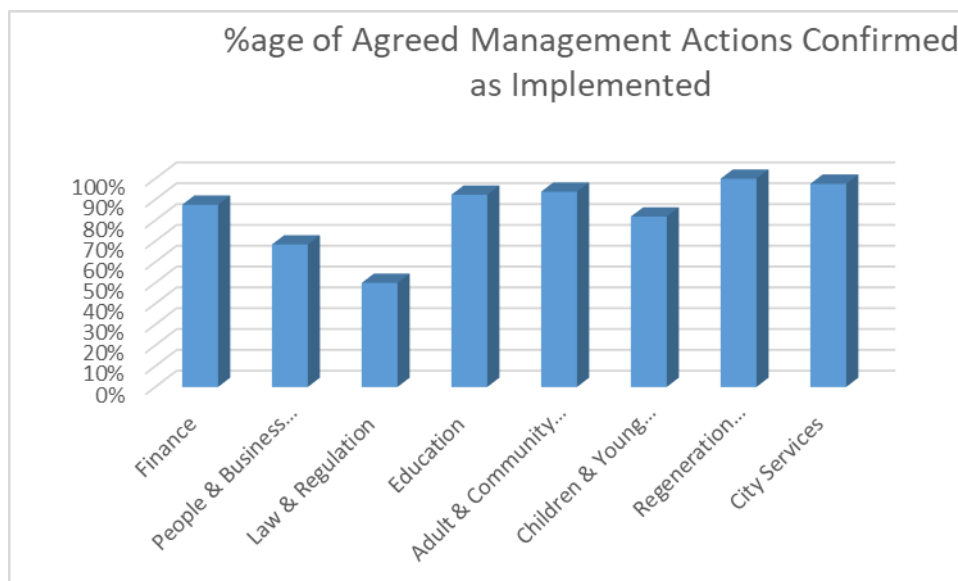
Appendix D – Implementation of Agreed Management Actions 2017/18

[by service area]

**Implementation of Agreed Management Actions
Overall**



**%age of Agreed Management Actions Confirmed
as Implemented**



Appendix E - Performance Indicators 2018/19 - Newport City Council - Internal Audit Section

	2016/17 Actual	2017/18 Actual	2018/19 Target	2018/19 Actual
Proportion of planned audits complete	89%	84%	82%	83%
Number of planned audits completed within estimated days	72%	68%	65%	64%
Directly chargeable time against total time available	60%	62%	61%	62%
Directly chargeable time against planned	83%	91%	84%	91%
Proportion of Special Reviews responded to within 5 days	100%	100%	100%	100%
Continue to train staff in all Service Groups/Areas on best financial practice – Number of sessions delivered	9	9	7	9
Staff turnover rate [1 member of staff left]	0	1	1	1
Promptness of draft report issue: end of fieldwork to draft report issue date	13 days	14 days	10 days	11 days
Promptness of report finalisation: client response to final report issue date	3 days	4 days	5 days	3 days

Appendix F

Summary of Audit Evaluation Questionnaires (AEQ) Comments 2018/19

Feedback from Auditees

1	As a team we feel that Kyle has a really good approach when auditing and his personality is an obvious asset as he puts people at ease and therefore gets more from them.
2	Kyle was understanding of the service and could identify the key issues - I was impressed
3	<p>As I was quite new to my post I found the audit extremely helpful, albeit in places painful. The staff were hugely supportive and it was quite clear they were here to help and direct not conduct a witch hunt.</p> <p>We established good rapport with the team and were able to talk openly and honestly about the school, its systems and administration and identify both the things we were doing well but also the gaps which we continue to work on. I have nothing negative to say about the conduct of Jan and Kyle and overall we felt the entire process was constructive and supportive.</p>
4	As a new manager, I was particularly pleased to hear the department was being audited as it provided the perfect opportunity for a thorough assessment of its strengths and weaknesses. I have been very busy ensuring our health and safety policies and procedures were robust enough, so other aspects of the service had to wait. The audit allowed me to get a good diagnosis of what areas needed improvement and a realistic timeframe in order to rectify issues. Paul was thorough, personable and a pleasure to work with. I had the luxury of an audit without any recourse to my own actions/inactions so far, so there was no pressure and it has helped me invaluablely to prioritise what work needs completing after the H&S review.
5	On behalf of the school can I just say both Jan and Kyle were superb in their handling of us and their approach. We always felt supported and encouraged and I hope we came out of the process with a much greater understanding of the areas we are striving to improve.
6	I think that, by their nature, audit processes cannot really be as flexible as, perhaps, some operational services may require, which makes it difficult for the service area management team to fully satisfy the requirements. But all in all I believe the audit process has been fair and I am satisfied with the service provided.
7	We are moving away from paper records and onto electronic applications, which also helps alleviate some of the difficulties staff have with reading/writing literacy skills. I understand the emphasis on record keeping/paperwork which is paramount and hope that consideration is given to the environment in which the Operatives work.
8	I feel the audit process is fair and easy to follow – the difficulty for me was being new in post after the initial Audit was carried out so reviewing in relation to processes that I was still familiarising myself with. I realise that turnover of staff of staff is difficult to plan for!
9	Chris was very friendly and gave clear direction of the paperwork he required

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Report

Audit Committee

Part 1

Date: 6th June 2019

Item No: 9

Subject Internal Audit Annual Plan 2019/20

Purpose To inform Members of the Council's Audit Committee of the Internal Audit Section's Operational Audit Plan for 2019/20 and Outline Strategic Plan.

For the Audit Committee to comment on and approve the 2019/20 Operational Internal Audit Plan and provide comments as appropriate.

Author Chief Internal Auditor

Ward General

Summary Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, effective and efficient use of the Council's resources.

The attached report is the operational Internal Audit plan for 2019/20 based on an assessment of risk and available audit resources. It outlines where Internal Audit resources will be focused over the next year, covering systems and establishments in all service areas of the Council. **1155** productive audit days have been planned for 2019/20 [1214 days 2018/19].

The Council's Section 151 Officer has the legal responsibility for the provision of Internal Audit.

Proposal That the report be noted and approved 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 the work to be undertaken by the Internal Audit Section at an operational level for 2019/20. It identifies why the Council operates an Internal Audit function, the resources currently available and how they will be applied across the services of Newport City Council to give management assurance that systems are working as intended.
2. The plan has been compiled from cumulative audit knowledge and experience, with reference to the Corporate Plan, Service Improvement Plans, Newport's Corporate Risk Register, Budget and Medium Term Revenue Plan and external audit reports along with previous history of known problems or issues. The views and concerns of service area management teams have also been incorporated into prioritising workloads for the audit planning process. Heads of Service have been afforded the opportunity to contribute to the drafting of the plan.
3. The report refers to options considered, preferred choice and consultation undertaken. The report lists all background papers relevant to scrutiny of this issue.
4. The Head of Finance is, for the purposes of Section 151 of the 1972 Local Government Act, responsible for the proper administration of the Council's financial affairs. More specifically, The Accounts and Audit (Wales) Regulations 2014 require that the relevant body maintains an adequate and effective internal audit function. Under the direction of the Chief Internal Auditor, the Internal Audit Section at Newport City Council undertakes this provision on behalf of the Head of Finance.
5. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It provides assurance or otherwise to management.
6. An organisation as diverse as the City Council has many internal systems which require appropriate controls. Each of these systems can be considered appropriate for internal audit review along with the Council's establishments. However, it is not considered appropriate to review all systems every year so they are undertaken on a cyclical basis, prioritised by way of a risk assessment approach (high, medium or low priority). The attached audit plan (**Appendix 1**) shows a summary of how the Internal Audit resource will be allocated across service areas. The more detailed plan (**Appendix 2**) shows how the systems operated and services provided within all service areas will be covered.
7. The operational plan (2019/20), at this point in time, is as realistic as possible taking account of available audit resources and an allowance for financial training and advice; special investigations have also been included. Allowances for post entry training, general training, holidays, sickness and professional studies have been made in arriving at the number of available audit days for 2019/20.
8. The timing of each review in the 5-year cycle depends on an assessment of the risk that each system poses for the Council, Service Area and Section. A number of factors are taken into account when assessing risk, but it should be stressed that management are responsible for managing that risk, and are best placed to identify the risk in the first place. Accordingly, the views of the management teams within each service area have been sought when compiling this plan and incorporated where appropriate.
9. Although Internal Audit have limited resources (currently 8 staff including the Chief Internal Auditor), the aim is to provide as much coverage of the Council's systems and establishments as possible. The audit resources have been significantly reduced over the last few years which

leads to less coverage across service areas which will have an impact on the level of assurance the audit team can give to senior management on the adequacy of sound financial management / internal control / governance / risk management across the Council.

10. The Internal Audit plan has been discussed with Heads of Service to ensure the risk profile determined by the audit management team is right. Comments from some management teams suggest that greater coverage should be given to their specific service areas to provide even more assurance, which would be achievable given greater audit resources. Heads of Service have welcomed the opportunity to contribute to the audit planning process and view it as a positive move forward. Some are seeking audit advice in system implementation stages more so, moving away from the traditional audit opinion work, which is encouraging from the audit perspective.
11. The initial plan for the year always starts off as a “long-list” of what work we should be covering in that particular year. We then have to balance that with the resources we have available and the risk profile of the individual audit job. The 2019/20 operational plan aims to cover the areas stated within the given time allocations but professionally I feel that it will provide assurance to managers on the effectiveness of their internal controls and safeguard the assets of the Authority whilst covering the key risks. Time allocations per review are also tight but have been set to provide as much coverage as possible within service areas.
12. Agreed management actions of previous audit reports will be followed up during 2019/20; this will identify the progress managers have made on addressing weaknesses in internal control; i.e. have the agreed management actions been implemented? This could impact on the coverage planned for other systems within service areas. This will be reported back to the Audit Committee.
13. From time to time the risk profile or priority of audit workload or service area may change so the planning process needs to be flexible enough to accommodate this. Where significant changes to the operational plan are required, the matter will be reported to the Head of Finance for approval; this will subsequently be reported to the Audit Committee. Internal Audit’s performance against this plan will continue to be reported to the Audit Committee on a regular basis.
14. Ultimately, the audit team has to undertake sufficient work across the whole Authority to enable the Chief Internal Auditor to give an overall annual audit opinion, and hence assurance, on the adequacy of the internal control environment of the systems operated within the Council.
15. With collaboration, change and efficiency reviews on the horizon, across the whole Council, the audit team will need to be flexible enough and adaptable to respond to changing priorities within the Council in order to provide the assurances required. The Chief Internal Auditor will continue to provide the same service to Monmouthshire CC, in collaboration.

Risk Analysis

16. The risks that the Council face are many and varied. A number of factors have been taken into consideration in compiling both the operational one-year plan and the strategic plan; financial budgets, previous audit work, The Measure, history of fraud, theft, misappropriation or non-compliance, changes in systems, changes in key personnel, along with concerns of management. A risk assessment exercise is undertaken in compiling the audit plan. An assessment is made of the likelihood and impact of an event happening, taking into account any mitigation.
17. The audit workload needs to be prioritised to ensure appropriate coverage is given in all service areas and that assurance can be given that Council and service area objectives are being achieved. This is helped with Heads of Service and their senior managers being involved with the

process and contributing to the risk profile assessment as a collaborative exercise with Internal Audit.

18. Grant income and external funding is becoming more prominent within the finances of the Council; generally these will be audited externally by the external auditor who provides assurances to the grant paying body. Internal Audit may be requested to audit some grants, therefore, a limited number of days have been included in the Internal Audit planning process.
19. In the Audit Section's continual efforts to ensure that Council 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 has been incorporated in the audit plan. Heads of Service have noted that this is a positive step and encourage their staff to attend. Some sessions will be targeted to managers who have previously received unfavourable audit opinions.
20. A requirement of the Accounts and Audit (Wales) Regulations 2014 is that an Annual Governance Statement needs to be included with the Statement of Accounts; this covers corporate governance, performance measurement and risk management as well as internal financial control. The Chief Internal Auditor will continue to be involved with collating and co-ordinating the relevant information to support this statement, although the preparation of the statement should be a corporate responsibility.
21. 1155 productive audit days have been incorporated into the 2019/20 audit plan. The total resource available for the beginning of the year was 2096 days; annual leave, public holidays, sickness, training, known vacancies, management and administration time is then deducted to determine the available audit days to undertake audit reviews, deal with special investigations, provide advice and deliver training. On average an auditor has 180 available days to undertake audit work during the year.
22. An allocation of time has been included in the plan for special investigations which members of the team may get involved with during the year. These could range from allegations of fraud or theft to non-compliance with Contract Standing Orders. The allocation has been fairly consistent over the last few years; for 2019/20 the allocation will be 150 days:

	Allocation of days	Actual days
2015/2016	240	140
2016/2017	200	91
2017/2018	200	70
2018/2019	180	64
2019/2020	150	

Risks to the Provision of Internal Audit

23. There is a potential change to the way audit services are delivered across South Wales with shared services on the agenda following the Williams Report. This could be seen as an opportunity for Newport Internal Audit team especially as the Chief Internal Auditor currently provides the same service to a neighbouring local authority. This will continue into 2019/20.

Independence

24. Independence is achieved through the organisational status of internal audit and the objectivity of internal auditors. In order to ensure the objective nature of audit reviews is not compromised,

Internal Audit must be seen to be demonstrably independent of all managerial influence. Within Newport City Council this is achieved as follows:

- the Chief Internal Auditor is responsible for the control and direction of Internal Audit;
- the Chief Internal Auditor has a duty to report direct to the Chief Executive and the Leader of the Council on any matter which he feels appropriate, in particular where the Head of Finance appears to be personally involved;
- individual audit reports are sent to service managers and heads of service as appropriate in the name of the Chief Internal Auditor; and
- the Chief Internal Auditor submits an annual report to the Audit Committee giving an overall opinion on the adequacy of internal controls operated within the Council.

Audit Opinion

25. At the end of each audit review an audit opinion is given on the adequacy of the internal controls operated within that system or establishment. Taking into account strengths and weaknesses, the current suite of opinions ranges from good through to unsound:

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

Structure

26. The Internal Audit Section comprises of two teams each led by an Audit Manager both reporting directly to the Chief Internal Auditor. The section has an establishment of 8 and is responsible for auditing all of the Council's systems and establishments including the payroll functions for 6,000+ staff.

Resources

27. Consideration has been given to the appropriate level of resources for Internal Audit at Newport City Council. The current establishment of 8 staff remains just about adequate for the current level of assessed risk as outlined above; a greater audit resource could provide a greater assurance to management and allow the section to be even more responsive to changing priorities and risk profiles throughout the year. Any unplanned absences such as long term sickness, secondments or prolonged special investigations could significantly affect the audit plan as cover is limited.

28. If the risk profile of the Council significantly changes or if more investigations into allegations of Council staff are required than were planned for, then consideration will need to be given to increasing the resources of the Internal Audit team in order to maintain the current level of service provided.

29. It has been difficult to prioritise workload for 2019/20; after discussions with senior management teams in the service areas, in particular Social Services and Education Services, it was evident that a lot more audit coverage was required than the team is resourced up to deal with.

Staffing & Training

30. The Section is supported by staff on a range of grades with appropriate professional qualifications including part qualified and fully qualified accountants and auditors. The staff have considerable experience of working within the local authority and audit environment. The Chief Internal Auditor, Andrew Wathan, is a qualified CIPFA accountant (Chartered Institute of Public Finance and Accountancy) and has extensive working knowledge of external and internal audit practices within the public sector. Andrew's management team consists of two professionally qualified Audit Managers, one CIPFA qualified and one ACCA qualified. One member of staff is PIIA qualified (Institute of Internal Auditors) and others in the team are part qualified, either PIIA, ACCA or AAT.
31. Audit management will continue to support professional and work related training in order to enhance the Section's effectiveness in service delivery in line with the Council's management expectations and the Public Sector Internal Audit Standards. This will ensure that all staff are kept up to date with developments in auditing techniques and changes within local government which may impact on the provision of the service.
32. The team will continue to arrange technical audit training on behalf of the South Wales Chief Auditors' Group throughout the year which Newport's Internal Audit staff have the opportunity of attending. These sessions are run on a breakeven basis.

External Auditor / Relations

33. The Council's external auditor is the Wales Audit Office. The Internal Audit team has developed a good working relationship with the team and will continue to do so to work jointly, share good practice and avoid duplication. The external auditor may place reliance on work undertaken by Internal Audit on what they consider to be the Council's fundamental systems. They will also continue to assess Internal Audit against the standards to ensure that a professional and effective service is being provided.
34. The Chief Internal Auditor will continue to ensure compliance with the Public Sector Internal Audit Standards.

Service Areas

35. Many of the managers within the Council call upon the Audit Section for financial advice which is incorporated within the plan. Audit staff are more than willing to offer any help and assistance they can to ensure that operations are undertaken properly but this also has an impact on planned audit reviews where time allocations are exceeded.
36. As a service to all levels of management, it is important that internal audit is seen as contributing positively to managers undertaking their responsibilities. These are wide ranging but include the prevention of fraud and corruption and securing the efficient and effective delivery of services; part of management obligations under the Council's Financial Regulations.

Financial Summary

37. There are no financial issues related to this report.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

Risks

38. If members are not involved in the process of endorsing the annual audit plan then this weakens the governance arrangements and would be non-compliant with the Public Sector Internal Audit Standards, which could then be subject to adverse criticism from the external auditor, currently WAO.

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?

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

39. 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, hence Improving People's Lives.

- 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

40. (1) That the Annual Audit Plan for 2019/20 be approved, subject to any amendments suggested by the Audit Committee.

Preferred Option and Why

41. Option (1) as it is requirement of the Public Sector Internal Audit Standards.

Comments of Chief Financial Officer

42. I can confirm that I have been consulted on the Annual Audit Plan 2019/20 and have no additional comments.

Comments of Monitoring Officer

43. There are no specific legal issues arising from the report, which sets out the operational Internal Audit plan for 19/20 and identifies the specific areas of audit work that will be carried out, having regard to the corporate risk profile and available staffing resources. The Council has a statutory duty under the Accounts and Audit (Wales) Regulations 2014 to ensure that it has adequate and effective financial management and a sound system of internal control, which is reviewed regularly. The Audit Committee has responsibility under the Local Government (Wales) Measure 2011 to keep under review the Council's risk management, internal control and corporate governance arrangements and to oversee the work of the internal audit team. Therefore, Audit Committee are required to consider the operational plan and satisfy themselves that the annual work programme to be undertaken by the internal audit team is sufficient to discharge this responsibility.

Comments of Head of People and Business Change

44. The audit plan details how the resources available to the Chief Internal Auditor are allocated based on organisational risk and priority. I confirm that I have been consulted upon about this plan and agree with the allocation of resource within it.

45. As part of the Well-being of Future Generations Act (2015) it is necessary to ensure that the Council's functions are operating effectively and efficiently to manage its governance, internal control and risk management arrangements to deliver the Corporate Plan. This report presents the proposed Internal Audit activity during the period to meet this requirement.

Comments of Cabinet Member

46. Not applicable.

Local issues

47. No local issues.

Scrutiny Committees

48. Not appropriate

Equalities Impact Assessment

49. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share

a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

50. As this is a plan of audit coverage during 2019/20 there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

51. Not appropriate.

Wellbeing of Future Generations (Wales) Act 2015

52. In compiling this report the principles of this Act have been considered:

- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5-year Strategic Plan
- Prevention: Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
- Integration: Internal Audit opinions provide an objective opinion on the adequacy of the internal control environment in operation and support sound stewardship of public money. Internal Audit will work with external audit to avoid duplication.
- Collaboration: Internal Audit work with operational managers to develop an appropriate action plan in order to address identified concerns.
- Involvement: Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources.

Crime and Disorder Act 1998

53. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate.

Consultation

54. Not appropriate

Background Papers

55. 2018/19 Internal Audit quarterly reports, Corporate Plan, Corporate Risk Register, Service Improvement Plans.

Dated:

APPENDIX 1

Internal Audit Services		
Operational Audit Plan for 2019/20		
Service Area	Number of days	Percentage of plan
Finance	151	13%
People & Business Change	133	12%
Law & Regulation	91	8%
Children & Young People Services	129	11%
Adult Services	91	8%
City Services	117	10%
Regeneration, Investment & Housing	82	7%
Education Services	201	17%
External – SWCAG Training Programme	10	1%
Special Investigations	150	13%
Total Days for Operational Plan	1155	100%

Service Grouping	Number of days	Percentage of plan
Chief Executive		
Corporate Services	375	32%
People		
Social Services	220	19%
Education Services	201	17%
Place		
City Services & Regeneration	199	17%
Other	160	14%
Total Days for Operational Plan	1155	100%

APPENDIX 2

INTERNAL AUDIT SERVICES – OPERATIONAL AUDIT PLAN 2019/20 - STRATEGIC PLAN TO 2023/24

Finance		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Accountancy								
	Main Accounting System	-	M	15				
	~ Bank Reconciliation	2016/17				*		
	~ Budgetary Control (Revenue)	2014/15			*			
	~ Budgetary Control (Capital)	2018/19						*
	~ Coding Structure / Journals / Holding & Suspense	2010/11		*				
	~ System Security & Integrity	2012/13		*				
	~ Feeder Systems	2010/11		*				
	Schools Finance	2014/15	H	20				
	Social Services Income Assessment & Charging	2017/18					*	
	Taxation (VAT)	2018/19						*
	Treasury Management	-						
	~ Financial Vetting	Never			*			
	~ Income Management	2015/16			*			
	~ Income Returns	2018/19						*
	~ Internet Banking	2018/19						*
	~ Paye.net	2010/11	H	20				
	~ Treasury Management	2017/18					*	
Income Collection								
	Council Tax	2018/19			*		*	
	National Non Domestic Rates (NNDR)	2016/17	M	18		*		*
	Sundry Debtors	2017/18	M	18		*		*
Strategic Procurement								
	Strategic Procurement	-						
	~ Gateway Process (incl. Excepted Contracts)	2017/18				*		
	~ eTendering	2015/16			*			
	Creditors CAATs	2018/19			*		*	
	Petty Cash / Imprest Accounts	2018/19						*
	Procure to Pay (eProcurement)	2016/17				*		
	Purchasing Cards (System)	2017/18					*	
	Purchasing Cards (Transactions)	2018/19	M	12	*	*	*	*
General								
	Annual Governance Statement	2018/19		10	*	*	*	*
	National Fraud Initiative (NFI)	2018/19		20	*	*	*	*
	Financial Advice	2018/19		10	*	*	*	*
	Follow up of Agreed Management Actions 2018/19	2018/19		5	*	*	*	*
	Finalisation of 2018/19 Audits	Annual		3				
Total Planned Days for Finance				151	Days			

People & Business Change		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Digital Services								
	Document Services	-						
	~ Electronic Document Management System (EDMS) & Modern Records	Never			*			
	~ Mail Services	2014/15			*			
	~ Printing / Reprographic Services	2013/14						
	Information Management	-						
	~ Data Protection (General Data Protection Regulation) (Follow Up)	2018/19	H	12				
	~ Freedom of Information	2017/18					*	
	~ Payment Card Industry Data Security Standards (PCI DSS) (Follow Up)	2016/17	H	5				
	Digital Projects	-						
	~ SRS Client Relationship Management	2018/19			*			
Human Resources								
	Employment Services	-						
	~ Agency Staff	2017/18					*	
	~ Employment Status	Never	H	13				
	~ Management of Attendance	Never			*			
	~ Maternity Absence Payments	2017/18					*	
	~ Members' Allowances	2018/19						*
	~ Organisational Structure	2011/12			*			
	~ Payroll CAATs	2018/19			*		*	
	~ Payroll System	2016/17			*		*	
	~ Recruitment & Selection	2013/14			*			
	~ Redundancy	2012/13			*			
	~ Sickness Absence Payments	2017/18					*	
	~ Travel & Subsistence	2016/17	M	18				
	Health & Safety	2013/14			*			
	Human Resources & Organisational Development	-						
	~ Job Evaluation / Equal Pay	2018/19						*
	~ Social Services Training Unit	2017/18					*	
	~ Organisational Development	Never			*			
Newport Intelligence Hub								
	Address Management Function (Corporate Gazetteer)	Never			*			
	Business Development (iTrent)	Never					*	
	Corporate Geographical Information Systems (GIS)	Never				*		
	Database System Administration	Never			*			
	Education Learning & Support	2006/07			*			
	Performance Analysis	Never			*			
Partnership Support								
	Civil Contingencies	Never	H	23				
	Corporate Policy	Never					*	
	Partnerships	Never				*		

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
	Performance Management	Never			*			
	~ Performance Indicators (Data Quality)	2018/19			*			
	Risk Management	2018/19	H	18		*		*
General								
	Corporate Governance	Never	M	18				
	Project Management	Never				*		
	Welsh Language Standards	Never			*			
	Financial Advice	2018/19		8	*	*	*	*
	Financial Regulations Training	2018/19		10	*	*	*	*
	Follow up of Agreed Management Actions 2018/19	2018/19		4	*	*	*	*
	Finalisation of 2018/19 Audits	Annual		4				
Total Planned Days for People & Business Change				133	Days			

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Children & Young People Services								
Children's Teams								
	Children With Disabilities	2012/13			*			
	Pathway Teams x3	2011/12			*			
	Safeguarding Hub	Never			*			
Child Protection & Family Support								
	Child Protection & Family Support (x 4 Teams)	Never	H	20				
	Family Contact Centre	2018/19						*
	Integrated Family Support Service	2012/13			*			
	Mentoring, Assessment & Consultancy	Never			*			
Resources								
	Adoption Allowances (Follow Up)	2018/19	M	12				
	Fostering	2014/15			*			
	Family & Friends	-						
	~ SGO/Kinship Payments (Follow Up)	2017/18	H	12				
	Matching & Placement Support	Never			*			
	~ LAC Education Support	2014/15			*			
	Residential	-						
	~ Cambridge House	2014/15	M	15				
	~ Forest Lodge	2015/16			*			
	~ Oaklands	2016/17				*		
	~ Rose Cottage	Never			*			

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Safeguarding, Quality Assurance & Child Protection								
	Adult Safeguarding	-						
	~ Appointeeships	2016/17				*		
	~ Deprivation of Liberty Safeguards (DOLS)	Never			*			
	~ Adults at Risk	2012/13	M	20				
	~ Violence Against Women Domestic Abuse & Sexual Violence (VAWDASV)	Never			*			
	Children's Safeguarding	-			*			
	~ Education Safeguarding	2016/17				*		
	~ Independent Reviewing Officers (IROs)	2013/14			*			
	Corporate Safeguarding	2017/18					*	
	Quality Assurance	Never			*			
Youth Justice & Preventions								
	Preventions	Never	M	20				
	Youth Offending Service	Never			*			
General								
	Adoption Fees	2018/19						*
	Children & Families Imprest Account	2016/17	H	15				
	Financial Advice	2018/19		8	*	*	*	*
	Follow up of Agreed Management Actions 2018/19	2018/19		3	*	*	*	*
	Finalisation of 2018/19 Audits	Annual		4				
Total Planned Days for Children & Young People Services				129 Days				

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Adult & Community Services								
Integrated Teams								
	Occupational Therapy Service	2014/15			*			
	Mental Health Service	Never	H	20				
First Contact								
	Hospital Team	Never	H	20				
	Intake Team	2017/18					*	
	Independent Living Advisors	Never	M	12				
	Telecare Contracts	Never			*			
	Out of Hours Emergency Scheme	Never			*			
Managed Care								
	Frailty Service (Reablement)	2010/11	M	20				
	NCN Teams (x 3 - East, North, West)	2018/19						*

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Service Development & Commissioning								
	Commissioning & Contracts							
	~ Commissioning, Contracts, Monitoring	2016/17				*		
	~ Direct Payments	2017/18					*	
	~ Non-Residential Care Provider Payments	2015/16			*			
	~ Residential Care Provider Payments	2018/19						*
	~ Supported Living Provider Payments	Never			*			
	Supporting People	2013/14			*			
	~ Supporting People Programme Grant (SPPG) Certification (Finances)	2017/18	M	4	*	*	*	*
	~ Supporting People Programme Grant (SPPG) Certification (Outcomes)	2017/18	M	4	*	*	*	*
	Performance Information	Never						
Care & Support Services								
	Residential Services	-						
	~ Blaen-y-Pant	2016/17			*			*
	~ Parklands	2018/19					*	
	~ Spring Gardens	2017/18				*		
	Day Services	-						
	~ Brynglas Day Opportunities	2017/18					*	
	Cross-Cutting / Thematic Reviews							
	~ Residents' Monies	2014/15			*			
	~ Amenity Funds	2016/17				*		
General								
	Financial Advice	2018/19		6	*	*	*	*
	Follow up of Agreed Management Actions 2018/19	2018/19		3	*	*	*	*
	Finalisation of 2018/19 Audits	Annual		2				
Total Planned Days for Adult & Community Services				91	Days			

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Law & Regulation								
Democratic Services & Communications								
	Democratic Services & Governance	2018/19						*
	Marketing & Communications	Never	M	10				
	City Festivals & Events	Never	M	10				

		Last	Risk	20	20	20	20	20
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		Review		Days				
	Mayoralty & Events	2004/05			*			
Electoral Registration								
	Electoral Registration	2012/13			*			
Legal								
	Insurances	2015/16			*			
	Land Charges	2014/15			*			
	Litigation	2012/13			*			
	Corporate Admin Team	Never	M	10				
Public Protection								
	Community & Environment							
	Environmental Health							
	- Food Safety	2018/19						*
	- Environmental & Health & Safety							
	- Port Health	2006/07			*			
	- Private Sector Housing	2012/13			*			
	- Neighbourhood (CCTV / CSW)	2002/03 (CCTV) 2015/16 (CSW)	M	15				
	- Pollution	2009/10			*			
	- Discretionary Charging	2015/16			*			
	Consumer Protection							
	- Consumer Protection Team	2018/19						*
	- RIPA	2017/18					*	
	- Industrial & Animal Health	2007/08			*			
	- Licensing (Premises)	2011/12	H	15				
	- Licensing (Taxi)	2013/14			*			
	- Scambusters Team	2012/13			*			
	- Scambusters Grant Claim 2018/19	Annual	M	8	*	*	*	*
	- Newport City Dogs Home	2007/08	M	12				
Registration Services								
	Registration Services	2016/17				*		
General								
	Financial Advice	Annual		5	*	*	*	*
	Follow up of Agreed Management Actions 2018/19	Annual		2	*	*	*	*
	Finalisation of 2018/19 Audits	Annual		4				
Total Planned Days for Law & Regulation		91 Days						

Regeneration, Investment & Housing		Last Audit	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Community Regeneration								
	Communities First	2009/10			*			
	Community Buildings							
	- Directly Managed	2008/09			*			
	- Voluntary Managed	2015/16			*			
	Families First	2018/19						*
	Flying Start							
	- Flying Start	Never	M	15				
	- Play Development	2003/04			*			
	30 hours free childcare	Never	M	15				
	Work, Skills & Performance							
	- Inspire to Achieve	2018/19						*
	- Skills & Work Contract	2015/16			*			
	- Community Development Improvement Plan	2011/12						
	- Financial & Admin Systems	2009/10			*			
	Youth Development							
	- Youth Service	2017/18					*	
	- Duke of Edinburgh Award	2017/18					*	
	- Inspire to Work	Never			*			
	Grants							
	- Flexible Funding Grant 2018/19	Never	M	10				
Development Services								
	Development Control							
	- Planning Applications	2011/12			*			
	- Planning Enforcement	2011/12			*			
	- Historic Building Conservation	Never			*			
	Building Control	2013/14			*			
	Regeneration Initiatives							
	- VVP (now Targeted Regeneration Investment Funding)	2017/18				*		
	- Heritage Lottery Funding	Never						
	- Business Support Loans & Grants	2017/18					*	
	Planning Policy							
	- Planning Obligations (S106)	2017/18					*	
	Technical Support	Never			*			
Culture, Libraries and Community Learning								
	Business Support Team	Never			*			
	Community Learning & Libraries							
	- Adult Education	2015/16			*			
	- Library Service	2014/15			*			
	Museum & Heritage							
		Last	Risk	20	20	20	20	20

		Review		Days				
	- Museum & Art Gallery	2005/06	M	15				
	- Medieval Ship	2008/09			*			
	- Transporter Bridge	2012/13			*			
	- Tredegar House (National Trust Agreement)	2012/13			*			
	- Fourteen Locks	Never						
	- Tourist Information Centre	2010/11			*			
Housing, Regeneration & Property								
	Housing Needs							
	- Home Options (Common Register)	2018/19						*
	- Homelessness Assessment & Prevention	2017/18					*	
	- Private Sector Housing	2009/10			*			
	Housing Renewals							
	- Disabled Facilities Grants	2017/18					*	
	- Empty Homes (Houses to Homes Grant)	2013/14			*			
	Newport Norse (Joint Venture) Follow Up	2015/16	H	10				
	Ellen Ridge Site	Never			*			
	Integrated Property Unit							
	- Commercial & Industrial Properties Follow up	2018/19	H	8				
	- Newport Market	2005/06			*			
	- Facilities Management (Civic Centre / Info Station)	Never						
	- Carbon Reduction Commitment	2013/14			*			
General								
	Financial Advice	Annual		6	*	*	*	*
	Follow up of Agreed Management Actions 2018/19	Annual		2	*	*	*	*
	Finalisation of 2018/19 Audits	Annual		1				
Total Planned Days for Regeneration, Investment & Housing				82	Days			

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
City Services								
Customer Experience								
	Contact Centre							
	- Contact Centre	2015/16			*			
	- Information Station	2012/13			*			
	Digital Optimisation							
		Last	Risk	20	20	20	20	20

		Review		Days				
	- Channel Optimisation	Never			*			
	Complaints Handling							
	- Children's Rights & Complaints	Never			*			
	Benefits							
	Housing Benefits	2018/19			*			
Environment & Leisure								
	Bereavement Services							
	- Cemeteries (Follow-Up)	2018/19						*
	- Gwent Crematorium	2016/17				*		
	Parks & Recreation							
	- Parks & Outdoor Recreation	2007/08	M	15				
	- Allotments	Never			*			
	Biodiversity							
	- Access to Countryside	2006/07			*			
	- Active Travel	Never			*			
	- Tree Surveys and Inspections (TPO)	Never			*			
	Grounds Maintenance							
	- Grounds Maintenance 2018/19	2012/13	M	12.5	*			
	Newport Live (Partnership Arrangements)	Never	M	10				
Highways & Engineering								
	Highways Maintenance							
	- Highways & Drainage (Network)	2010/11						
	- Highways (follow up)	2018/19	H	8				
	- Drainage	2010/11	M	15				
	- Overtime & On Call Facility	2017/18					*	
	- Parking Services	2017/18					*	
	- Street Works	2016/17				*		
	- Winter Maintenance	Never			*			
	Transport							
	- Fleet / Vehicle Management	2012/13			*			
	- Vehicle Usage & Trackers (follow up)	2018/19	H	8				
	- Home to School Transport	2005/06	H	15				
	- Social Services Taxi Framework	2013/14						
	- Passenger Transport Unit - Taxi Contracts 2018/19		H	7				
	- Public Transport Support	2006/07			*			
	- Bus Services Support Grant	2016/17						
	- Civil Parking Enforcement (Consultancy)	2018/19	H	3				
	Traffic & Safety							
	- Traffic, Transport & Road Safety	Never			*			
	Asset Management							
		Last	Risk	20	20	20	20	20

		Review		Days				
	- Telford Depot CCTV & Security (Follow-Up)	2018/19						*
	- Highways Improvement Contracts (Follow-Up)	2015/16			*			
	- Project Management	Never			*			
	- Streetlighting	2013/14			*			
	- Highways Network Assets	2017/18					*	
Waste & Cleansing								
	Waste Collections							
	- Refuse	2015/16			*			
	- Agency / Overtime (Follow-Up #2)	2018/19						*
	Recycling							
	- Recycling & Engagement	Never			*			
	- Enforcement	Never			*			
	Landfill Site							
	- Waste Disposal Site	2011/12			*			
	- Household Waste Recycling Centre	2013/14			*			
	- Agency / Overtime	2016/17				*		
	Cleansing							
	- Street Cleansing (follow up)	2018/19	H	8				
	Wastesavers (Partnership Arrangements)	2004/05			*			
General								
	Financial Advice	Annual		5	*	*	*	*
	Follow up of Agreed Management Actions 2018/19	Annual		2	*	*	*	*
	Finalisation of 2018/19 Audits	Annual		8.5				
Total Planned Days for City Services				117	Days			

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
Education Services								
Resources & Planning								
	School Admissions & Appeals	2010/11			*			
	21st Century Schools Capital Programme	Never			*			
	School Reorganisation Programme	Never						
	Education Properties (Caretakers)	2006/07			*			
	School Meals							
	- Catering Contract Management (Chartwells)	2012/13			*			
	- Outside Preferred Catering Contractor (Schools)	2017/18						

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
	- Cashless Catering (Parent Pay)	Never			*			
	- Free School Meals	2010/11						
	Breakfast Clubs	Never			*			
	Trips & Visits (Evolve System) (Follow-Up)	2018/19			*			
	Early Years	Never			*			
Engagement & Learning								
	Education Welfare Service	2017/18					*	
	Gwent Education Minority-Ethnic Service (GEMS)	2017/18					*	
	Gwent Music Support Service							
	- Music Support Service	2011/12	M	15				
	- Review of Procedures for Trips & Events	2006/07						
Inclusion								
	Bridge Achievement Centre (PRU) Follow up	2018/19	H	8				
	Curriculum Improvement							
	- Additional Educational Needs (AEN) Service	Never						
	- Specific Learning Difficulty (SpLD) Service	Never						
	- Healthy Schools	Never						
	Educational Psychology	2011/12						
	Special Educational Needs		H	15				
	- SEN Assessments	2015/16			*			
	- SEN Out of County Placements	2015/16			*			
	- SEN Recoupment	2009/10			*			
	- SEN Equipment & Resources	Never			*			
	- SEN Transport	Never			*			
	Education Safeguarding & Child Protection	2016/17				*		
	Pupil Exclusions	Never			*			
	Education Other Than At Schools (EOTAS)	2005/06	M	15				
Education Grants								
	Education Improvement Grant 2018/19	Annual	H	5	*	*	*	*
	Pupil Deprivation Grant 2018/19	Annual	M	5	*	*	*	*
	Appetite for Life Grant	2012/13						
Nursery Schools								
	Kimberley Nursery	2016/17				*		
	Fairoak Nursery	2015/16			*			
Primary Schools								
	Millbrook Primary	2009/10	M	10				
	Ringland Primary	2010/11	M	10				
	St Patricks RC Primary	2010/11	M	10				
	Glasllwch Primary	2011/12	M	10				
	Pentrepoeth Primary	2011/12	M	10				
	High Cross Primary	2012/13	M	10				

		Last Review	Risk	2019/20 Days	2020/21	2021/22	2022/23	2023/24
	Maesglas Primary 2018/19	2015/16	M	7.5				
Secondary Schools								
	Ysgol Gyfun Gwent Is Coed	Never	M	12				
	John Frost	2013/14	M	12				
	Caerleon Comprehensive Follow up	2018/19	H	8				
	Secondary Learning Resource Units	Never						
Special Schools								
	Maes Ebbw	2017/18						*
	Ysgol Bryn Derw	Never			*			
	New Social, Emotional & Behavioural Difficulties School	Never			*			
Other - School Related								
	CRSA's / Healthcheck - Secondary / Primary / Nursery	Annual	M	10	*	*	*	*
	Duffryn High Sports Hall	2011/12						
General								
	Schools Financial Regulations Training	Annual		2	*	*	*	*
	Financial Advice	Annual		19.5	*	*	*	*
	Follow up of 2018/19 Agreed Management Actions	Annual		3	*	*	*	*
	Finalisation of 2018/19 Audits	Annual		4				
Total Planned Days for Education Services				201	Days			

TOTAL AUDIT DAYS			995
EXTERNAL - SWCAG TRAINING PROGRAMME			10
SPECIAL INVESTIGATIONS			150
TOTAL PLANNED AUDIT DAYS			1155

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Report

Audit Committee



Part 1

Date: 6th June 2019

Item No: 10

Subject Draft Annual Governance Statement 2018/19

Purpose To inform and give Members an opportunity to contribute to the Council's Annual Governance Statement, which will accompany the Annual Statement of Accounts for 2018/19

Author Chief Internal Auditor

Ward General

Summary In order to meet the requirements of the Accounts and Audit (Wales) Regulations 2014, Newport City Council needs to prepare and present an Annual Governance Statement with its Annual Statement of Accounts. This Statement is based on how well the Council meets its own Code of Corporate Governance. A review of Governance is also a requirement of the Local Government Measure.

Proposal To review the draft Annual Governance Statement and provide appropriate comments before recommending its presentation alongside the Annual Statement of Accounts 2018/19.

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. In order to meet the requirements of the Accounts and Audit (Wales) Regulations 2014, Newport City Council needs to prepare and present an Annual Governance Statement (AGS) alongside its Annual Statement of Accounts. The AGS is based on the Council's Code of Corporate Governance. A review of Governance is also a requirement of the Local Government Measure.
2. The Code sets out Newport City Council's approach to achieving and maintaining good corporate governance. It follows guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), and also takes account of the Welsh Assembly Government's 'citizen-centred governance principles for Wales'.
3. Newport City Council (the Council) is by nature, a complex organisation which affects the lives of all citizens in the area: As well as providing a diverse range of services, it also works with partner organisations who provide other public services. The Council's aims and priorities reflect these responsibilities.
4. The Council sees Corporate Governance as aiming to do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and also the culture and values, by which the Council is directed and controlled and how it accounts to and engages with its citizens.
5. Strong, transparent and responsive governance enables the Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain citizens' confidence, these mechanisms must be sound and be seen to be sound.

Governance Principles

6. The Council operates through a governance framework that brings together its legislative responsibilities and management processes. The Council's Governance arrangements are in line with the following principles:

Overarching requirements for acting in the public interest

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

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

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Annual Governance Statement

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- 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.
7. The Council's AGS, shown at Appendix 1, is based around these governance principles and demonstrates how it ensures that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
8. 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 which includes arrangements for the management of risk.
9. The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
10. 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 ongoing 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.

Overall Council Internal Audit Opinion for 2018/19 is **Reasonable**

Internal Audit Assurance Opinions	16/17	17/18	18/19
Good	7	11	10
Reasonable	22	23	27
Unsatisfactory	5	6	10
Unsound	1	0	1
	35	40	48

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11. The governance framework has been in place at the Council for the year 2018/19.

Financial Summary

12. There are no financial issues related to this report.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

Risks

13. If Members are not involved in the endorsing the Annual Governance Statement it would weaken the overall governance arrangements of the Council and be non-compliant with the Public Sector Internal Audit Standards, which therefore, could be subject to adverse criticism from the external auditor, currently WAO.

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?
Members not involved with Annual governance process	M	L	The Chief Internal Auditor has compiled the AGS and taken it to Audit Committee for discussion and comment.	Chief internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

14. The Governance framework and arrangements supports all of the Council's priorities and plans.
15. 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, hence Improving People's Lives.
 - 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

16. This is a factual report and therefore there are no specific options to be considered. The annual report provides 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.
17. That the Annual Governance Statement be accepted and presented alongside the Annual Statement of Accounts 2018/19, subject to any amendments suggested by the Audit Committee.

Preferred Option and Why

18. Option (1) as it is requirement of the Accounts and Audit (Wales) Regulations 2014, the Public Sector Internal Audit Standards and ensures good governance.

Comments of Chief Financial Officer

19. I can confirm that I have been consulted on the Annual Governance Statement 2018/19 and have no additional comments.

Comments of Monitoring Officer

20. In accordance with the Accounts and Audit (Wales) Regulations 2014, an Annual Governance Statement must be prepared with the Annual Statement of Accounts, setting out how well the Council complies with its Code of Corporate Governance. The Council's internal governance arrangements are set out in various constitutional framework documents under the umbrella of the Code of Governance. The Code has been prepared in accordance with relevant Guidance and incorporates the seven core governance principles developed by the Independent Commission on Good Governance in Public Services. It also reflects legislative requirements and

ethical principles of democratic decision-making. Compliance with the Code will ensure that decisions continue to be made lawfully and with propriety and in a fair and transparent manner.

Comments of Head of People and Business Change

21. There are no other specific HR issues arising as a result of the report. 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

22. Not applicable.

Local issues

23. No local issues.

Scrutiny Committees

24. Not appropriate.

Equalities Impact Assessment

25. Not required.
26. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
27. As this is an annual review of the governance arrangements in place at Newport City Council there is no need for an Equalities Impact Assessment. Internal Audit forms part of the governance process and all audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

28. Not appropriate.

Wellbeing of Future Generations (Wales) Act 2015

29. In compiling this report the principles of this Act have been considered:

- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan; this supports the governance arrangements
- Prevention: Good strong governance should identify strengths and weaknesses which gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
- Integration: Internal Audit support service managers and heads of service to ensure sound governance arrangements are in place within their area of responsibility; this should ensure sound stewardship of public money.
- Collaboration: The Council's partnership arrangements should have sound governance arrangements in place to strengthen accountability and transparency within the public sector.
- Involvement: Heads of Service and Senior Managers are responsible for governance arrangements within their own service areas and are invited to contribute to the Annual Governance Statement.

Crime and Disorder Act 1998

30. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate. Internal Audit contribute towards the Council's governance arrangements.

Consultation

31. Not appropriate.

Background Papers

32. 2018/19 Approved Audit Plan; 2018/19 Annual Internal Audit Report; Corporate Plan; Cabinet and Scrutiny papers; Council policy and procedures.

Dated:

APPENDIX 1

ANNUAL GOVERNANCE STATEMENT 2018/19

DRAFT 1

Andrew Wathan



ANNUAL GOVERNANCE STATEMENT 2018/19



Newport City

Our Vision: to be recognised as a high performing Council, ensuring the right services are provided to our communities, our Councillors and our staff



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 2019, 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 2019/20 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. 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 2018/19, and up to the date of approval of the statement of accounts.

3 The Governance Framework

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

Overarching requirements for acting in the public interest

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

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

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

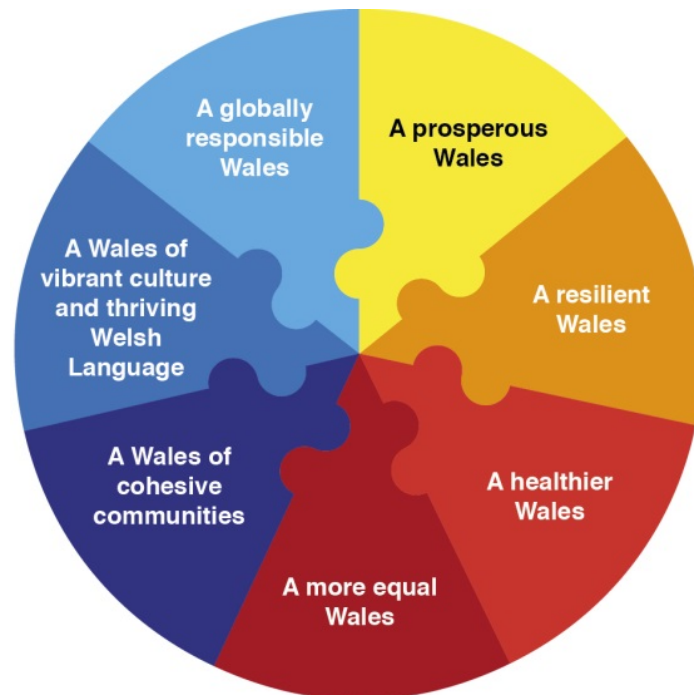
Wellbeing of Future Generations (Wales) Act 2015

- 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

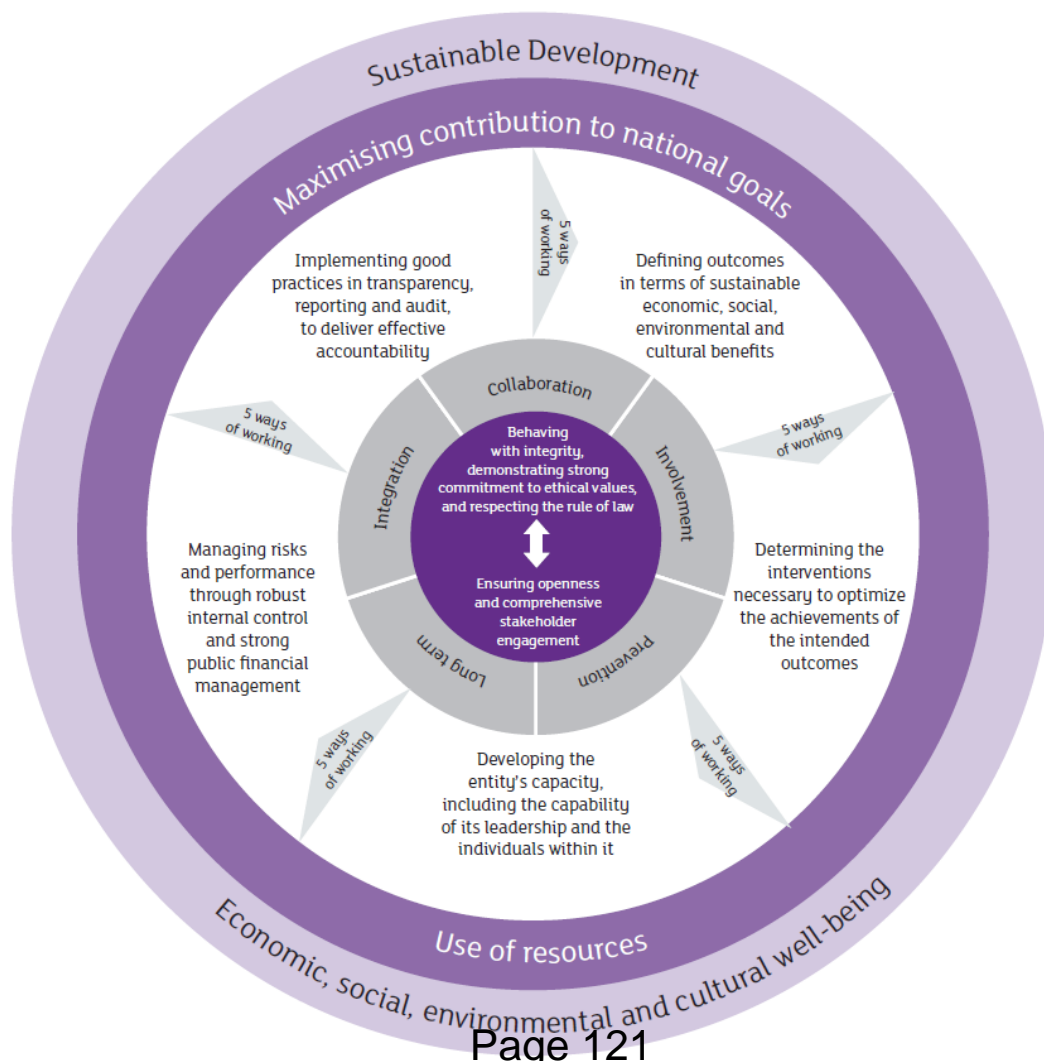
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This needs to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes which, in turn, should ensure effective use of resources as the Council maximises its contribution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



The Three Lines of Defence in effective Risk Management and Control

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

By defining these sources into three categories

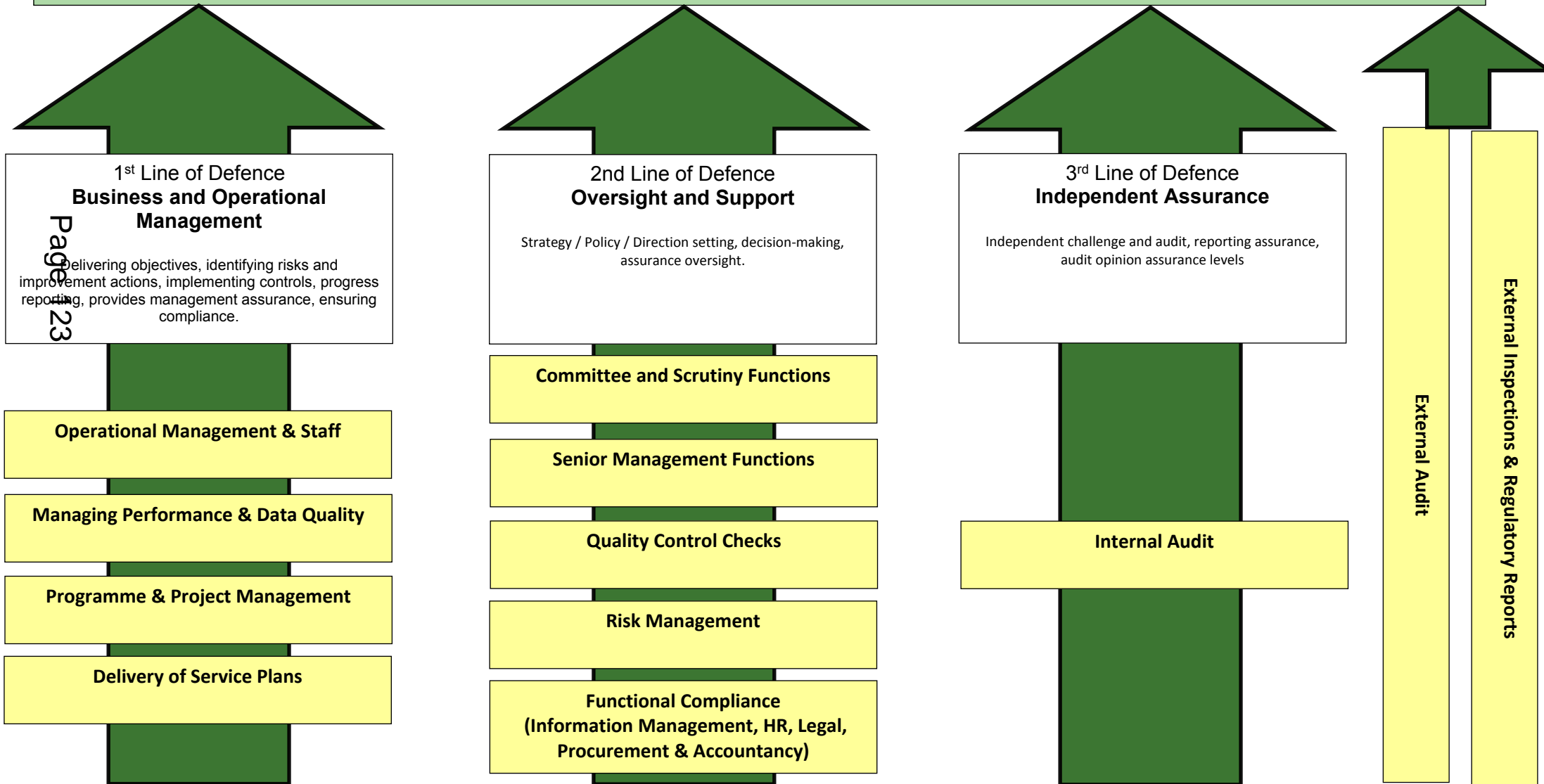
- First Line - functions that own and manage risks e.g. management and supervisory controls;
- Second Line - functions that oversee risks e.g. Governance structures and processes such as Scrutiny Committees and;
- Third Line - functions that provide independent assurance on the management of risks e.g. 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.

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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.

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Our Organisational Framework



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's Improvement Plan ran up to 2018 and has subsequently been incorporated within the Corporate Plan. The final stages of the Improvement Plan were reported through Cabinet during 2018/19.
- 3.16 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.
- 3.17 The Plan sets out clearly the Council's priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and developing plans through the sustainable development principles – long term, integration, collaboration, involvement and prevention.

Monitoring the Corporate Plan

- 3.18 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 how the Council is working towards its vision and objectives and how further work will be focused to ensure further improvement.
- 3.19 Actions set out in services plans and the Corporate Plan will contribute to the delivery of the objectives, and these will also be presented to members for challenge and appraisal.
- 3.20 The Wales Audit Office, as the Council's external auditor, will provide comment on the Council's ability and progress in delivering its vision.
- 3.21 Specific Boards have been set up around the Themes identified in the Plan to monitor the progress of the "20 by 2020" commitments. These meet on a regular basis and comprise of senior managers of the Council.

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ONE Newport Public Service Board

- 3.22 The One Newport Public Service Board (PSB) Newport's Well-being Plan (2018-23) which represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the economic, social, cultural and environmental well-being of Newport. This Plan was approved by the Board May 2018.
- 3.23 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.
- 3.24 The well-being objectives of the Plan are linked to the Well-being Objectives and are:
- People feel good about living, working, visiting and investing in Newport;
 - People have the right skills and opportunities to find suitable work and contribute to sustainable economic growth;
 - People and communities are friendly, confident and empowered to improve their well-being;
 - Newport has healthy, safe and resilient environments.
- 3.25 The Plan identifies 13 priorities in the 4 areas of Economic, Social, Cultural and Environmental, and incorporates the following interventions:
- The Newport "Offer"
 - Strong Resilient Communities
 - Right Skills
 - Green & Safe Spaces
 - Sustainable Travel
- 3.26 Performance of the Well-being Plan was reported through the Strategy & Performance Board (PSB) throughout 2018/19.
- 3.27 Newport's stakeholders are encouraged to get involved with shaping the policies and decisions of One Newport PSB through the Involve Newport Citizens' Panel and the One Newport Engagement and Participation Strategy.

Risk Management Strategy

- 3.28 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.
- 3.29 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.
- 3.30 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.
- 3.31 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.
- 3.32 The Corporate Risk Management Strategy has been reviewed and revised to strengthen existing arrangements and support the delivery of the Corporate Plan. The sustainable development principle of the Wellbeing of Future Generations Act (Wales) 2015 has also been embedded in the process and frames each risk identified in the Corporate Risk Register. Anticipating and preparing for future challenges, trends, threats and opportunities is an essential part of the Councils risk strategy and allows for better preparedness and the incorporation of mitigation into planned activities and policies. This helps the Council to take a longer-term strategic approach, and makes present policy more resilient to future uncertainty.
- 3.33 The Corporate Risk Strategy is approved and monitored on a regular basis by the Council's Audit Committee, along with the Corporate Risk Register.

Decision Making Process

- 3.34 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.

3.35 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 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.

3.36 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.

3.37 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.

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

Scrutiny Committees

3.39 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.

3.40 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

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

3.42 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.

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

3.44 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

3.45 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).

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

Internal Audit

3.47 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.

3.48 As required under the PSIAS the Newport City Council Internal Audit team underwent an external quality assessment during 2017/18. The report (issued March 2018)

stated that Internal Audit were 'generally compliant' with the PSIAS which was the top grading.

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

External Audit & Regulatory Bodies

- 3.50 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

- 3.51 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).
- 3.52 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.
- 3.53 A revised anti-fraud, bribery and corruption policy statement was considered by the Audit Committee in January 2018.

Information Management & Data Protection

- 3.54 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.
- 3.55 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.
- 3.56 The Council is required to meet statutory obligations regarding the handling of data; the Digital Strategy incorporates an Information Risk Management Policy which outlines roles and responsibilities for information risk management. This ensures that the requirements of legislation, including the Data Protection Act 2018 (GDPR), Environmental Information Regulations 2004 and the Freedom of Information Act 2000 are met and that the risks around information are managed appropriately. The Information Risk Management Policy also formalised the requirement for an Annual Information Risk Report which was reviewed by Scrutiny Committee before being reported to the Cabinet Member for Community & Resources in February 2019.
- 3.57 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.
- 3.58 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.

- 3.59 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.
- 3.60 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.

Safeguarding

- 3.61 We all share a responsibility, both corporately and individually, to ensure that all children and adults are treated with respect and protected from others who may abuse them. There is a separate Safeguarding page on the Council's intranet site and each service area has its own Safeguarding Champion.
- 3.62 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.
- 3.63 The Council has a Safeguarding Policy Statement and was updated in February 2018; supporting policies and procedures have been reviewed and updated during 2018/19 (Cabinet February 2019).
- 3.64 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:

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

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

- 5.1 The Protocol for Member/Officer relations was considered by the Standards Committee in January 2018 approved by Council July 2018.
- 5.2 Following the Local Government elections in May 2017 mandatory training was provided to new Members of the Council along with other training sessions for existing members.

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.

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- 5.4 Reviews of the Council budget proposals have been undertaken by the Fairness Commission.
- 5.5 Induction training for employees covers code of conduct, expected standards of behaviour and the importance of the whistleblowing policy. These documents are also available on the staff intranet.
- 5.6 A revised Whistleblowing Policy was commended in March 2015, updated in 2017, and a confidential helpline set up. In 2018/19 2 disclosures were made under the policy. These were both appropriately investigated and acted upon in accordance with the agreed policy.
- 5.7 There were no successful “call-in” challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 5.8 There were 2 complaints of Member misconduct made to the Ombudsman in 2018/19 involving City Councillors but neither were accepted for investigation. There were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.
- 5.9 The Ombudsman had issued the Council with his Annual letter for 2017/18 (Standards Committee November 2018) which set out information relating to the numbers of complaints of maladministration and misconduct which were referred to his office during this period relating to Newport City Council and its Councillors.
- 5.10 The number of complaints received concerning Newport increased from 26 to 37. Most of the complaints received by the Ombudsman were discontinued or resolved. There were no findings of maladministration or misconduct during 2018/19. In Newport’s case, whilst the volume of complaints increased this mostly lead to a satisfactory outcome. There were no public interest reports.
- 5.11 Ahead of the implementation of the General Data Protection Regulations in May 2018, a GDPR Task and Finish group was established with representation from each service area. With the assistance of the group, the Council made progress to ensure compliance.
- 5.12 All waivers of the Contract Standing Orders and urgent decisions are reported through the Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Standing Orders.
- 5.13 The Audit Committee has the power to call in a Head of Service and Cabinet Member to hold them to account for addressing required improvements to the internal control environment within their service area.
- 5.14 48 Internal Audit opinions were issued in 2018/19. The overall opinion on the adequacy of the internal control environment for 2018/19 was **REASONABLE (in 2017/18 the overall opinion was Reasonable)**.

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

- 5.15 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will be following this up in 2018/19. 90% of agreed management actions for 2017/18 had been implemented by management.
- 5.16 Reasons why the outcome of some internal audit reviews were deemed to be unsatisfactory were presented to Audit Committee; the Head of 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 2017/18 was considered by Council in September 2018.
- 6.2 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles.
- 6.3 The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council now broadcasts Council meetings and Planning Committees live on the internet and is working towards webcasting other formal member meetings. Live tweets are broadcast from Newport Council's Twitter account.
- 6.4 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message.

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- 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 undertakes the school reorganisation programme in accordance with the Welsh Government statutory School Organisation Code.
- 6.11 Each consultation is supported by full stakeholder engagement as outlined in the statutory code. This includes the publication of detailed consultation packs and a children and young people summary version, distribution of response forms, drop-in sessions and meetings with the school councils at relevant and local schools. Following each consultation, a consultation report is prepared and published which outlines how the consultation was carried out, who is engaged and the relevant responses. These reports are provided as annexes to the Cabinet Member report

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which approves moving to the next stage in the process – publication of the statutory notice. The statutory notice is the stage at which legal objections can be lodged against proposals.

- 6.12 The Local Authority works closely with the governing bodies of all schools across Newport and as key stakeholders they are consulted where appropriate on all matters.
- 6.13 The Council has responded to Freedom of Information Act requests within the required 20 days:

	2016-17	2017-18	2018-19
No' of FOI requests	1087	1037	
No' responded to within 20 days	914	916	
Percentage of FOIs responded to within 20 days	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. The Corporate Plan 2017-2022 "Build on Success and Build a Better Newport."
- 7.2 The One Newport PSB Well-being Plan (Cabinet May 2018) – represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic, cultural and environmental well-being of the whole community. No single organisation can meet the total needs of a community, so there is a requirement to plan and deliver services in collaboration with other public and private sector organisations.
- 7.3 The Well-being Plan identifies key priorities and objectives that the PSB will work towards achieving over a set period of time. These priorities have been identified as those where the PSB and other key stakeholders must work together to achieve success and meet the requirements of the WFG Act.

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- 7.4 The One Newport Public Service Board Newport's Well-being Plan (2018-23) was taken to the Public Services Board in May 2018.
- 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 were linked to the themes in the Corporate Plan 2012-2017 and were centred around the sustainable economic, social and environmental benefits. Although incorporated into the Corporate Plan in 2018, quarter 4's performance against the outgoing Improvement Plan was reported to Cabinet in 2018.
- 7.6 The Wales Audit Office issued the Council with its second Certificate of Compliance following an audit of the Council's Improvement Plan 2016 - 2018 which went to Cabinet in December 2018, confirming the Council had discharged its duties under section 15 (6) to (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- 7.7 In a report to Cabinet in September 2017, the WAO provided their findings from a review of the Council's governance arrangements when determining significant service changes. The report concluded that the Council's governance arrangements for determining significant service change were improving, and it recognised that its vision and change programme needed to be refreshed to strengthen its arrangements further.
- 7.8 WAO reported that the Council's governance arrangements were clear and well understood, and progress had been made since the Corporate Assessment. Pre-decision scrutiny had increased, and it was positive to note that officers were prepared to put forward a full range of options for discussion by Members. The Council had effective arrangements for stakeholder engagement, although improvements could be made to how the Council then made use of this information. There was also opportunity to improve monitoring of the impact of service change, for example by agreeing monitoring arrangements before changes were agreed. No formal recommendations were made as a result of this review.
- 7.9 In October 2018, the Annual Improvement Report 2017/18 was presented to Cabinet by officers. This report is compiled each year by the WAO and brings together regulatory reports that have been received throughout the year from the WAO and other regulators such as ESTYN, CSSIW etc. The WAO form an overall opinion of whether the Council is likely to meet its duty to demonstrate continuous improvement under the Local Government Measure (2009) by looking at the findings of these reports.
- 7.10 Based on 2017/18 regulatory work the WAO have concluded that the Council is meeting its statutory requirements in relation to continuous improvement in 2017/18. The Cabinet welcomed the news that the Council was continuing to improve, despite the financial, legislative and population growth challenges it was facing.

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- 7.11 The Annual Report of the Director of Social Services was presented to Cabinet in October 2018. This report is an evaluation of 2017/18 performance for Social Services and it conforms in format and content with the statutory requirements for the Director's report. It sets out the Council's improvement journey in providing services to people in Newport, who access information, advice and assistance, and those individuals and carers in receipt of care and support. The report sets out to demonstrate how Newport Social Services has responded to the new requirements of the Social Services and Well-being (Wales) Act 2014 and how it has promoted and accounted for the delivery of well-being standards to the citizens of Newport. The Director concluded that Social Services in Newport City Council are lean, efficient and well-placed to respond to the continuing challenges it faces.
- 7.12 2018/19 service planning incorporated an understanding of customer needs, service area outcomes and improvement priorities, performance management and monitoring, an action plan to achieve the outcomes, an assessment of service related risk, an acknowledgement of regulators' proposals for improvement and an equalities impact assessment.
- 7.13 Newport 2020 was introduced in February 2016 as the Council's organisational change plan and has been used to inform the agreed Corporate Plan.
- 7.14 Communication is important to Newport; the Annual Statement of Accounts 2017/18 was taken through the Audit Committee 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 and the work of the Scrutiny Committees. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Council activities, achievements, developments, updates and events were included in Newport Matters which is distributed to every household in the City, are also available on the Council's intranet and website.
- 7.15 Equality Impact Assessments are required by law under the Equality Act 2010. Newport's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Newport. A range of these were undertaken during 2018/19 which have been published on the Council's website.
- 7.16 The Public Services Board review includes the monitoring of targets to ensure policies are delivering the agreed outcomes to ensure services are effective, focused on local people and improved quality of life in the City. In terms of measuring the environmental impact of policies, plans and decisions, the Council is working with the Welsh Local Government Association as one of 10 lead authorities for sustainability, and this will also form part of the Wellbeing Assessment and Wellbeing Plan work.

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

- 8.1 The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This 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 Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved. Longer term service plans were developed during 2018/19 for implementation in 2019/20.
- 8.4 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery and look for opportunities to improve. The Council's Customer Complaints Policy and procedures are available on the web site; the public can report a problem or concern via the 'Report it' option on the web front page. The following table shows the number of complaints received for the past three years:

	2016-17	2017-18	2018-19
Stage 1 Complaints	297	284	
Stage 2 Complaints	30	24	
Complaints to Ombudsman	28*	37	

* The Ombudsman upheld 1 complaint in part

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

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

- 9.1 Councillor programmes have been held mainly based on their various roles within the Council. The Democratic Services Committee recognised the Council needed to do more to base the programme on individual needs as identified by Councillors. To this end the Committee agreed to pilot a series of interviews with the Organisation Development team to participate in this pilot.
- 9.2 There is an on-going programme of events and training for Members involved in Planning & Licensing Committees and Sub Committees.
- 9.3 Embedded Appraisal arrangements for Chief Officers are in place, including:-
- Chief Executive's Annual Appraisal;
 - Chief Executive's one to one meetings with Strategic Directors;
 - Strategic Directors' one to one meetings with Heads of Service;
 - Cabinet Member one to one meetings with Heads of Service
 - Appraisal of Chief Officers (Heads of Service).
- 9.4 The employee performance management system (Clear Review) was launched during 2017. This enables ongoing evaluation and encourages all staff to give feedback to colleagues. This ensures that all officers and managers reflect on their objectives and staff are able to link their objectives directly to the organisational goals set within the Corporate Plan. Participation in Clear Review now forms part of the suite of corporate performance indicators. The system also allows continued professional development (CPD) opportunities to be identified which are needed to improve the skill, knowledge and understanding of employees.
- 9.5 Core Skills training is available through Organisational Development aligned to our corporate values with specific training available on topics such as Customer Care, Stress Management and Equality and Diversity.
- 9.6 Management Capacity is being developed through:-
- A mandatory introduction to Management programme for new line managers (started in November 2018);
 - Further In-house management development modules for middle managers;
 - Aspiring Leaders Programme delivered in partnership with the University of South Wales.
- 9.7 Senior Management lead Cabinet Member briefings on a regular basis. Briefings stimulate discussion around the need for Member training. These considerations are followed up with Democratic Services, ensuring that an appropriate and timely Members training programme is planned.

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- 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 2018/19 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 and approved by Council in July 2018. The Procedure for Dealing with Complaints of Breaches of the Members' Code of Conduct was reviewed in March 2015. A Planning Committee Code of Best Practice and a Licencing Committee Code of Practice are also in place.
- 9.14 There were some 'cosmetic' changes made to the Council Constitution during July 2018 to reformat the document, make it easier to understand and navigate through online. The following were updated;
- Updates to job titles
 - Portfolio updates following the election (e.g. Cabinet Member delegations – which is an executive matter delegated to the Leader)
 - Member allowances update, as approved by Council April 2018
- 9.15 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 2018/19 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.
- 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.

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- 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 2017/18 was taken through Cabinet in October 2018 which showed:
- 59% of our performance indicators have performed better than target;
 - 36% of our performance indicators have performed better than last year;
 - 40% of our performance indicators have performed better than Wales' average

- 10.3 Performance management arrangements 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 2018/19 was taken through Cabinet in January 2019. The Council continued to meet its obligation to demonstrate continuous improvement in performance. This was against a back drop of cuts to Council budgets, more challenging targets and a set of measures which had changed.
- 10.5 The report showed that for the first six months of this financial year:
- 84% of the actions (205/245 actions) identified in the service plans were reported as being '*In Progress*';
 - 7% of actions (17/245 actions) reported as being '*Completed*'; and
 - 9% of actions (23 out of 245 actions) *awaiting to be commenced*.
- 10.6 A report was taken through Cabinet in October 2018 regarding academic pupil performance for Foundation Phase, Key Stage 2 and Key Stage 3 at the end of the academic year 2017/18 for schools in Newport.
- 10.7 The key points to note within the report were:
- Consistently strong performance of Newport schools at Foundation Phase, Key Stage 2 and Key Stage 3;
 - Newport continues to perform significantly above the Welsh average in the Foundation Phase Indicator;
 - In 2016/17 Newport ranked 6th out of 22 Local Authorities in Wales – significantly above the Free School Meal ranking of 15th place.
 - In 2016/17 Newport performed 1.9 percentage points above the Welsh average – last year Newport performed 3.8 percentage points above the Welsh average.
 - Core Subject Indicator attainment at Key Stage 2 continues to improve and to perform above the Welsh average
 - Core Subject Indicator in Key Stage 3 has continued to improve and is above the Welsh average for the first time in recent years following a 3.1 percentage point improvement in 2017/18;
 - Newport's performance in English, Maths and Science at National Curriculum Levels 6+ and 7+ is consistently above the Welsh average
 - An increase in Newport school attendance performance with Newport primary school attendance moving from 21st to 14th ranking position and secondary schools moved from 21st to 19th position in 2017/18.
- 10.8 Every Child Group - This is a monitoring group with senior and middle managers from Central Education and representative Headteacher partners to challenge and support Key Performance Indicators and is held half-termly.
- 10.9 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.

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10.10 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.

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

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

10.12 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

10.13 The Council's Corporate Risk Register was updated and taken through Cabinet in 2018/19, 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.

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- 10.14 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	Risk Assessment
		September 2017	January 2018
1	Legislative Requirements - Medium	12	12
2	Capacity and capability to meet the Council's 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

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

- 10.16 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.

- 10.17 A report template for all formal member and scrutiny reports requires authors to consider risk and its management or mitigation when writing reports.
- 10.18 Each Head of Service incorporates the keys risks to their service within operational plans which identified the impact, the likelihood and any mitigation in place to manage those risks.

Information Governance

- 10.19 The purpose of the Annual Information Risk Report is to provide an assessment of the information governance arrangements for the Council and identify where action is required to address weaknesses and make improvements. The 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.
- 10.20 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](#)

- 10.21 The Information Commissioner (ICO) recommends that Councils publish information proactively and the Council has adopted the ICO [publication scheme](#) in this respect. The model publication scheme commits the Council to publishing certain classes of information. It also specifies how the Council should make the information available, any charges, and what we need to tell members of the public about the scheme. This has been updated in line with new requirements to provide sets of electronic data on request.
- 10.22 Freedom of Information requests are also available through an online form on the Council's website.

Financial Stewardship

- 10.23 Where value for money of the public pound is concerned, the budget proposals were examined by a joint meeting of Scrutiny Committees and then by the individual committees as part of the budget process. It is intended that the Medium Term Financial Plan (MTFP) will form the basis of some of the Scrutiny Reviews in the coming year. As part of its review process the internal audit team checks to ensure corporate contacts are being utilised.
- 10.24 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

- 10.25 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

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Authority and enable senior management to have visibility of the goods and services being purchased by the Council.

- 10.26 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.
- 10.27 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.
- 10.28 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:

- 10.29 Up to £4,000 it is necessary only to demonstrate and record that value for money is being achieved-
- 10.30 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.
- 10.31 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.
- 10.32 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

- 10.33 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.

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.

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

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scrutinised and approved by the relevant Cabinet Member for each service area.	2018-2022 for approval. These will be reviewed by Scrutiny and approved by the Cabinet Member and subject to half yearly review. 2018/19 position:	
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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..... 2019

Leader

Signed:Date..... 2019

Chief Executive



Report

Audit Committee

Part 1

Date: 6 June 2019

Item no 11

Subject **Report on Treasury Management covering the Financial Year 2018/19**

Purpose This report is to inform the Council of treasury activities undertaken for the financial year ending 31 March 2019.

Author Head of Finance / Assistant Head of Finance

Ward All

Summary In line with the agreed Treasury Management Strategy, the Council continues to be both a short-term investor of cash and borrower to manage day-to-day cash flows. Current forecasts indicate that in the future, temporary borrowing will continue to be required to fund normal day-to-day cash flow activities and longer-term borrowing will increase to fund new commitments in the current capital programme as well as the impact of reduced capacity for 'internal borrowing'.

Near the end of the financial year, the Council undertook additional borrowing of £40m in advance of the maturity, and subsequent re-financing, of the £40m stock issue in early 2019/20. This is reflected by increased borrowing level at 31 March 2019, however this is offset by an increase in investment over the same period.

All borrowing and investments undertaken during the first half of the year was expected and within the Council's agreed limits.

Proposal That Audit Committee:

1. **note and provide comment on the Annual Report on Treasury Management for the Financial Year 2018/19.**
2. **note and provide comment that 2018/19 Prudential Indicators for Treasury Management were in line with those set by Council in February 2018.**

Action by Head of Finance / Assistant Head of Finance

Timetable Immediate

This This report was prepared after consultation with:

- Treasury Advisors
- Head of Finance

Signed

Background

1. In June 2009 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.
2. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.
3. The Authority has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
4. The 2018/19 Treasury Management Strategy was approved by the Council as part of the overall Medium Term Financial Plan and 2018/19 budget in February 2018 and can be viewed via the following link

<https://democracy.newport.gov.uk/documents/s14606/Item%207%20-%20TREASURY%20-%20REPORT%20and%20APPENDICES.pdf>

5. This report presents the following information.
 - details of capital financing, borrowing, debt rescheduling and investment transactions
 - reports on the risk implications of treasury decisions and transactions
 - details the outturn position on treasury management transactions in 2018/2019
 - confirms compliance with treasury limits set and Prudential code

BORROWING STRATEGY / ACTIVITY

Short and Long Term Borrowing

1. Whilst the Council has significant long term borrowing requirements, the Council's current strategy of funding capital expenditure is through reducing investments ('internal borrowing') rather than undertaking new borrowing where it can i.e. we defer taking out new long term borrowing and fund capital expenditure from the Council's own cash resources – which it has because of its 'cash-backed' reserves and, to a lesser extent, day to day positive cash-flows, for as long as we can. The Council may undertake borrowing early if, there is the need for future borrowing and it feels it can minimise risk of future interest rate rises while providing value for money, this will be in line with advice from our treasury advisors.

By using this strategy the Council can also minimise cash holding at a time when counterparty risk remains relatively high. The interest rates achievable on the Council's investments are also significantly lower than the current rates payable on long term borrowing and this remains the main reason for our current 'internally borrowed' strategy.

2. Whilst the strategy minimises investment counterparty risk, the risk of interest rate exposure is increased as the current low longer term borrowing rates may rise in the future. The market position is being constantly monitored in order to minimise this risk.
3. On 14 March 2019, in line with advice from the Authority's treasury advisors, the Council undertook £40m of borrowing in advance of the re-financing of the £40m stock issue to be re-paid on 10 April

2019. The possibility of taking this action was reported to Audit Committee in the half-year report brought in November 2018. The decision to undertake borrowing early was made due to the imminent decision on Brexit and the possibility of the UK leaving without a deal and the economic uncertainty that was surrounding the decision. The level of borrowing undertaken was in line with the long-term liability projection and within budgets set for 2019/20 and the authorised limits for 2018/19.

4. As shown in Appendix B, as at 31 March 2019 the level of borrowing has increased, but so has the level of investments by a similar value (held as cash and cash equivalents). On the repayment date of the stock issue of 10 April, the level of borrowing would fall by £40m as would the level of investments – as we will be liquidating our investments into cash and using this to then repay the Bond loan. The net borrowing of the Council has increased by £5.1m, this is in line with expectation due to funding the current capital programme, and is anticipated to increase further over future years.
5. In regards to LOBOs, no loans were called during the period. All £30m outstanding is subject to potential change of interest rates by the lender (which would automatically trigger a right to the Council to repay these loans) prior to the end of this financial year. Should a change of interest rate be requested, then it will be considered in detail and a decision on how we proceed will be made in conjunction with our treasury advisors.

INVESTMENTS ACTIVITY / POSITION

6. The Council's strategies in this area of Treasury Management are (i) to be a short term and relatively low value investor and (ii) investment priorities should follow the priorities of security, liquidity and yield, in that order.

The Council's strategy of being a short-term investor has been maintained, though the early borrowing of £40m in relation to the re-financing of the stock has increased cash holdings temporarily. If this is excluded, investments in-year would have decreased by £5m. This is in-line with our expectations at the half-year report, and it is anticipated that this will continue to reduce in 2019/20 until we reach the balance of £10m, which will be invested for compliance with MiFIDII. The balance of investments as at 31 March 2019 is £56.2m (£16.2m excluding £40m set aside for refinance of the stock issue).

7. All investments are currently placed on a temporary basis and are placed in high security institutions, in line with our other strategy in this area, dealing with our investing priorities of (i) security (ii) liquidity and (iii) yield, in that order. At the 31 March 2019 £48.5m was placed with various local authorities, £1.0m with Santander Call Account, £5m with Barclays Corporate and £5m with Bank of Scotland. The maximum maturity date of any investment held is 14 June 2019.
8. January 2018 saw the implementation in the UK of the second Markets in Financial Instruments Directive (MiFID II), where firms will be obliged to treat all local authorities as retail clients unless they opt up to professional client status and meet certain criteria. These criteria include holding a minimum of £10m investment balance and employing knowledgeable and experienced staff to carry out investment transactions. It is anticipated that our investment balances will remain well above the minimum £10m.
9. The Council does not hold any long-term (more than 364 days) investments as at 31 March 2019.

OTHER YEAR-END TREASURY MATTERS

Economic background and Counter Party Update

10. Appendix A outlines the underlying economic environment during the financial year, as provided by the Council's Treasury Management Advisors 'Arlingclose'.
11. As discussed previously in this report the Council does not have any long-term investments, and the investments that it currently undertakes is mainly with other local authorities which are deemed very

secure, therefore the risk is currently 'low'. There were no significant changes in credit ratings advised in the first half of the financial year that had implications for the approved lending list. The long-term rating of Santander UK, the Council's bankers, remains at A; above the Council's minimum level of A-.

Compliance with Prudential Indicators approved by Council

12. The Authority measures and manages its exposures to treasury management risks using various indicators which can be found in Appendix B. The Authority has complied with the Prudential Indicators for 2018/19, set in March 2018 as part of the Treasury Management Strategy. Details of treasury-related Prudential Indicators can be found in Appendix B.

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?
Investment counterparty not repaying investments	High but depending on investment value	Low	The Council only invests with Institutions with very high credit scores. It employs advisors to monitor money market movements and changes to credit scores and acts immediately should things change adversely. The lower levels of funds available for investment will also alleviate the risk.	Members, Head of Finance, Treasury staff, based on advice from treasury advisors
Interest Rates moving adversely against expectations	Low	Low	Future expectations for higher short term rates are subdued. The Treasury strategy approved allows for the use of short term borrowing once investment funds are exhausted to take advantage of these low rates.	Head of Finance, Treasury staff, treasury advisors

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

It is the Council's policy to ensure that the security of the capital sums invested is fully recognised and has absolute priority. The Council follows the advice of the Welsh Governments that any investment decisions take account of security, liquidity and yield in that order.

Options Available and considered

The Prudential Code and statute requires that, during and at the end of each financial year, reports on these matters are presented to Council for approval. Thus the only option available is consider the report and provide comments to the Council.

Preferred Option and Why

Note the contents of the report in relation to Treasury activities and all Treasury Indicators met.

Provide any comments necessary to Cabinet and Council on the contents of the report.

Comments of Chief Financial Officer

Decisions made on treasury matters will be made with a view to comply with the Treasury Management Strategy, Prudential Indicators, taking advice, where needed, from our Treasury Advisers.

Comments of Monitoring Officer

There are no legal implications. The in year and annual treasury management report is consistent with relevant Chartered Institute of Public Finance and Accountancy Guidance, Treasury Management principles and the Council's investment Strategy.

Comments of Head of People and Business Change

There are no direct HR implications associated with the report.

The Council is required to approve a treasury management annual report at the end of each financial year. The Well-being of Future Generations Act requires public bodies to balance short-term needs with the needs to safeguard the ability to meet long-term needs. As stated in this report, the Council continues to be both a short-term investor of cash and borrower to manage day-to-day cash flows but current forecasts indicate that in future temporary borrowing will continue to be required and longer-term borrowing will increase to fund the capital programme. This annual report fits in with the well-being goal of a Prosperous Wales.

Comments of Cabinet Member

The Leader of the Council, as lead member for strategic finance confirms she has been consulted on the report.

Local issues

N/A

Scrutiny Committees

N/A

Equalities Impact Assessment and the Equalities Act 2010

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

This report is a backwards looking report of the treasury management activities of the Council. It shows that we followed the treasury management strategy and the compliance with prudential code and treasury management indicators. This links into the long-term objectives of the authorities and ensures that the councils activities are carried out in an affordable, prudent and sustainable manner.

Crime and Disorder Act 1998

Section 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

N/A

Background Papers

Set out a list of any relevant background papers and whether they are available to the public.

Dated:

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Statement of Accounts 2018/19



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Head of Finance Narrative Report for the Statement of Accounts

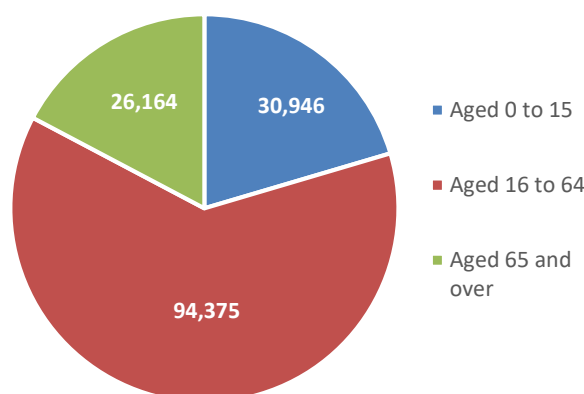
Statement of Accounts 2018/19

Newport City Council

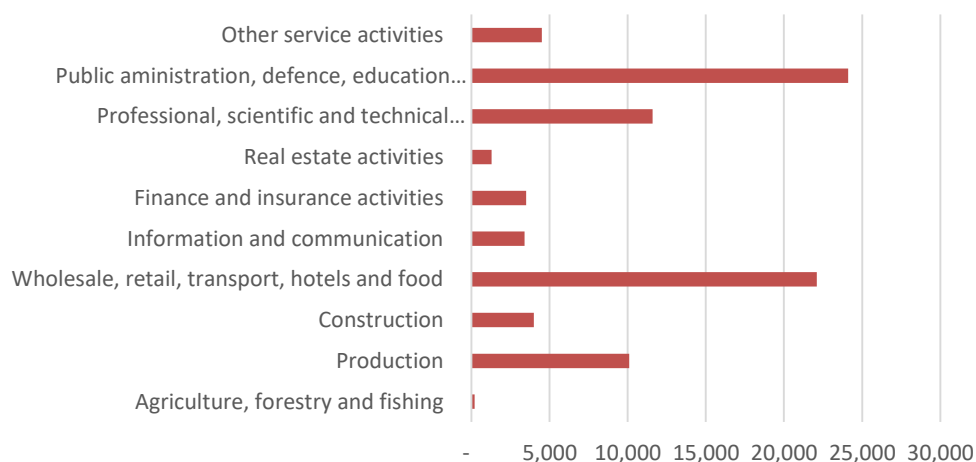
1. About Newport and the Council

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

Newport's population by Age



Employment by broad industry



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

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

Head of Finance Narrative Report for the Statement of Accounts

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Newport City Council

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

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

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

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



Murals at St Paul's Walk



Artist Impression of Chartist Tower Hotel

Head of Finance Narrative Report for the Statement of Accounts

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

3. Explanation of Accounting Statements

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

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

- The **Comprehensive Income and Expenditure Statement (CIES)** - this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- The **Movement in Reserves Statement** - summarises the Council's income and expenditure activity (in the CIES) and shows how this is adjusted back to arrive at the Council's funding/or council tax position, and how surpluses/ deficits have been distributed to reserves;
- **The Balance Sheet:** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- **The Cash Flow Statement:** shows the movements in cash and cash equivalents of the Council during the reporting period.

The Statement of Accounts also includes consolidated group accounts:

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

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

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

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

4. Financial Performance 2018/19

The 2018/19 budget and funding

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

Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2018/19

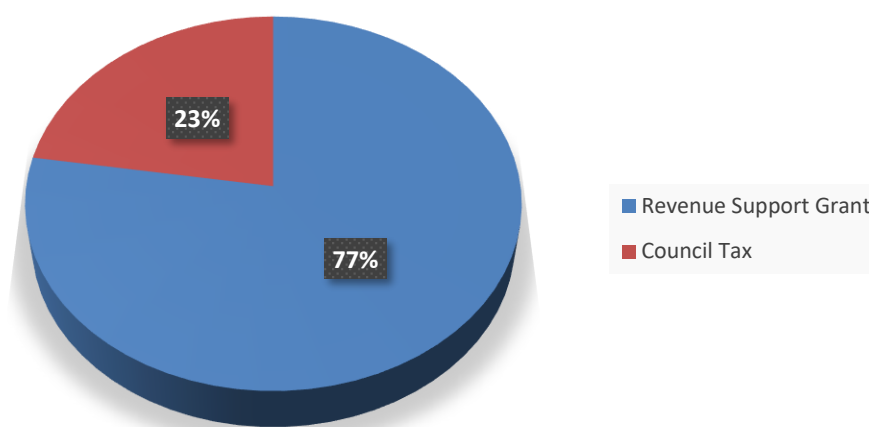
Newport City Council

framework, it is heavily reliant on the WG Revenue support grant, which, for 2018/19, reduced by 0.03%, creating a challenging financial environment.

Whilst the main funding source more or less stayed 'cash-flat', the Council's cost increased, due to pay/other inflationary pressures and in particular, the increasing demand for services and therefore costs – some £12m in total. In order to achieve a balanced budget for 2018/19, the Council agreed a Council Tax increase of 4.8%, which alongside a growing number of households, generated £3m and agreed a package of savings of nearly £9m.

The City Council's element of Council Tax in Newport is the second lowest in Wales and one of the lowest in the UK, at £1,057.14 for a Band D in 2018/19. Most properties within the Council's boundary are in Bands C & B and therefore they pay less. This relatively low Council Tax impacts on the Council's overall funding and the city Council spends c£8m less than its 'Standard Spending Assessment'; showing the Council is relatively poorly funded but given its financial performance (next section) and achievements, is efficient and effective

Funding of net expenditure budget



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

Financial Performance – “how did we do” – 2018/19

Revenue budget

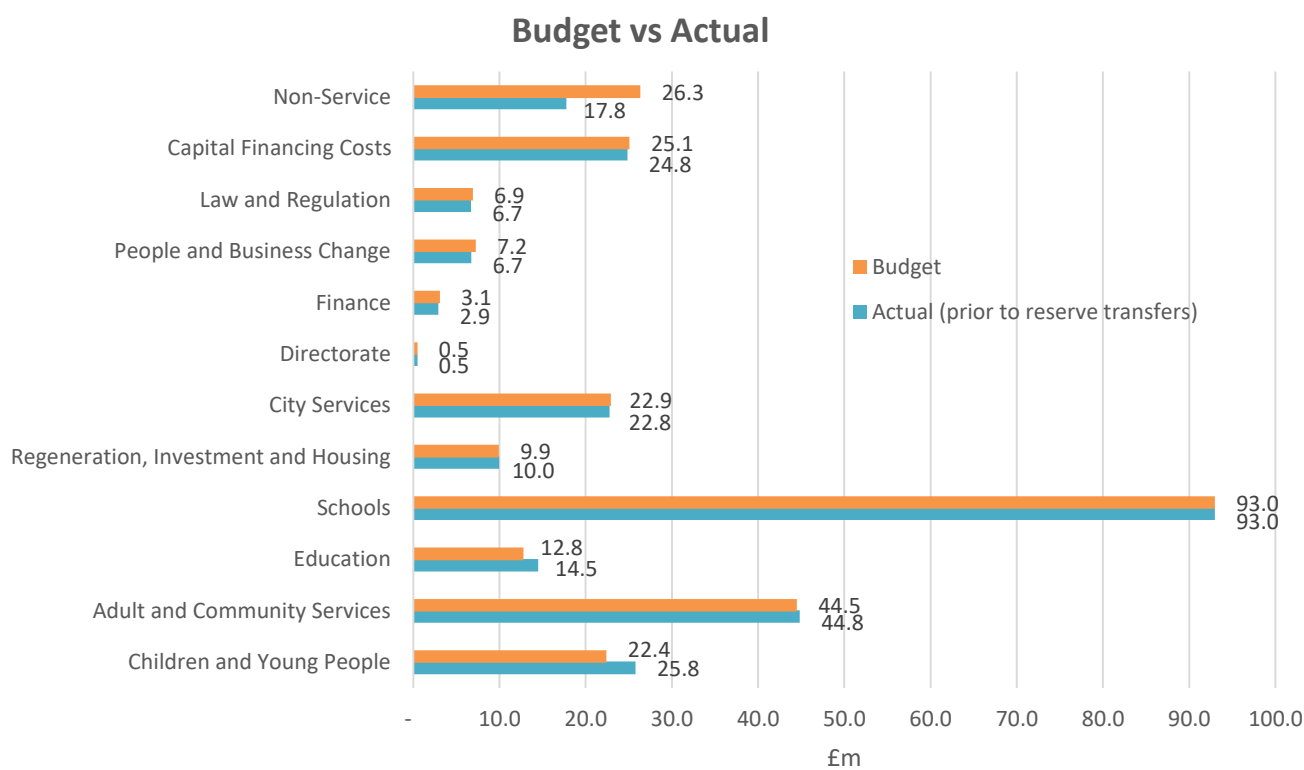
The Council finished the year with a £2.4m underspend, representing 1.3% of its budget, excluding schools. The 'Expenditure and Funding analysis', on page 49 of the statement here shows the spending across the main areas of the Council. The graph below shows the main areas of budget under and overspending. In summary, the Social Care and Special Education Needs budgets overspent significantly at nearly £5m due to increased demand for services whilst one-off income, contingencies and underspending in non-service areas at £7m mitigated this and generated the underspend.

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

Head of Finance Narrative Report for the Statement of Accounts

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

Capital programme

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

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

Head of Finance Narrative Report for the Statement of Accounts

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New Caerleon Lodge Hill School



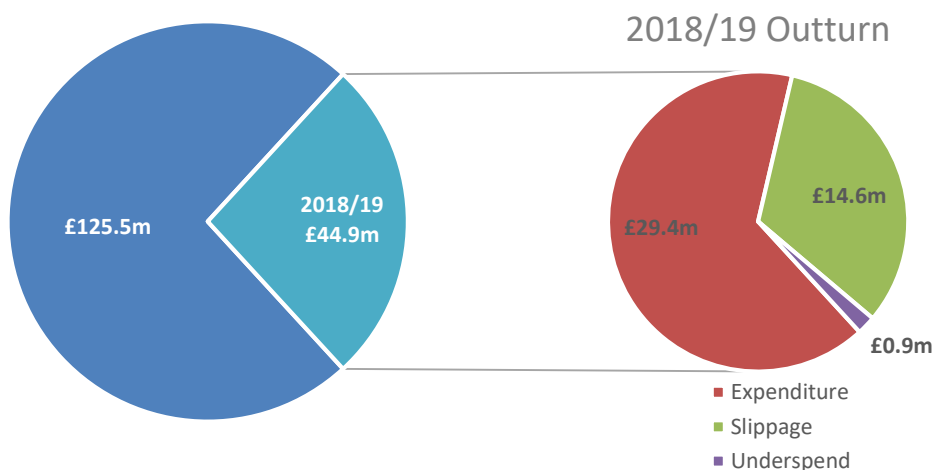
Artist impression of Transporter Bridge activity centre

➤ Gypsy & Traveller site development

➤ Investment into the Cardiff City Region City Deal

➤ £8m fleet replacement programme

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



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

Head of Finance Narrative Report for the Statement of Accounts

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Newport City Council

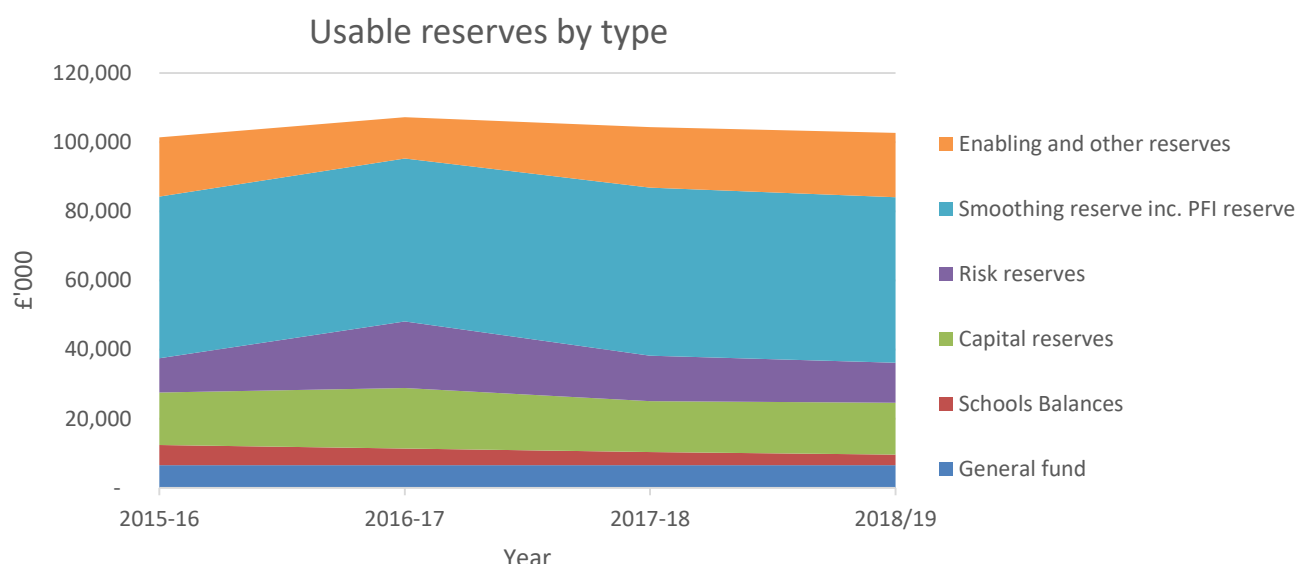
Balance Sheet

The Balance Sheet shows a 'snapshot' of the Council's assets and liabilities as at 31 March 2019, including its reserves. The Council's balance sheet has seen a reduction in value between 2017/18 (net asset £22.1m) and 2018/19 (net liability £48.8m), however, this is largely due to an increase in the pension fund liability by £76.6m from the previous year. The pension fund liability is now £400.6m, which if excluded would leave net assets of £352m.

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

Usable Reserves

The level of Council's usable reserves decreased by £1.7m in year from £104.3m to £103.0m. The general fund reserve remained unchanged at £6.5m (3.6% of net expenditure budget excluding schools). The chart below shows the level of reserves since 2015/16, showing those reserves that cover risk, enabling, smoothing expenditure, the general reserve, schools reserves and other reserves.



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

The reserves as at 31/3/2019 provide:

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

Head of Finance Narrative Report for the Statement of Accounts

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

Unusable reserve

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

Impact of pension deficit on reserves

The Council participates in the Local Government Pension Scheme. Employees and employers contribute into the fund and along with investment income and growth generated; the funds are used to pay its pension obligations. The Fund is valued every three years to assess if the assets are sufficient to fund its pension obligations, taking account of actuarial assumptions of members' life expectancy, investment returns, value of pensions paid out etc. A valuation was undertaken in 2016, which identified a need to increase the contribution to the fund, due to an increased deficit valuation of the fund. The Council has built these pressures into the Medium Term Financial Plan (MTFP). A new valuation of the position at 31/3/2019 is being undertaken in 2019, with the results expected to be realised in Autumn 2019 – with any change implemented from April 2020.

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

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

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

Provisions & Contingencies

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

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

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

Head of Finance Narrative Report for the Statement of Accounts

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

4. Financial Outlook

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

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

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

Statement of Accounts 2018/19

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 49-138 give a true and fair view of the financial position of Newport City Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Annual Governance Statement

Statement of Accounts 2018/19

Newport City Council

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 2019, 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 2019/20 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

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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. 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 2018/19, and up to the date of approval of the statement of accounts.

3 The Governance Framework

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

Overarching requirements for acting in the public interest

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

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

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

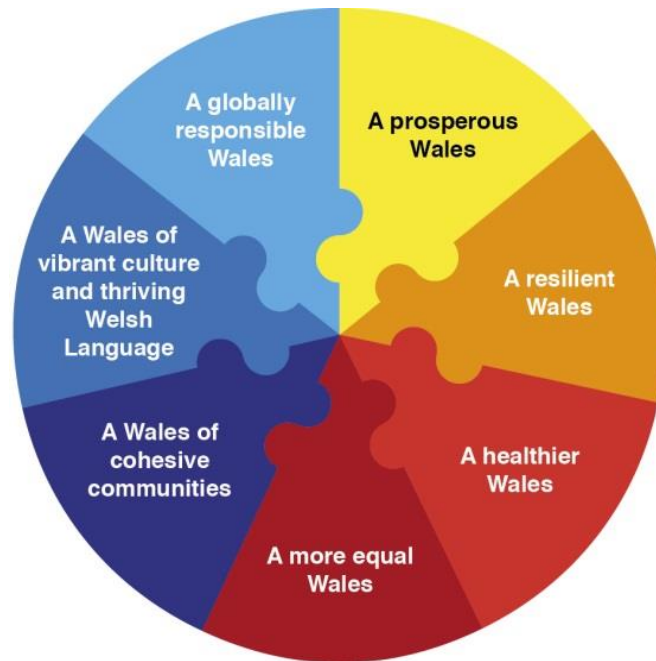
Wellbeing of Future Generations (Wales) Act 2015

- 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

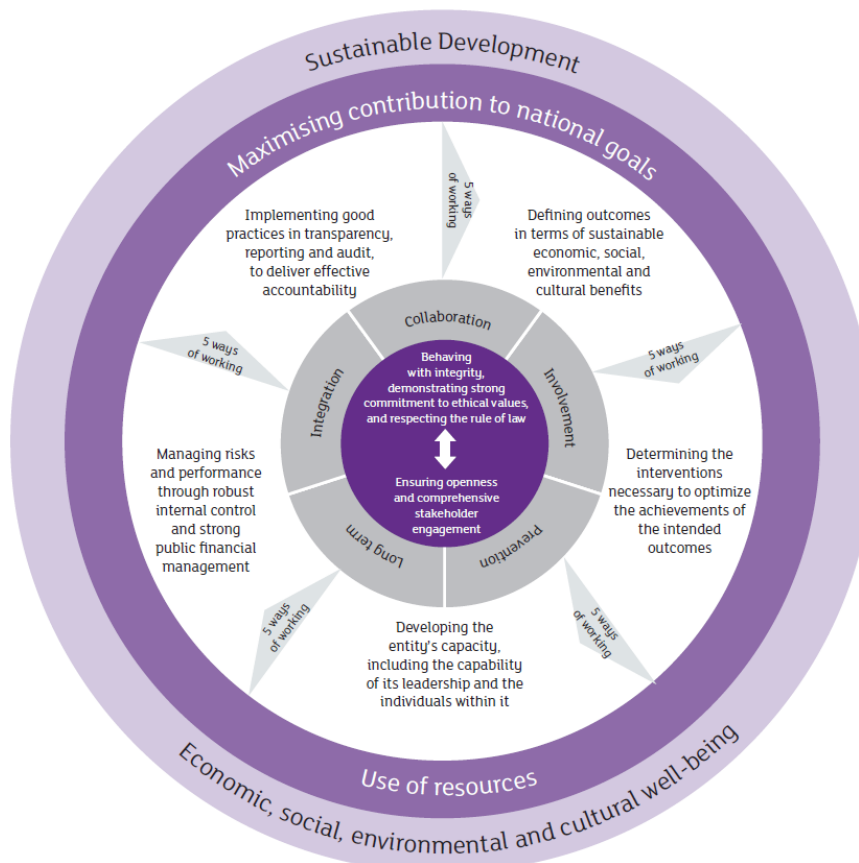
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This needs to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes which, in turn, should ensure effective use of resources as the Council maximises its contribution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



The Three Lines of Defence in effective Risk Management and Control

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

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)

1st Line of Defence

Business and Operational Management

Delivering objectives, identifying risks and improvement
and implementing controls, progress reporting

Operational Management & Staff

Managing Performance & Data Quality

Programme & Project Management

Delivery of Service Plans

2nd Line of Defence

Oversight and Support

Strategy / Policy / Direction setting, decision-making,
assurance oversight.

Committee and Scrutiny Functions

Senior Management Functions

Quality Control Checks

Risk Management

Functional Compliance
(Information Management, HR, Legal,
Procurement & Accountancy)

3rd Line of Defence

Independent Assurance

Independent challenge and audit, reporting assurance,
audit opinion assurance levels

Internal Audit

External Audit

External Inspections & Regulatory Reports

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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

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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.



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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.



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- 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's Improvement Plan ran up to 2018 and has subsequently been incorporated within the Corporate Plan. The final stages of the Improvement Plan were reported through Cabinet during 2018/19.
- 3.16 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.
- 3.17 The Plan sets out clearly the Council's priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and developing plans through the sustainable development principles – long term, integration, collaboration, involvement and prevention.

Monitoring the Corporate Plan

- 3.18 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 how the Council is working towards its vision and objectives and how further work will be focused to ensure further improvement.
- 3.19 Actions set out in services plans and the Corporate Plan will contribute to the delivery of the objectives, and these will also be presented to members for challenge and appraisal.
- 3.20 The Wales Audit Office, as the Council's external auditor, will provide comment on the Council's ability and progress in delivering its vision.
- 3.21 Specific Boards have been set up around the Themes identified in the Plan to monitor the progress of the "20 by 2020" commitments. These meet on a regular basis and comprise of senior managers of the Council.

ONE Newport Public Service Board

- 3.22 The One Newport Public Service Board (PSB) Newport's Well-being Plan (2018-23) which represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the economic, social, cultural and environmental well-being of Newport. This Plan was approved by the Board May 2018.
- 3.23 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.

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- 3.24 The well-being objectives of the Plan are linked to the Well-being Objectives and are:
- People feel good about living, working, visiting and investing in Newport;
 - People have the right skills and opportunities to find suitable work and contribute to sustainable economic growth;
 - People and communities are friendly, confident and empowered to improve their well-being;
 - Newport has healthy, safe and resilient environments.
- 3.25 The Plan identifies 13 priorities in the 4 areas of Economic, Social, Cultural and Environmental, and incorporates the following interventions:
- a. The Newport “Offer”
 - b. Strong Resilient Communities
 - c. Right Skills
 - d. Green & Safe Spaces
 - e. Sustainable Travel
- 3.26 Performance of the Well-being Plan was reported through the Strategy & Performance Board (PSB) throughout 2018/19.
- 3.27 Newport’s stakeholders are encouraged to get involved with shaping the policies and decisions of One Newport PSB through the Involve Newport Citizens’ Panel and the One Newport Engagement and Participation Strategy.

Risk Management Strategy

- 3.28 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.
- 3.29 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.
- 3.30 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.
- 3.31 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.
- 3.32 The Corporate Risk Management Strategy has been reviewed and revised to strengthen existing arrangements and support the delivery of the Corporate Plan. The sustainable development principle of the Wellbeing of Future Generations Act (Wales) 2015 has also been embedded in the process and frames each risk identified in the Corporate Risk Register. Anticipating and preparing for future challenges, trends, threats and opportunities is an essential part of the Councils risk strategy and allows for better preparedness and the incorporation of mitigation into planned activities and policies. This helps the Council to take a longer-term strategic approach, and makes present policy more resilient to future uncertainty.

- 3.33 The Corporate Risk Strategy is approved and monitored on a regular basis by the Council's Audit Committee, along with the Corporate Risk Register.

Decision Making Process

- 3.34 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.
- 3.35 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 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.
- 3.36 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.
- 3.37 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.
- 3.38 The Head of Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972.

Scrutiny Committees

- 3.39 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.
- 3.40 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:

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

- 3.41 Each Committee is politically balanced and the chairs are allocated in proportion to the number of seats held by political groups.
- 3.42 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.
- 3.43 The **Standards Committee**, which includes a majority of independent representatives, advises on and monitors the Member Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.
- 3.44 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

- 3.45 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).
- 3.46 The Audit Committee is politically balanced and has appointed an independent chairman; he is not part of the political structure of the Council.

Internal Audit

- 3.47 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.
- 3.48 As required under the PSIAS the Newport City Council Internal Audit team underwent an external quality assessment during 2017/18. The report (issued March 2018) stated that Internal Audit were 'generally compliant' with the PSIAS which was the top grading.
- 3.49 The Chief Internal Auditor reports, in his own name, to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes. The overall opinion for 2018/19 was '**Reasonable**'.

External Audit & Regulatory Bodies

- 3.50 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

3.51 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).

3.52 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.

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

Information Management & Data Protection

3.54 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.

3.55 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.

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

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- 3.57 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.
- 3.58 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.

Human Resources

- 3.59 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.
- 3.60 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.

Safeguarding

- 3.61 We all share a responsibility, both corporately and individually, to ensure that all children and adults are treated with respect and protected from others who may abuse them. There is a separate Safeguarding page on the Council's intranet site and each service area has its own Safeguarding Champion.
- 3.62 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.
- 3.63 The Council has a Safeguarding Policy Statement and was updated in February 2018; supporting policies and procedures have been reviewed and updated during 2018/19 (Cabinet February 2019).
- 3.64 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.

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

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

- 5.1 The Protocol for Member/Officer relations was considered by the Standards Committee in January 2018 approved by Council July 2018.
- 5.2 Following the Local Government elections in May 2017 mandatory training was provided to new Members of the Council along with other training sessions for existing members.

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, updated in 2017, and a confidential helpline set up. In 2018/19 2 disclosures were made under the policy. These were both appropriately investigated and acted upon in accordance with the agreed policy.

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- 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 2018/19 involving City Councillors but neither were accepted for investigation. There were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.
- 5.9 The Ombudsman had issued the Council with his Annual letter for 2017/18 (Standards Committee November 2018) which set out information relating to the numbers of complaints of maladministration and misconduct which were referred to his office during this period relating to Newport City Council and its Councillors.
- 5.10 The number of complaints received concerning Newport increased from 26 to 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, a GDPR Task and Finish group was established with representation from each service area. With the assistance of the group, the Council made progress to ensure compliance.
- 5.12 All waivers of the Contract Standing Orders and urgent decisions are reported through the Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Standing Orders.
- 5.13 The Audit Committee has the power to call in a Head of Service and Cabinet Member to hold them to account for addressing required improvements to the internal control environment within their service area.
- 5.14 48 Internal Audit opinions were issued in 2018/19. The overall opinion on the adequacy of the internal control environment for 2018/19 was **REASONABLE (in 2017/18 the overall opinion was Reasonable)**.

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

- 5.15 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will be following this up in 2018/19. 92% of agreed management actions for 2017/18 had been implemented by management.
- 5.16 Reasons why the outcome of some internal audit reviews were deemed to be unsatisfactory were presented to Audit Committee; the Head of Service had been called in to the Audit Committee to provide assurances that appropriate action would be taken to make the necessary improvements.

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

6 Principle B: Ensuring openness and comprehensive stakeholder engagement

- 6.1 The Overview and Scrutiny Annual Report for 2017/18 was considered by Council in September 2018.
- 6.2 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles.
- 6.3 The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council now broadcasts Council meetings and Planning Committees live on the internet and is working towards webcasting other formal member meetings. Live tweets are broadcast from Newport Council's Twitter account.
- 6.4 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message.
- 6.5 Individual Cabinet Members can make decisions under the scheme of delegation; agendas and decisions for all Cabinet Members are published on the Council's website.
- 6.6 Standing Orders of the Council were amended in July 2017 to include a session for open questions to the Leader of the Council at full Council meetings.
- 6.7 From May 2016 Public Service Board (PSB) papers were published online on the One Newport partner website to ensure transparency, as were agenda and minutes of the Single Integrated Plan Board.
- 6.8 Public engagement and consultation is key to the WFG Act. One of the five ways of working is Involvement - *the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves*. This is now considered in all Cabinet Member reports through changes in the report template.
- 6.9 As part of Newport City Council's commitment to being open and transparent it publishes its data on the website which the public is free to view and use www.newport.gov.uk/transparency. Examples of open data sets:
- Newport Matters production costs
 - Pupil Numbers
 - Public health funerals
 - Council Pay & Grading
 - Payments to suppliers
 - Councillor allowances & expenses
 - Business rates
 - Freedom of Information

School Reorganisation Programme

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

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- 6.11 Each consultation is supported by full stakeholder engagement as outlined in the statutory code. This includes the publication of detailed consultation packs and a children and young people summary version, distribution of response forms, drop-in sessions and meetings with the school councils at relevant and local schools. Following each consultation, a consultation report is prepared and published which outlines how the consultation was carried out, who is engaged and the relevant responses. These reports are provided as annexes to the Cabinet Member report which approves moving to the next stage in the process – publication of the statutory notice. The statutory notice is the stage at which legal objections can be lodged against proposals.
- 6.12 The Local Authority works closely with the governing bodies of all schools across Newport and as key stakeholders they are consulted where appropriate on all matters.
- 6.13 The Council has responded to Freedom of Information Act requests within the required 20 days:

	2016-17	2017-18	2018-19
No' of FOI requests	1087	1037	
No' responded to within 20 days	914	916	
Percentage of FOIs responded to within 20 days	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. The Corporate Plan 2017-2022 "Build on Success and Build a Better Newport."
- 7.2 The One Newport PSB Well-being Plan (Cabinet May 2018) – represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic, cultural and environmental well-being of the whole community. No single organisation can meet the total needs of a community, so there is a requirement to plan and deliver services in collaboration with other public and private sector organisations.
- 7.3 The Well-being Plan identifies key priorities and objectives that the PSB will work towards achieving over a set period of time. These priorities have been identified as those where the PSB and other key stakeholders must work together to achieve success and meet the requirements of the WFG Act.
- 7.4 The One Newport Public Service Board Newport's Well-being Plan (2018-23) was taken to the Public Services Board in May 2018.
- 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 were linked to the themes in the Corporate Plan 2012-2017 and were centred around the sustainable economic, social and

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environmental benefits. Although incorporated into the Corporate Plan in 2018, quarter 4's performance against the outgoing Improvement Plan was reported to Cabinet in 2018.

- 7.6 The Wales Audit Office issued the Council with its second Certificate of Compliance following an audit of the Council's Improvement Plan 2016 - 2018 which went to Cabinet in December 2018, confirming the Council had discharged its duties under section 15 (6) to (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- 7.7 In a report to Cabinet in September 2017, the WAO provided their findings from a review of the Council's governance arrangements when determining significant service changes. The report concluded that the Council's governance arrangements for determining significant service change were improving, and it recognised that its vision and change programme needed to be refreshed to strengthen its arrangements further.
- 7.8 WAO reported that the Council's governance arrangements were clear and well understood, and progress had been made since the Corporate Assessment. Pre-decision scrutiny had increased, and it was positive to note that officers were prepared to put forward a full range of options for discussion by Members. The Council had effective arrangements for stakeholder engagement, although improvements could be made to how the Council then made use of this information. There was also opportunity to improve monitoring of the impact of service change, for example by agreeing monitoring arrangements before changes were agreed. No formal recommendations were made as a result of this review.
- 7.9 In October 2018, the Annual Improvement Report 2017/18 was presented to Cabinet by officers. This report is compiled each year by the WAO and brings together regulatory reports that have been received throughout the year from the WAO and other regulators such as ESTYN, CSSIW etc. The WAO form an overall opinion of whether the Council is likely to meet its duty to demonstrate continuous improvement under the Local Government Measure (2009) by looking at the findings of these reports.
- 7.10 Based on 2017/18 regulatory work the WAO have concluded that the Council is meeting its statutory requirements in relation to continuous improvement in 2017/18. The Cabinet welcomed the news that the Council was continuing to improve, despite the financial, legislative and population growth challenges it was facing.
- 7.11 The Annual Report of the Director of Social Services was presented to Cabinet in October 2018. This report is an evaluation of 2017/18 performance for Social Services and it conforms in format and content with the statutory requirements for the Director's report. It sets out the Council's improvement journey in providing services to people in Newport, who access information, advice and assistance, and those individuals and carers in receipt of care and support. The report sets out to demonstrate how Newport Social Services has responded to the new requirements of the Social Services and Well-being (Wales) Act 2014 and how it has promoted and accounted for the delivery of well-being standards to the citizens of Newport. The Director concluded that Social Services in Newport City Council are lean, efficient and well-placed to respond to the continuing challenges it faces.
- 7.12 2018/19 service planning incorporated an understanding of customer needs, service area outcomes and improvement priorities, performance management and monitoring, an action plan to achieve the outcomes, an assessment of service related risk, an acknowledgement of regulators' proposals for improvement and an equalities impact assessment.
- 7.13 Newport 2020 was introduced in February 2016 as the Council's organisational change plan and has been used to inform the agreed Corporate Plan.
- 7.14 Communication is important to Newport; the Annual Statement of Accounts 2017/18 was taken through the Audit Committee 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

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decisions, Audit Committee reports and the work of the Scrutiny Committees. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Council activities, achievements, developments, updates and events were included in Newport Matters which is distributed to every household in the City, are also available on the Council's intranet and website.

- 7.15 Equality Impact Assessments are required by law under the Equality Act 2010. Newport's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Newport. A range of these were undertaken during 2018/19 which have been published on the Council's website.
- 7.16 The Public Services Board review includes the monitoring of targets to ensure policies are delivering the agreed outcomes to ensure services are effective, focused on local people and improved quality of life in the City. In terms of measuring the environmental impact of policies, plans and decisions, the Council is working with the Welsh Local Government Association as one of 10 lead authorities for sustainability, and this will also form part of the Wellbeing Assessment and Wellbeing Plan work.

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

- 8.1 The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This 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 Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved. Longer term service plans were developed during 2018/19 for implementation in 2019/20.
- 8.4 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery and look for opportunities to improve. The Council's Customer Complaints Policy and procedures are available on the web site; the public can report a problem or concern via the 'Report it' option on the web front page. The following table shows the number of complaints received for the past three years:

	2016-17	2017-18	2018-19
Stage 1 Complaints	297	284	
Stage 2 Complaints	30	24	
Complaints to Ombudsman	28*	37	

* The Ombudsman upheld 1 complaint in part

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

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

- 9.1 Councillor programmes have been held mainly based on their various roles within the Council. The Democratic Services Committee recognised the Council needed to do more to base the programme on individual needs as identified by Councillors. To this end the Committee agreed to pilot a series of interviews with the Organisation Development team to participate in this pilot.
- 9.2 There is an on-going programme of events and training for Members involved in Planning & Licensing Committees and Sub Committees.
- 9.3 Embedded Appraisal arrangements for Chief Officers are in place, including:-
- Chief Executive's Annual Appraisal;
 - Chief Executive's one to one meetings with Strategic Directors;
 - Strategic Directors' one to one meetings with Heads of Service;
 - Cabinet Member one to one meetings with Heads of Service
 - Appraisal of Chief Officers (Heads of Service).
- 9.4 The employee performance management system (Clear Review) was launched during 2017. This enables ongoing evaluation and encourages all staff to give feedback to colleagues. This ensures that all officers and managers reflect on their objectives and staff are able to link their objectives directly to the organisational goals set within the Corporate Plan. Participation in Clear Review now forms part of the suite of corporate performance indicators. The system also allows continued professional development (CPD) opportunities to be identified which are needed to improve the skill, knowledge and understanding of employees.
- 9.5 Core Skills training is available through Organisational Development aligned to our corporate values with specific training available on topics such as Customer Care, Stress Management and Equality and Diversity.
- 9.6 Management Capacity is being developed through:-
- A mandatory introduction to Management programme for new line managers (started in November 2018);
 - Further In-house management development modules for middle managers;
 - Aspiring Leaders Programme delivered in partnership with the University of South Wales.
- 9.7 Senior Management lead Cabinet Member briefings on a regular basis. Briefings stimulate discussion around the need for Member training. These considerations are followed up with Democratic Services, ensuring that an appropriate and timely Members training programme is planned.
- 9.8 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.

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- 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 2018/19 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 and approved by Council in July 2018. The Procedure for Dealing with Complaints of Breaches of the Members' Code of Conduct was reviewed in March 2015. A Planning Committee Code of Best Practice and a Licencing Committee Code of Practice are also in place.
- 9.14 There were some 'cosmetic' changes made to the Council Constitution during July 2018 to reformat the document, make it easier to understand and navigate through online. The following were updated;
- Updates to job titles
 - Portfolio updates following the election (e.g. Cabinet Member delegations – which is an executive matter delegated to the Leader)
 - Member allowances update, as approved by Council April 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 2018/19 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.
- 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).

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- 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 2017/18 was taken through Cabinet in October 2017 which showed
- 40% of measures performed better than target.

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- 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 2018/19 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.
- 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.
- 10.10 Audit Committee meets regularly and its activities can be seen via the Council's website; it met 6 times in 2018/19. It received
- The Annual Internal Audit Report 2017/18
 - The Annual Internal Audit Plan 2018/19
 - The Draft Annual Internal Audit Plan 2019/20
 - Quarterly updates from Internal Audit re opinions / performance
 - Standing Order 24 (Urgent Decisions) and Waiving of Contract Standing Orders quarterly reports
 - Treasury Management report and updates
 - Corporate Risk Register quarterly updates
 - Draft and Final 2017/18 Financial Statements, including the Annual Governance Statement
 - 6 monthly updates on Internal Audit low assurance opinions
 - Regulatory Reports Summary and other WAO reports

- 10.11 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:

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	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

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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 contracts 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

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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.

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

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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 were addressed during 2018/19 to further improve and strengthen the governance arrangements and their effectiveness in future years. The current status of the actions are shown in the table below.

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

Annual Governance Statement

Statement of Accounts 2018/19

Newport City Council

governance arrangements following the Wales Audit Office, Good Governance When Determining Significant Service Changes report.	presented to Cabinet in September 2017. 2018/19 position:	
8.4 To ensure that Service plans have been devised, scrutinised and approved by the relevant Cabinet Member for each service area.	Each service area to draft a service plan for the period 2018-2022 for approval. These will be reviewed by Scrutiny and approved by the Cabinet Member and subject to half yearly review. 2018/19 position:	All Heads of Service

There is no identified action plan for 2019/20

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..... 2019

Leader

Signed:Date..... 2019

Chief Executive

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

Statement of Accounts 2018/19

Newport City Council

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

Electronic Publication of Financial Statements

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

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

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

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

2018/19	Net Expenditure Chargeable to the General Fund £'000	Adjustments between the funding and accounting basis £'000	Net expenditure in the CIES £'000
Children and Young People	25,850	1,315	27,165
Adults and Community	44,891	2,680	47,571
Education	14,723	4,520	19,243
Schools	92,977	36,905	129,882
Regen Investment + Housing	9,970	10,397	20,367
Streetscene and City Services	22,984	16,996	39,980
Corporate Services	17,290	3,472	20,762
Other Non Department Costs (Non Service)	47,161	(44,934)	2,227
Net Cost of Service	275,846	31,351	307,197
Other Income and Expenditure	(275,846)	22,160	(253,686)
(Surplus) or Deficit	-	53,511	53,511
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)		

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)		

Comprehensive Income and Expenditure Statement

Statement of Accounts 2018/19

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	2017/18 Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	2018/19 Gross Income £'000	Net Expenditure £'000
29,156	(3,211)	25,945	Children's and Young People Services		30,744	(3,578)	27,165
72,698	(28,959)	43,739	Adults and Community Services		75,040	(27,470)	47,571
27,711	(4,593)	23,118	Education		23,464	(4,221)	19,243
125,386	(21,808)	103,578	Schools		150,776	(20,894)	129,882
38,019	(18,263)	19,756	Regeneration, Investment and Housing		39,207	(18,840)	20,367
45,340	(15,211)	30,129	City Services		59,606	(19,626)	39,980
27,753	(5,035)	22,718	Corporate Services		25,420	(4,658)	20,762
56,286	(55,395)	891	Other Non Department Costs		53,527	(51,300)	2,227
422,349	(152,475)	269,874	Cost of services		457,784	(150,587)	307,197
21,615	-	21,615	Other operating expenditure	11	23,567	-	23,567
22,261	(2,401)	19,860	Financing and investment income and expenditure	12	22,544	(1,395)	21,149
-	-	-	(Surplus) / deficit on discontinued operations		-		
-	(289,913)	(289,913)	Taxation and non-specific grant income	13	-	(298,402)	(298,402)
466,225	(444,789)	21,436	(Surplus) / Deficit on Provision of services		503,895	(450,384)	53,511
		(537)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets				(37,563)
		(20,900)	Actuarial (gains) / losses on pensions assets / liabilities				54,748
	(21,437)		Other Comprehensive Income and Expenditure				17,185
	(1)		Total Comprehensive Income and Expenditure				70,696

Movements in Reserves Statement

Statement of Accounts 2018/19

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	Restated Earmarked General Fund Reserves	Capital Receipts Reserve	Restated Total Usable Reserves	Unusable Reserves	Restated Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the 31 Mar 2017 carried forward	(6,500)	(90,334)	(11,742)	(108,576)	86,406	(22,170)
Movement in reserves during 2017/18						
(Surplus) / deficit on the provision of services	21,436	-	-	21,436	-	21,436
Other comprehensive Income and Expenditure	-	-	-	-	(21,437)	(21,437)
Total Comprehensive Income and Expenditure	21,436	-	-	21,436	(21,437)	(1)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(19,994)	-	2,841	(17,153)	17,153	-
Net Increase / Decrease before Transfers to Earmarked Reserves	1,442	-	2,841	4,283	(4,284)	(1)
Transfer to/ from Earmarked Reserves	(1,442)	1,442	-	-	-	-
Increase/ Decrease in 2017/18	-	1,442	2,841	4,283	(4,284)	(1)
Balance at the 31 Mar 2018 carried forward	(6,500)	(88,892)	(8,901)	(104,293)	82,122	(22,171)
Balance at the 31 Mar 2018 carried forward	(6,500)	(88,892)	(8,901)	(104,293)	82,122	(22,171)
Movement in reserves during 2018/19						
(Surplus) / deficit on the provision of services	53,511	-	-	53,511	-	53,511
Other comprehensive Income and Expenditure	-	-	-	-	17,185	17,185
Total Comprehensive Income and Expenditure	53,511	-	-	53,511	17,185	70,696
Adjustments between accounting basis and funding basis under regulations (Note 9)	(52,861)	-	606	(52,255)	52,255	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	650	-	606	1,256	69,440	70,696
Transfer to/ from Earmarked Reserves (Note 10)	(650)	650	-	-	-	-
(Increase) / Decrease in 2018/19	(0)	650	606	1,256	69,440	70,696
Balance at the 31 Mar 2019 carried forward	(6,500)	(88,242)	(8,295)	(103,037)	151,562	48,525

Balance Sheet

Statement of Accounts 2018/19

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'.

Restated 31-Mar-18 £'000		Notes	31-Mar-19 £'000
500,703	Property, Plant and Equipment	14	503,038
17,968	Heritage Assets	15	17,549
7,577	Investment Property	16	7,783
251	Long Term Investments	17	251
22,078	Long Term Debtors	17	22,627
548,577	Long Term Assets		551,248
20,445	Short Term Investments	17	10,294
234	Assets Held for Sale	21	1,080
156	Inventories	18	189
37,839	Short Term Debtors	19	43,813
773	Cash and Cash Equivalents	20	46,846
59,447	Current Assets		102,222
(5,429)	Short Term Borrowing	17	(43,451)
(39,945)	Short Term Creditors	22	(39,636)
(6,465)	Provisions	23	(5,372)
(2,292)	Other Short Term Liabilities	17	(2,272)
(54,131)	Current Liabilities		(90,731)
(11,989)	Long Term Creditors	17	(9,809)
(8,479)	Long Term Provisions	23	(10,639)
(144,430)	Long Term Borrowing	17	(149,336)
(324,017)	Pension Liability	25	(400,586)
(42,807)	Other Long Term Liabilities	17	(40,892)
(531,722)	Long Term Liabilities		(611,262)
22,171	Net Assets		(48,523)
(104,293)	Usable Reserves	24	(103,037)
82,122	Unusable Reserves	25	151,560
(22,171)	Total Reserves		48,523

Cash Flow Statement

Statement of Accounts 2018/19

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.

2017/18 £'000		Note	2018/19 £'000
21,435	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		53,511
(135,259)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	(71,997)
17,400	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	23,075
(96,424)	Net cash flows from Operating Activities		4,589
36,396	Investing Activities	27	(9,708)
58,783	Financing Activities	28	(40,954)
(1,245)	Net (increase) or decrease in cash and cash equivalents		(46,073)
(472)	Cash and cash equivalents at the beginning of the reporting period	20	773
773	Cash and cash equivalents at the end of the reporting period	20	46,846

Notes to the Statement of Accounts

Statement of Accounts 2018/19

Newport City Council

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the 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 2018/19 and is supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

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

Discontinued Operations

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

Notes to the Statement of Accounts

Statement of Accounts 2018/19

Newport City Council

Exceptional Items

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

Notes to the Statement of Accounts

Statement of Accounts 2018/19

Newport City Council

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The 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:

Notes to the Statement of Accounts

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Newport City Council

Service Costs

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

Re-measurements

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

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

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

Discretionary Benefits

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

Full pensions details are included in Notes 40 and 41.

Notes to the Statement of Accounts

Statement of Accounts 2018/19

Newport City Council

Events after the Balance Sheet Date

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

Financial Instruments

Financial Liabilities

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

Notes to the Statement of Accounts

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

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

Financial Assets

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

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

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

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

The asset is initially measured and carried at fair value.

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

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

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

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

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

Government Grants and Contributions

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

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

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

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

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

Museum Collection

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

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

Library Collection

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

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

Tredegar House – Property and Contents

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

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

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

Public Art and Features

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

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

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

Archaeology

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

Heritage Assets – General

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

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

Interest in Companies and Other Entities

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

Inventories and Long Term Contracts

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

Investment Property

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

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

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

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Jointly Controlled Operations and Jointly Controlled Assets

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

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

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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

The Council as Lessor

Finance Leases

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

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overhead and Support Service

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

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Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council maintains a de minimus cost of £10,000 for any asset to be capitalised. However where groups of assets e.g. PCs are purchased individually fall below the de minimus level, these will be considered for capitalisation as a group of assets on a case by case basis.

Where the acquisition or creation of IT systems incorporates both physical hardware and licences to use the system, judgement is made as to whether this will be classified wholly as Property, Plant and Equipment or Intangible Assets, as per the CIPFA Code of Practice on Local Council Accounting.

Measurement

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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Depreciation is calculated on the following bases:

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

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

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

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

Componentisation

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

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

Non-current Assets Held for Sale and Disposals

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

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

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

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

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

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

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

Private Finance Initiative (PFI)

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

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

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

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

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

Provisions

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

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

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

Contingent Assets / Liabilities

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

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

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

Reserves

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

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

Earmarked Reserves:

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

Unusable Reserves

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Value Added Tax (VAT)

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

Carbon Reduction Commitment Allowances

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

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emitted (i.e. as energy is used), a liability and an expense have been 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:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- **IAS 40 Investment Property**: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.

None of the new or amended standards within the 2018/19 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.

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.

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4 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Fair value measurements	<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). 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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Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	<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 - £76.6m increase to liability.</p>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Due to the uncertainty about the actual useful life of an asset there is uncertainty of this charge if the useful life was to change.	If the useful life of assets is reduced, depreciation increases and the net carrying value of the assets falls.
Provisions	The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities, this is detailed further in the provisions note.	The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the outturn of the Council in future years, however due to the uncertain nature of these events, these are difficult to quantify.
Provisions in relation to Arrears	At 31 March 2019, the Council had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may or may not be deemed to be sufficient.	Improvements in collection will improve future reported outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.

6 MATERIAL ITEMS OF INCOME AND EXPENSE

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

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7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
2018/19					
Adjustments from General Fund to arrive at CIES amounts	£'000	£'000	£'000	£'000	£'000
Children and Young People	272	1,785	7	(749)	1,315
Adults and Community	339	2,155	17	169	2,680
Education	4,654	502	(643)	7	4,520
Schools	32,015	4,200		690	36,905
Regen Investment + Housing	7,404	1,870	17	1,106	10,397
Streetscene and City Services	14,819	1,610	6	561	16,996
Corporate Services	1,508	2,257	15	(308)	3,472
Other Non Department Costs (Non Service)	78	(1,505)		(43,507)	(44,934)
Net Cost of Service	61,089	12,874	(581)	(42,031)	31,351
Other Income and Expenditure from Funding Analysis	(16,498)			38,658	22,160
Difference between General Fund surplus or deficit and CIES Surplus or Deficit	44,591	12,874	(581)	(3,373)	53,511

	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
2017/18					
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

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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 £43.5m under 'Other Non Department Costs (Non Service)' includes adjustments for Levies, Council Tax reduction scheme, interest payable and receivable, Reserve transfers, including Schools transfer to/from balances, Minimum Revenue Provision and any other income and expenditure.
 - c. The £38.7m adjustment under 'Other Income and Expenditure from Funding Analysis' will include any other adjustments, including PFI.

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8 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2017/18	2018/19
Expenditure	£'000	£'000
Employee Benefits Expenses	184,924	194,890
Other Services Expenditure	210,581	206,081
Depreciation, Amortisation, Impairment	26,843	56,813
Interest Payments	22,261	22,544
Precepts and Levies	21,077	21,959
(Gain)/Loss on Disposal of assets	539	1,608
Total Expenditure	466,225	503,895
 Income		
(Gain)/Loss on Disposal of assets	-	
Fees, Charges and other service income	(31,550)	(35,526)
Interest and investment income	(2,390)	(1,395)
Income from Council tax and non-domestic rates	(108,282)	(112,746)
Government grants and contributions	(302,567)	(300,717)
Total Income	(444,789)	(450,384)
 (Surplus) or Deficit on the Provision of Services	21,436	53,511

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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.

	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
2018/19	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	(34,765)	-	34,765
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	(45,913)	-	45,913
Charges for depreciation and impairment of non-current assets	(23,347)	-	23,347
Revaluation losses on PPE & Assets Held for Sale	(33,752)	-	33,752
Movements in the fair value of Investment Properties	166	-	(166)
Capital grants and contributions applied	20,559	-	(20,559)
Revenue expenditure funded from capital under statute	(6,088)	-	6,088
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(3,451)	-	3,451
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	11,148	-	(11,148)
Statutory provision for the financing of capital investment	9,781	-	(9,781)
Capital expenditure charged against the General Fund	1,367	-	(1,367)
Adjustments primarily involving the Capital Receipts Reserve:	2,530	606	- (3,136)
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	2,530	(2,530)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	3,136	(3,136)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:	-	-	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:	634	-	(634)

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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	634	-	(634)
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Adjustments primarily involving the Pensions Reserve:

(21,821)	-	21,821
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Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(37,619)	-	37,619
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Employer's pensions contributions and direct payments to pensioners payable in the year	15,798	-	(15,798)
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Adjustment primarily involving the Accumulated Absences Account:

561	-	(561)
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Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	561	-	(561)
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TOTAL ADJUSTMENTS

(52,861)	606	52,255
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2017/18 Comparative figures

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

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

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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 2018/19.

		Movements between Reserves		Via Comprehensive I&E Account		
	Balance at 31-Mar-18	Transfers Out	Transfers In	Transfers Out	Transfers In	Balance at 31-Mar-19
	£'000	£'000	£'000	£'000	£'000	£'000
Council Fund	(6,500)	-	-	-	-	(6,500)
Balances held by schools for future use	(3,857)			727		(3,130)

Earmarked Reserves:

Risk Reserves

Music Service	(124)				(3)	(127)
Pay Reserve	(1,418)					(1,418)
Insurance Reserve	(1,594)				(1,237)	(2,831)
MMI Insurance Reserve	(602)					(602)
Health & Safety	(16)					(16)
Education Achievement Service	(92)					(92)
Schools Redundancies	(708)				(137)	(845)
Friars Walk	(8,405)			3,204		(5,201)
European Funding I2A & CFW	(173)			2	(107)	(278)
Metro Bus	(9)					(9)
GEMS Redundancies	(78)					(78)

Enabling Reserves

Capital Expenditure	(5,761)		(707)	644	(885)	(6,709)
Invest to Save	(9,557)			637	(2,179)	(11,099)
Super Connected Cities	(554)					(554)
Landfill Reserve	(345)					(345)
Christmas Lights	-				(30)	(30)
School Works	(347)			100	(137)	(384)
School Reserve Other	(924)	707		35		(182)
Investment Reserve	(966)			219		(747)
Usable Capital Receipts	(8,901)			3,136	(2,530)	(8,295)
Streetscene Manager Support	(200)			46		(154)

Smoothing Reserves

STEP School Computers	(357)			46		(311)
Municipal Elections	(54)				(38)	(92)
Local Development Plan	(599)				(12)	(611)
Glan Usk PFI	(1,605)					(1,605)
Southern Distributor Road PFI	(44,515)			634		(43,881)
Building Control	(48)				(84)	(132)
Loan modification IFRS 9	(1,385)			143		(1,242)

Other Reserves

Works of art	(21)					(21)
Theatre & Arts Centre	(232)					(232)

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

Key Reserves to note are:

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

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11 OTHER OPERATING EXPENDITURE

31-Mar-18		31-Mar-19
£'000		£'000
	Precepts and levies:	
265	Community Councils	277
6,871	South Wales Fire Authority	6,963
755	Caldicot and Wentlooge Drainage Board	755
13,185	Police and Crime Commissioner for Gwent	13,964
-	(Gains) and Losses on assets held for sale	139
539	Loss / (Profit) on the disposal of non-current assets	1,469
21,615	Total	23,567

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

13 TAXATION AND NON SPECIFIC GRANT INCOME

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

National Non-Domestic Rates (NNDR)

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

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

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Local Taxation Council Tax Collection

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

Council Tax Requirement

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

Council Tax Requirement

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

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

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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 2018	326,071	36,403	214,300	605	6,735	35,659	619,773	71,139
Additions	9,411	2,008	3,919	34		10,418	25,790	
Donations							-	
Re-classifications	42,124			(145)	(1,001)	(42,005)	(1,027)	
Revaluations	(6,476)		(108)	(266)	236		(6,614)	
Impairments	(4,157)						(4,157)	
Disposals	(26)	(385)		(49)	(3,334)		(3,794)	
At 31 March 2019	366,947	38,026	218,111	179	2,636	4,072	629,971	71,139
Accumulated Depreciation								
At 1 April 2018	(27,836)	(24,493)	(66,741)	-	-	-	(119,070)	(20,152)
Depreciation Charge in Year	(10,664)	(3,280)	(6,309)		(4)		(20,257)	
Re-classifications							-	
Revaluation Impact	12,022						12,022	
Disposals	7	365					372	
At 31 March 2019	(26,471)	(27,408)	(73,050)	-	(4)	-	(126,933)	(20,152)
Net Book Value								
At 1 April 2018	298,235	11,910	147,559	605	6,735	35,659	500,703	50,987
At 31 March 2019	340,476	10,618	145,061	179	2,632	4,072	503,038	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 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	-
At 31 March 2018	298,235	11,910	147,559	605	6,735	35,659	500,703	50,987

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

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Capital Commitments

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

Capital Commitments

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

Revaluations

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

	Other Land & buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost	136	38,026	218,111	-	-	614	256,887
Valued at fair value as at:							
31 March 2019	184,585	-	-	179	2,636	-	187,400
31 March 2018	22,804	-	-	-	-	-	22,804
31 March 2017	22,303	-	-	-	-	-	22,303
31 March 2016	135,358	-	-	-	-	-	135,358
31 March 2015	1,760	-	-	-	-	-	1,760
Total Cost or Valuation	366,946	38,026	218,111	179	2,636	614	626,512

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:

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Recurring fair value measurements using:

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

Comparative figures as at 31 March 2018 were:

Recurring fair value measurements using:

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

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

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

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

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

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

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15 HERITAGE ASSETS

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

	Museum & Library Collections	Tredegar House & Park	Public Art & Features	Archaeology	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2018	12,914	1,930	3,057	103	18,004
Revaluations	-	(455)	-	-	(455)
At 31 March 2019	12,914	1,475	3,057	103	17,549
Accumulated Depreciation					
At 1 April 2018	-	(36)	-	-	(36)
Depreciation charge in year		(9)	-	-	(9)
Write back depreciation on revaluation		45			
At 31 March 2019	-	-	-	-	(45)
Net Book Value					
At 1 April 2018	12,914	1,894	3,057	103	17,968
At 31 March 2019	12,914	1,475	3,057	103	17,549

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

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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 2018/19. This programme of work allows for improvements in storage conditions and highlights specific conservation needs of objects and collections. While the in-house focus is on preventive conservation measures which aim to stabilise an object's condition, specialist active conservation treatment is out-sourced and generally sought before objects are displayed.

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

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

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

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at start of the year	10,396	7,577
Additions	-	25
Disposals	(3,136)	(27)
Net gains/ (losses) from fair value adjustments	(13)	141
Transfers:		
- to/ from Property, Plant and Equipment	445	(3)
- to/ from Assets Held for Sale	(115)	71
Balance at end of the year	7,577	7,783

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:

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

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Comparative figures as at 31 March 2018 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 2018
	£'000	£'000	£'000
Residential properties	44	265	309
Commercial units/Land	1,683	5,585	7,268
Total	1,727	5,850	7,577

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

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

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

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

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

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

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

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

Financial Assets

	Non-Current		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£'000	£'000	£'000	£'000
Financial assets at amortised cost:				
- Investments	-	-	20,445	10,294
- Debtors*				
	22,078	22,627	12,167	16,260
- Cash & Cash Equivalents				
	-	-	773	46,846
Amortised Cost Total	22,078	22,627	33,385	73,400
Financial assets at Fair Value through other comprehensive income - designated equity instrument	251	251	-	-
Total Financial Assets	22,329	22,878	33,385	73,400

Financial Liabilities

	Non-Current		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost:				
- Borrowing	147,240	149,336	5,429	43,451
- Creditors*				
	11,989	9,809	31,001	30,854
- PFI & Lease liabilities				
	42,807	40,892	2,292	2,272
Total Financial Liabilities	202,036	200,037	38,722	76,577

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

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

Items of Income, Expense, Gains and Losses

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

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c) Financial Instruments – Fair Values

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

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

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

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

	Fair Value Level	Balance Sheet 31-Mar-18 £000	Fair Value 31-Mar-18 £000	Balance Sheet 31-Mar-19 £000	Fair Value 31-Mar-19 £000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	70,488	93,637	109,189	133,838
Long-term LOBO loans	2	30,000	48,451	30,000	47,470
Other long-term loans	2	45,326	52,609	45,000	49,174
Lease payables and PFI liabilities	3	45,099	74,544	43,164	74,675
Total		190,913	269,241	227,353	305,157
Liabilities for which fair value is not disclosed*		49,845		49,261	
Total Financial Liabilities		240,758		276,614	
Recorded on balance sheet as:					
Short-term creditors*		31,001		30,854	
Short-term borrowing		5,429		43,451	
Long-term creditors		11,989		9,809	
Long-term borrowing		147,240		149,336	
Other short-term liabilities		2,292		2,272	
Other long-term liabilities		42,807		40,892	
Total Financial Liabilities		240,758		276,614	

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

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

18 INVENTORIES

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

19 SHORT TERM DEBTORS

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

	31-Mar-18			31-Mar-19		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	13,757	(2,968)	10,789	19,215	(3,374)	15,841
Council tax payers	5,845	(3,446)	2,399	6,303	(3,633)	2,670
NHS bodies	1,405	-	1,405	419	-	419
Central government bodies*	21,769	-	21,769	21,425	-	21,425
Other local authorities	1,477	-	1,477	3,458	-	3,458
	44,253	(6,414)	37,839	50,820	(7,007)	43,813

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

20 CASH AND CASH EQUIVALENTS

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

The bank overdraft includes un-cleared payments within the banking system. In practice, the treasury management policy of the Council is to maintain the pooled bank account balance as near to zero as possible to minimise interest charges on overdrawn balances and maximise interest earned by short-term lending of surplus funds. The actual pooled bank balance at the close of business on 31 March 2019 was £36k, (31 March 2018 –£19k overdrawn).

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Short-Term Investments classified as cash equivalent	3,079	-
Cash held by the authority	72	52,556
Bank Current accounts	(2,378)	(5,710)
Total Cash and Cash Equivalents	773	46,846

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21 ASSETS HELD FOR SALE

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

22 SHORT TERM CREDITORS

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

	31-Mar-18	31-Mar-19
	£'000	£'000
General	(29,806)	(30,744)
Central government bodies	(2,747)	(3,780)
Prepayments of council tax	(1,124)	(1,151)
NHS bodies	(1,195)	(80)
Other local authorities	(5,073)	(3,881)
	(39,945)	(39,636)

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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-18 £'000	Further provisions £'000	Amounts used £'000	Unused amounts reversed £'000	31-Mar-19 £'000
Current Provisions					
Accumulated absence provision	(4,016)	-	-	581	(3,435)
Social Services Settlement	-	(41)	-	-	(41)
Social Care Tasks	(331)	(146)	13	-	(464)
Insurance / MMI Provision	(1,504)	(109)	881	-	(732)
Energy Provision	(200)	-	-	-	(200)
Other	(414)	(500)	414	-	(500)
Total	(6,465)	(796)	1,308	581	(5,372)
Long Term Provisions					
Landfill Capping	(5,837)	-	95	-	(5,742)
Other	(2,642)	(2,255)	-	-	(4,897)
Total	(8,479)	(2,255)	95	-	(10,639)

Accumulated Absences	Accounting provision to recognise impact of accruing leave at the end of the year. No payment is made as employees have to take leave prior to leaving the Council. This is therefore not cash backed.
Insurance	Provision for known insurance claims which currently being made against the Council for a variety of incidents. These insurance claims have been assessed as having either a 'likely' or 'reasonable' chance of payout.
Landfill Capping	Provision to comply with recommended practice in respect of costs relating to the future capping of Landfill sites once they have been fully utilised. The estimation for the landfill provision is made up of two elements, the estimated cost of capping the site and the aftercare costs once the site has been capped. The Council undertook a thorough review of both of these elements during 2016/17. The aftercare costs are now included at £3.0m and the capping element is £2.7m.
Social Care Tasks / Settlement	There are two provision for Social Services, Social Care provision which was set up in 2017/18 which is money set aside for the estimated liability for Local Authorities to settle historical liabilities stemming from the Supreme Court ruling August 2017 on the funding of tasks performed by a registered nurse. This is now expected to be used in 2019/20. There is a further provision for Social Care settlement relates to the legal charges expected for a court case settlement.
Energy Provision	Amount set aside for energy bills from previous years that are expected to be paid in 2019/20. Due to problems with billing with the energy supplier, the Council is unable to be certain of what service areas this will impact upon or the certainty over the value of the bills that will ultimately be paid therefore this has been set aside as a provision.
Other	The majority of this is in relation to the income subsidy that is due for Friars Walk over the next 13 years. The amount included is based on an estimated net present value of payments. The other amount included is related to the City Deal Joint Venture."

Notes to the Statement of Accounts

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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-18	31-Mar-19
	£'000	£'000
Revaluation Reserve	(127,237)	(161,474)
Capital Adjustment Account	(123,468)	(95,165)
Financial Instruments Adjustment Account	5,085	4,451
Deferred Capital Receipt Reserve	(21)	(21)
Financial Instruments Revaluation Reserve	(251)	(251)
Pensions Reserve	324,017	400,586
Accumulated Absence Account	3,998	3,435
	82,123	151,561

Revaluation Reserve

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

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

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at 1 April	(130,929)	(127,237)
Upward revaluation of assets	(4,143)	(39,771)
Downward revaluation of assets and impairment losses not charged to provision of services	3,606	2,208
Surplus or deficit on revaluation of non-current assets not charged to provision of services	(537)	(37,563)
Difference between fair value depreciation and historic cost depreciation	3,615	-
Accumulated gains on assets sold or scrapped	614	3,326
Amount written off to the Capital Adjustment Account	4,229	3,326
Balance at 31 March	(127,237)	(161,474)

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Newport City Council

Capital Adjustment Account

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

	31-Mar-18 £'000	31-Mar-19
Balance at 1 April	(115,307)	(123,468)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	23,500	23,347
Revaluation losses/gains on Property, Plant and Equipment	3,343	33,613
Amortisation of intangible assets	-	-
Revenue Expenditure Funded from Capital under Statute	5,234	6,088
Amount of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	1,551	3,451
	33,628	66,499
Adjusting amounts written out of the Revaluation Reserve	(4,228)	(3,326)
Net written out amount of the cost of non-current assets consumed in the year	29,400	63,173
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(4,865)	(3,136)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,915)	(20,559)
Statutory provision for the financing of capital investment charged against the Council Fund balances	(10,168)	(9,781)
Capital expenditure charged against the Council Fund balance	(625)	(1,367)
	(37,573)	(34,843)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	13	(166)
Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	(1)	139
Balance at 31 March	(123,468)	(95,165)

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.

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Newport City Council

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

Deferred Capital Receipts Reserve

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

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

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Newport City Council

Pensions Reserve

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

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

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

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Balance at 1 April	3,457	3,996
Settlement or cancellation of accrual made at the end of the preceding year	(3,457)	(561)
Amounts accrued at the end of the current year	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	541	(561)
Balance at 31 March	3,998	3,435

Notes to the Statement of Accounts

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Newport City Council

26 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-18	31-Mar-19
	£'000	£'000
Interest received	(9,989)	(55)
Interest paid	13,350	14,232
	3,361	14,177

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Depreciation	(22,523)	(20,266)
Impairment and downward valuations	(4,319)	(36,694)
(Increase) / Decrease in creditors	(5,769)	4,416
Increase / (Decrease) in debtors	(77,747)	6,826
Increase / (Decrease) in stock	(28)	33
Pensions liability	(20,172)	(21,821)
Carrying amount of non-current assets sold	1,789	(3,451)
Other non cash adjustments	(6,490)	(1,040)
	135,259	(71,997)

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

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

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-18	31-Mar-19
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	32,864	23,801
Purchase of short-term and long-term investments	22,574	(10,151)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,024)	(2,530)
Other receipts from investing activities	(17,018)	(20,828)
Net cash flows from investing activities	36,396	(9,708)

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Newport City Council

28 CASH FLOW STATEMENT - FINANCING ACTIVITIES

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

29 MEMBERS' ALLOWANCES AND EXPENSES

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

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

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

Notes to the Statement of Accounts

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Newport City Council

30 OFFICER REMUNERATION

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

Post Holder Information		Salary/ Payment* £	Car Allowances & Mileage £	Pensions contributions £	Total £
Chief Executive	2018/19	140,092	900	28,299	169,291
	2017/18	137,345	900	27,744	165,989
Strategic Director - People (Appointed 01.07.17)	2018/19	105,867	900	21,385	128,152
	2017/18	75,064	675	15,163	90,902
Strategic Director - Place	2018/19	107,093	900	21,633	129,626
	2017/18	102,865	900	20,779	124,543
Chief Education Officer (Interim Chief Education Officer 01.07.17 - 30.11.17. Permanent from 01.12.17)	2018/19	76,890	675	15,532	93,096
	2017/18	53,587	393	10,825	64,805
Head of Law and Regulation (Monitoring Officer)	2018/19	81,104	450	16,383	97,937
	2017/18	79,514	450	16,062	96,026
Head of Finance (Section 151 Officer)	2018/19	81,104	-	16,383	97,487
	2017/18	79,514	-	16,062	95,576
Head of People & Business Change	2018/19	81,104	675	16,383	98,162
	2017/18	77,578	675	15,671	93,924
Head of Regeneration, Investment & Housing Services (Interim from 22.08.16 - 23.04.17. Permanent from 24.04.17)	2018/19	77,204	1,080	15,595	93,879
	2017/18	73,656	1,011	14,878	89,545
Head of Adult & Community Services	2018/19	79,130	675	15,984	95,789
	2017/18	75,690	675	15,289	91,654
Head of Children & Young People Services (Appointed 01.08.17)	2018/19	79,130	1,080	15,984	96,194
(Invoiced by Barnardo's April - July)	2017/18	63,749	720	12,877	77,346
Head of Streetscene & City Services (Appointed 15.05.17)	2018/19	76,890	675	15,532	93,096
	2017/18	64,909	593	13,112	78,614

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Newport City Council

Election Returning Officer Fees

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

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

The ratio between the Council's highest paid employee and the median position for 2018/19 was 1:6.7 (2017/18 was 1:6.7). The median position for the Council for 2018/19 is £21,693 (2017/18 was £20,661). These figures do not include taxable expenses and benefits in kind as this is not likely to make a material difference to the ratios.

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

	31-Mar-18		31-Mar-19	
	Teaching	Other	Teaching	Other
£115,000 - £119,999	-	-	-	-
£105,000 - £114,999	2	1	-	-
£100,000 - £104,999	1	-	1	-
£95,000 - £99,999	1	1	3	-
£90,000 - £94,999	2	1	2	-
£85,000 - £89,999	2	-	2	-
£80,000 - £84,999	-	1	2	-
£75,000 - £79,999	4	-	5	2
£70,000 - £74,999	14	-	8	-
£65,000 - £69,999	13	-	20	1
£60,000 - £64,999	21	1	16	0
Total	60	5	59	3

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

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

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

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

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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-18	31-Mar-18	31-Mar-18	31-Mar-18 £
£0 - £20,000	6	61	67	613,431
£20,001 - £40,000	-	20	20	599,937
£40,001 - £60,000	-	12	12	587,399
£60,001 - £80,000	-	4	4	271,930
£80,001 - £100,000	-	-	-	-
Total	6	97	103	2,072,697

31 EXTERNAL AUDIT COSTS

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

	31-Mar-18 £'000	31-Mar-19 £'000
Fees payable with regard to external audit of accounts	192	192
Fees payable in respect of local government measure	105	105
Fees payable for the certification of grant claims and returns for the year	70	71
Total	367	368

Notes to the Statement of Accounts

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Newport City Council

32 GRANTS INCOME

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

	31-Mar-18	31-Mar-19
	£'000	
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	161,757	166,485
Contribution from Non-Domestic Rate	46,493	46,305
Outcome Agreement Grant	0	
Total	208,250	212,790
	31-Mar-18	31-Mar-19
	£'000	£'000
Credited to Services		
Education Grants		
Education Improvement Grant	7,052	5,447
ISB Funding	6,797	6,410
Pupil Deprivation	4,878	4,881
Maintenance Grant	676	-
Other	707	3,605
Education Contributions		
Gwent Music	46	385
Other	1,922	582
Education Donations	761	622
Supporting People	6,477	6,518
Substance Misuse	4,412	4,405
Families First Preventions	365	519
Families First	1,339	953
Youth Offending Service	334	334
Intermediate Care Fund	980	0
Welsh Independent Living Grant	840	0
Regional Domestic Violence	353	389
Other	3,233	2,043
Social Services Contributions		
Section 28A funding	2,095	2,095
Intermediate care fund	0	974
Other	700	2,652
Social Services Donations	1	1
Regeneration, Investment & Housing Grants		
Communities First Grants	1,674	541
Childcare Offer Delivery	0	1,624
Flying Start	5,695	5,574
Families First Youth	688	364
Streets Ahead	29	0
Communities for Work	378	1,187
Inspire to Achieve	1,238	1,428

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Newport City Council

Adult Education	372	372
Other	1,023	1,647
Regeneration, Investment & Housing Contributions	7	17
Regeneration, Investment & Housing Donations	4	2
City Services Grants		
Housing Benefit Subsidy	909	827
Sustainable Waste	2,610	846
Concessionary Fares	2,395	2,556
Sport & Leisure Management	753	808
Other	1,345	1,389
City Services Contributions	97	43
Corporate Services Grants		
Housing Benefit Subsidy	54,050	48,327
NNDR	314	316
Training	360	360
Other	1,219	1,544
Corporate Service Contributions		
Other	170	119
Corporate Service Donations	15	18
	119,312	112,722

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

33 RELATED PARTIES

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

Welsh Government

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

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

Members

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

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Newport City Council

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

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

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

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

Officers

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

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Council

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

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

The Council has two pooled budget arrangements in the form of Section 33 Partnership Agreements between the five local authorities in the Gwent area and the Aneurin Bevan Local Health Board. The first of which is The Gwent Wide Integrated Community Equipment Service (GWICES) which is for the provision of an efficient and effective integrated community equipment service to users who are resident in the partner localities. This agreement came into effect on 1 October 2008.

The second is The Gwent Frailty Programme for the delivery of a range of services to avoid hospital admissions, facilitate early discharge and help individuals remain "happily independent". The Community Resource Teams (CRTs) provide integrated Urgent Response, Re-enablement and Falls services within each locality in line with agreed Locality Annual Commissioning Plans (LCPs).

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The Council also participates in six joint ventures. Gwent Joint Records Committee which is the official archive service for the local authorities in the Monmouthshire area, the recognised place of deposit for public records and ecclesiastical parish records for the Diocese of Monmouth.

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

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

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

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

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

	2017/18				2018/19		
	Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments	
	£'000	£'000	£'000	£'000	£'000	£'000	
<u>Limited Companies</u>							
The South East Wales Education Achievement Service Ltd	-	1,000	-	-	1,152	-	
Newport Norse	(471)	3,600	-641	-	4,679	126	
<u>Pooled Budgets</u>							
The Gwent Wide Integrated Community Equipment Service (GWICES)	-	348	-	-	325	-	
The Gwent Frailty Programme	-	1,637	-	-	1,720	-	
<u>Joint Ventures</u>							
Gwent Joint Records Committee	-	298	-	-	289	-	
Greater Gwent Cremation Committee	-	206	-	-385	206	-	
Project Gwyrdd	-	32	-	-	27	-	
Coroners Joint Committee	-	172	-	-	308	-	
Cardiff Capital Region City Deal (from 2017/18)	-	2,376	-	-	1,208	-	

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Newport City Council

Subsidiary Company

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

Trust Funds and Third Party Assets

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

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

34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

	31-Mar-18 £'000	31-Mar-19 £'000
Opening Capital Financing Requirement	279,214	279,845
<u>Capital investment</u>		
Property, Plant and Equipment	32,972	25,287
Heritage Assets	-	
Revenue Expenditure Funded from Capital Under Statute	5,234	6,088
Long Term Debtors		
<u>Sources of finance</u>		
Capital receipts	(4,867)	(3,136)
Government grants and other contributions	(21,915)	(20,559)
Sums set aside from revenue	(536)	(1,292)
Direct revenue contributions	(89)	(75)
Minimum Revenue Provision	(10,168)	(9,781)
Closing Capital Financing Requirement	279,845	276,377
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
Supported by government financial assistance	4,051	4,058
Un-supported by government financial assistance	9,124	1,825
Assets acquired under finance leases	-	131
Bullet Repayment of PFI Liability	-	-
Assets acquired under PFI contracts	-	299
Minimum Revenue Provision	(10,168)	(9,781)
Increase/ (Decrease) in Capital Financing Requirement	3,007	(3,468)

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

35 LEASES

Council as Lessee

Finance Leases

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	52	106
	<u>52</u>	<u>106</u>

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

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

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

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

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

Council as Lessor

Finance Leases

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

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

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

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

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Operating Leases

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

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

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Not later than one year	831	2,417
Later than one year and not later than five years	1,676	2,744
Later than five years	11,571	10,673
	<u>14,078</u>	<u>15,834</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-18	31-Mar-19
	£'000	£'000
Not later than one year	-	-
Later than one year and not later than five years	2,005	2,005
Later than five years	472	472
	<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,

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

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

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

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

Glan Usk Primary School

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

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

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

Property Plant and Equipment

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

Payments

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

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

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

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

37 IMPAIRMENT LOSSES

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

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Land & Buildings	4,181	4,157
Community Assets	1	(34)
Infrastructure Assets	91	108
Vehicles Plant & Equipment	190	-
Assets Under Construction	-	-
Heritage Assets	-	-
Total	4,463	4,231

38 CAPITALISATION OF BORROWING COSTS

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

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39 TERMINATION BENEFITS

The Council completed redundancies of 85 employees in 2018/19, incurring liabilities of £1.2m (103 employees at £2m in 2017/18). See Note 30 for the number of exit packages and total cost per band. All balances were payable to Council officers, as part of the Council's general services rationalisation and efficiencies programme.

40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

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

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

41 DEFINED BENEFITS PENSIONS SCHEMES

Participation in Pension Scheme

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Torfaen County Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement (Unfunded Teachers Discretionary Benefits) – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

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

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

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

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

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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	Unfunded liabilities: Teachers Discretionary Benefits	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Teachers Discretionary Benefits
	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19
	£'000	£'000	£'000	£'000
Opening balance at 1 April	(766,282)	(12,763)	(778,584)	(11,802)
Current service cost	(28,241)	-	(28,672)	-
Interest cost on defined benefit obligation	(19,950)	(319)	(21,781)	295
Plan participants contributions	(4,106)	-	(4,320)	-
Actuarial gains and losses arising on changes in financial assumptions	15,547	97	(69,986)	228
Changes in Demographics Assumptions	-	-	-	-
Other experience	62	210	(63)	26
Benefits paid	19,710	973	20,094	958
Past service cost (including curtailments)	(138)	-	(32)	-
Effect of settlements	4,814	-	-	-
Closing balance at 31 March	(778,584)	(11,802)	(883,344)	(10,295)

Reconciliation of fair value of the scheme assets:

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

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

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

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

- the deficit on the local government scheme will be made good by maintaining contributions at an appropriate rate over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to be raised to cover the teachers' pensions when the pensions are actually paid. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £14.9m. Expected contributions to the Teachers' Pension Scheme in the year to 31 March 2020 are £15.2m

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

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

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

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

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42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit Risk

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

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

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

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

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

	Amount at 31 Mar 2019	Historic experience of default	Estimated Exposure to non- repayment Mar 2019	Estimated Exposure at 31 Mar 2018
	£'000	%	£'000	£'000
Council tax debts	6,303	1.10	69	64
Trade debtors	7,267	1.52	110	-
			180	64

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

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

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

Liquidity Risk

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

	31-Mar-18	31-Mar-19
<u>Loan maturity</u>	£'000	£'000
Less than one year	5,428	73,337
Between one and two years	40,972	1,623
Between two and five years	7,480	9,280
More than five years	97,363	108,548
	151,243	192,788

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

Market Risk

Interest Rate Risk

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

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

The impact of interest rate changes in borrowing and investment held at variable interest rates will impact on the Council's Income and Expenditure account and therefore it's Council Fund Balances.

The Council has a number of strategies to manage the interest rate risk, as contained within its treasury management and investment strategy. Where it is economically sound to do so the Council will, during falling interest rates, repay early high cost fixed rate loans to limit loss exposure.

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

Price Risk

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

Foreign Exchange Risk

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

43 CONTINGENT LIABILITIES

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

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

In April 2013, Ernst & Young, the Scheme Administrators advised that the levy to be paid by Members had been set 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 2019 the total claims outstanding were £5.9m. Claims totalling £732k have been included as a provision in Note 23. There are a number of claims against the Council that are not included within the its general 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.

44 CONTINGENT ASSETS

No contingent assets were identified at 31 March 2019.

INTRODUCTION

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

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

ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

Basis of Consolidation

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

Accounting policies

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

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

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

2017/18			2018/19		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	Restated £'000	£'000	£'000	£'000
29,156	(3,211)	25,945	30,744	(3,578)	27,165
72,698	(28,959)	43,739	75,040	(27,470)	47,571
27,711	(4,593)	23,118	23,464	(4,221)	19,243
125,386	(21,808)	103,578	150,776	(20,894)	129,882
38,018	(18,263)	19,755	39,207	(18,840)	20,367
52,370	(23,159)	29,211	65,509	(26,187)	39,322
27,753	(5,035)	22,718	25,420	(4,658)	20,762
56,286	(55,395)	891	53,527	(51,300)	2,227
429,378	(160,423)	268,955	463,687	(157,148)	306,539
		Cost of services			
22,967	-	22,967	24,934	-	24,934
22,482	(2,401)	20,081	22,746	(1,395)	21,351
-	-	-	-	-	-
(95)	(289,913)	(290,008)	-	(298,402)	(298,402)
474,732	(452,737)	21,995	511,367	(456,945)	54,422
		(Surplus) / Deficit on Provision of services			
	(537)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets			(37,563)
	(21,291)	Actuarial (gains) / losses on pensions assets / liabilities			54,954
	-	Other gains / losses required to be included in the Comprehensive Income and Expenditure Statement			-
	-	Share of other comprehensive income and Expenditure of Subsidiaries			-
	(21,828)	Other Comprehensive Income and Expenditure			17,391
	167	Total Comprehensive Income and Expenditure			71,813

GROUP BALANCE SHEET AS AT 31 MARCH 2019

Total			Total
2017/18		Notes	2018/19
Restated			
£'000			£'000
505,654	Property, Plant and Equipment	6	507,219
17,968	Heritage Assets		17,549
7,577	Investment Property		7,783
-	Long Term Investments		-
22,078	Long Term Debtors		22,627
553,277	Long Term Assets		555,178
20,445	Short Term Investments		10,294.48
234	Assets Held for Sale		1,080.00
370	Inventories		413
38,754	Short Term Debtors	9	44,033
944	Cash and Cash Equivalents	11	46,747
60,747	Current Assets		102,567
(5,429)	Short Term Borrowing		(43,451.44)
(42,561)	Short Term Creditors	10	(41,829)
(6,465)	Provisions		(5,372)
(2,292)	Other Short Term Liabilities		(2,272)
(56,747)	Current Liabilities		(92,924)
(12,716)	Long Term Creditors	8	(10,018.00)
(8,479)	Long Term Provisions		(10,639)
(144,430)	Long Term Borrowing		(149,336)
(328,632)	Pension Liability	5	(405,478)
(42,807)	Other Long Term Liabilities		(40,892)
-	Deferred tax liability		-
(537,064)	Long Term Liabilities		(616,363)
20,213	Net Assets		(51,542)
(104,293)	Usable Reserves		(103,037)
84,080	Unusable Reserves		154,579
(20,213)	Total Reserves		51,542

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GROUP MOVEMENTS IN RESERVE STATEMENT FOR YEAR ENDING 31 MARCH 2019

	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the 31 Mar 2017 carried forward	(6,500)	(90,334)	(11,742)	(108,576)	88,130	(20,446)
Movement in reserves during 2017/18 (Surplus) / deficit on the provision of services	21,436	-	-	21,436	560	21,996
Other comprehensive Income and Expenditure	-	-	-	-	(21,763)	(21,763)
Total Comprehensive Income and Expenditure	21,436	-	-	21,436	(21,203)	233
Adjustments between accounting basis and funding basis under regulations (Note 9)	(19,994)	-	2,841	(17,153)	17,152	(1)
Net Increase / Decrease before Transfers to Earmarked Reserves	1,442	-	2,841	4,283	(4,051)	232
Transfer to/ from Earmarked Reserves	(1,442)	1,442	-	-	-	-
Increase/ Decrease in 2017/18	-	1,442	2,841	4,283	(4,051)	232
Balance at the 31 Mar 2018 carried forward	(6,500)	(88,892)	(8,901)	(104,293)	84,079	(20,214)
Balance at the 31 Mar 2018 carried forward	(6,500)	(88,892)	(8,901)	(104,293)	84,079	(20,214)
Movement in reserves during 2018/19 (Surplus) / deficit on the provision of services	53,511	-	-	53,511	911	54,422
Other comprehensive Income and Expenditure	-	-	-	-	17,334	17,334
Total Comprehensive Income and Expenditure	53,511	-	-	53,511	18,245	71,756
Adjustments between accounting basis and funding basis under regulations (Note 9)	(52,861)	-	606	(52,255)	52,255	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	650	-	606	1,256	70,500	71,756
Transfer to/ from Earmarked Reserves (Note 10)	(650)	650	-	-	-	-
(Increase) / Decrease in 2018/19	(0)	650	606	1,256	70,500	71,756
Balance at the 31 Mar 2019 carried forward	(6,500)	(88,242)	(8,295)	(103,037)	154,579	51,542

GROUP CASH FLOW STATEMENT FOR YEAR ENDING 31 MARCH 2019

Total 2017/18 £'000 Restated		Note	Total 2018/19 £'000
21,997	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		54,422
(136,089)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	13	(73,231)
17,421	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13	23,017
(96,671)	Net cash flows from Operating Activities		4,208
36,793	Investing Activities	14	(9,599)
58,984	Financing Activities	15	(40,412)
(894)	Net (increase) or decrease in cash and cash equivalents		(45,803)
49	Cash and cash equivalents at the beginning of the reporting period	11	944
944	Cash and cash equivalents at the end of the reporting period	11	46,747

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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.

	Total	
	31-Mar-18	31-Mar-19
£135,000 - £139,999	4	4
£120,000 - £124,999	0	0
£115,000 - £119,999	0	1
£105,000 - £114,999	4	0
£100,000 - £104,999	1	0
£95,000 - £99,999	3	0
£90,000 - £94,999	2	0
£85,000 - £89,999	3	1
£80,000 - £84,999	1	0
£75,000 - £79,999	4	0
£70,000 - £74,999	13	0
£65,000 - £69,999	13	0
£60,000 - £64,999	22	0
Total	70	6

Further information regarding the remuneration of the employees of Newport Bus is contained within the company's 2018/19 Financial Statements.

The disclosure for Members allowances is the same as for the single entity accounts.

2 RELATED PARTY DISCLOSURE

Related party transactions and balances of the group are as contained in note 33 to the single entity financial statements.

3 EXTERNAL AUDIT COSTS

In 2018/19 the following fees were paid by the council and its subsidiary in respect of audit and inspection.

	31-Mar-18	31-Mar-19
	£'000	£'000
Fees payable with regard to external audit of accounts	210	206
Fees payable in respect of local government measure	105	105
Fees payable for the certification of grant claims and returns for the year	70	71
Total	385	382

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4 LEASES

Operating leases

The Group has acquired some of its buildings and fleet by operating leases. Newport Transport also has commitments under non-cancellable operating leases. The minimum lease payments due under non-cancellable leases in future years for the Group are:

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

Finance Leases

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	594	625
	594	625

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Finance lease liabilities		
(net present value of minimum lease payments)		
- current	577	589
- non-current	17	36
Finance costs payable in future years	2	5
Minimum lease payments	596	630

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£'000	£'000	£'000	£'000
Not later than one year	579	594	577	589
Later than one year and not later than five years	17	36	17	36
	596	630	594	625

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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-18 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-18 £'000	Newport Transport 31-Mar-18 £'000	Local Government Pension Scheme Newport Council 31-Mar-19 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-19 £'000	Newport Transport 31-Mar-19 £'000
<u>Comprehensive Income and Expenditure Statement</u>						
Cost of Services:						
Current service cost	28,241	-	75	28,672		45
Past service cost (including curtailments)	138	-	-	32		
Effect of settlements	(2,127)	-	-			
Finance and Investment Income and Expenditure:						
Interest income on plan assets	(11,709)	-	(351)	(12,571)		(356)
Interest cost on defined benefit obligation	20,588	(319)	498	21,781	(295)	500
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	35,131	(319)	222	37,914	(295)	189
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Remeasurement of the net defined benefit liability comprising:						
Changes in Demographic Assumptions	-	-	-	-	-	-
Return on assets excluding amounts included in net interest	(4,984)	-	169	(15,047)	-	456
Changes in financial assumptions	(15,741)	97	(222)	69,986	(228)	662
Other experience	(482)	210	-	63	(26)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(21,207)	307	(53)	55,002	(254)	1,118

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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	Funded liabilities: Local Government Pension Scheme - Newport Council 31-Mar-19 £'000	Unfunded liabilities: Teachers Discretionary Benefits Newport CC 31-Mar-19 £'000	Funded liabilities: Local Government Pension Scheme - Newport Transport 31-Mar-19 £'000
--	--	--	--	--	--

Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit on the Provision of Services post employment benefits in accordance with the Code

35,131	(319)	222	37,914	(295)	189
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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

13,199	-	217	14,387	-	61
1,441	(973)	-	1,411	(958)	-
14,640	(973)	217	15,798	(958)	61

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-18 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-18 £'000	Newport Transport 31-Mar-18 £'000	Local Government Pension Scheme Newport Council 31-Mar-19 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-19 £'000	Newport Transport 31-Mar-19 £'000
Opening balance at 1 April	(766,282)	(12,763)	(20,401)	(778,584)	(11,802)	(19,737)
Current service cost	(28,241)	-	(75)	(28,672)	-	(45)
Interest cost on defined benefit obligation	(19,950)	(319)	(498)	(21,781)	295	(500)
Plan participants contributions	(4,106)	-	(11)	(4,320)	-	(7)
Related deferred tax asset						1,001
Actuarial gains and losses arising on changes in financial assumptions	15,547	97	222	(69,986)	228	(662)
Changes in Demographic Assumptions	-	-	-	-	-	-
Other experience	62	210	-	(63)	26	-
Benefits paid	19,710	973	1,026	20,094	958	1,037
Past service cost (including curtailments)	(138)	-	-	(32)	-	-
Effect of settlements	4,814	-	-	-	-	-
Closing balance at 31 March	(778,584)	(11,802)	(19,737)	(883,344)	(10,295)	(18,913)

Reconciliation of Scheme Assets

	Newport CC 31-Mar-18	Newport Transport 31-Mar-18 (Restated)	Newport CC 31-Mar-19	Newport Transport 31-Mar-19
	£'000	£'000	£'000	£'000
Local Government Pension Scheme	454,301	14,455	466,370	14,177
Opening balance at 1 April	11,709	351	12,571	356
Interest income on plan assets				
Return on assets excluding amounts included in net interest	4,984	169	15,047	456
Employer contributions	14,640	217	15,798	61
Contributions by scheme participants	4,106	11	4,320	7
Benefits paid	(20,683)	(1,026)	(21,052)	(1,037)
Settlements	(2,687)	-	-	-
Closing balance at 31 March	466,370	14,177	493,054	14,020

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

Basis for estimating assets and liabilities

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

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6 PROPERTY, PLANT & EQUIPMENT

2017/18	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	327,485	48,955	214,300	605	6,735	35,833	633,913	71,139
Additions	9,459	2,027	3,919	34	-	10,448	25,887	-
Donations	-	-	-	-	-	-	-	-
Re-classification	42,124	-	-	(145)	(1,001)	(42,050)	(1,072)	-
Revaluations	(6,476)	-	(108)	(266)	236	-	(6,614)	-
Impairments	(4,157)	-	-	-	-	-	(4,157)	-
Disposals	(26)	(385)	-	(49)	(3,334)	-	(3,794)	-
At 31 March 2019	368,409	50,597	218,111	179	2,636	4,231	644,163	71,139
Accumulated Depreciation and Impairment								
At 1 April 2018	(28,522)	(32,997)	(66,741)	-	-	-	(128,260)	(20,152)
Depreciation Charge in Year	(10,747)	(4,018)	(6,309)	-	(4)	-	(21,078)	-
Re-classification	-	-	-	-	-	-	-	-
Revaluation Impact	12,022	-	-	-	-	-	12,022	-
Disposals	7	365	-	-	-	-	372	-
At 31 March 2019	(27,240)	(36,650)	(73,050)	-	(4)	-	(136,944)	(20,152)
Net Book Value								
At 1 April 2018	298,963	15,958	147,559	605	6,735	35,833	505,653	50,987
At 31 March 2019	341,169	13,947	145,061	179	2,632	4,231	507,219	50,987

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2017/18	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment	PFI Assets within PPE
(Restated)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	323,946	47,121	211,556	592	7,509	17,607	608,331	71,139
Additions	6,051	3,441	2,835	1	-	19,829	32,157	-
Donations	3,076	-	-	-	-	-	3,076	-
Re-classification	(35)	-	-	13	(125)	(1,603)	(1,750)	-
Revaluations	(501)	-	-	-	(649)	-	(1,150)	-
Impairments	(4,181)	(190)	(91)	(1)	-	-	(4,463)	-
Disposals	(871)	(1,417)	-	-	-	-	(2,288)	-
At 31 March 2018	327,485	48,955	214,300	605	6,735	35,833	633,913	71,139
Accumulated Depreciation and Impairment								
At 1 April 2017	(18,677)	(30,073)	(60,501)	-	-	-	(109,251)	(18,300)
Depreciation Charge in Year	(11,581)	(4,312)	(6,240)	-	(7)	-	(22,140)	(1,852)
Re-classification	37	-	-	-	2	-	39	-
Revaluation Impact	1,597	-	-	-	5	-	1,602	-
Disposals	102	1,388	-	-	-	-	1,490	-
At 31 March 2018	(28,522)	(32,997)	(66,741)	-	-	-	(128,260)	(20,152)
Net Book Value								
At 1 April 2017	305,269	17,048	151,055	592	7,509	17,607	499,080	52,839
At 31 March 2018	298,963	15,958	147,559	605	6,735	35,833	505,653	50,987

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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-18	31-Mar-19
	£'000	£'000
Section 106 deposits	5,776	6,161
Other long term creditors	6,213	3,857
	11,989	10,018

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

9 DEBTORS

	31-Mar-18			31-Mar-19		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	14,672	(2,968)	11,704	19,435	(3,374)	16,061
Council tax payers	5,845	(3,446)	2,399	6,303	(3,633)	2,670
NHS bodies	1,405	-	1,405	419	-	419
Central government bodies	21,769	-	21,769	21,425	-	21,425
Other local authorities	1,477	-	1,477	3,458	-	3,458
	45,168	(6,414)	38,754	51,040	(7,007)	44,033

10 CREDITORS

	31-Mar-18	31-Mar-19
	£'000	£'000
General	(32,422)	(32,937)
Central government bodies	(2,747)	(3,780)
Prepayments of council tax	(1,124)	(1,151)
NHS bodies	(1,195)	(80)

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Other local authorities	(5,073)	(3,881)
	(42,561)	(41,829)

11 CASH AND CASH EQUIVALENTS

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

	31-Mar-18 £'000	31-Mar-19 £'000
Short-Term Investments classified as cash equivalent	3,080	1
Cash held by the authority	242	52,556
	3,322	52,557
Bank Current accounts	(2,378)	(5,810)
Total Cash and Cash Equivalents	944	46,747

12 PROVISIONS

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

13 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-18 £'000	31-Mar-19 £'000
Interest received	(9,989)	(55)
Interest paid	13,276	14,174
Loss on disposal of tangible assets	-	-
Taxation	95	-
	3,382	14,119

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

	31-Mar-18 £'000	31-Mar-19 £'000
Depreciation	(23,454)	(21,086)
Impairment and downward valuations	(4,319)	(36,694)
(Increase) / Decrease in creditors	(5,842)	4,759
Increase / (Decrease) in debtors	(77,580)	6,187
Increase / (Decrease) in stock	(16)	43
Pensions liability	(20,177)	(21,949)
Carrying amount of non-current assets sold	1,789	(3,451)
Other non cash adjustments	(6,490)	(1,040)

Group Accounts

Statement of Accounts 2017/18

Newport City Council

(136,089) (73,231)

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

	31-Mar-18	31-Mar-19
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,012	2,530
Any other items for which the cash effects are investing or financing cash flows	16,409	20,487
Net cash flows from Operating activities	17,421	23,017

14 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-18	31-Mar-19
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	33,187	23,852
Purchase of short-term and long-term investments	22,574	(10,151)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,024)	(2,530)
Other receipts from investing activities	(16,944)	(20,770)
Net cash flows from investing activities	36,793	(9,599)

15 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-18	31-Mar-19
	£'000	£'000
Cash receipts of short- and long-term borrowing	(63,217)	(61,055)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,292	1,975
Repayments of short- and long-term borrowing	119,909	18,669
Net cash flows from financing activities	58,984	(40,411)

16 TAXATION

Newport Transport Tax Liability is as follows:

	31-Mar-18	31-Mar-19
	£'000	£'000
Corporation tax		
Current tax on profits for the year	-	-
Total Current Tax	-	-
Deferred Tax		
Origination and reversal of timing differences	(95)	95
Total deferred tax	(95)	(95)
Taxation on profit on ordinary activities	(95)	(95)

Factors affecting tax charge for the year

	31-Mar-17	31-Mar-18
	£'000	£'000
Profit on Ordinary shares	(585)	(654)
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	15	(95)

The tax assessed for the year is higher than (2018 – higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are below:

Glossary of Accounting Related Terminology

Statement of Accounts 2017/18

Newport City Council

GLOSSARY OF TERMS

- **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

- **Actuarial Gains and Losses Re-measurement of Net Defined Benefit Liability**

Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because events have not coincided with the actuarial assumptions made for the last valuation and the actuarial assumptions have changed.

- **Agency Services**

These are services that are performed by or for another Council or public body, where the principal (the Council responsible for the service) reimburses the agent (the Council carrying out the work) for the costs of the work.

- **Appointed Auditors**

The Audit Commission appoints external auditors to every Local Council, from one of the major providers of registered auditors. The Welsh Audit Office is the Council's appointed Auditor.

- **Authorised Limit**

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

- **Balances**

The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

- **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of Property, Plant and Equipment as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

- **Capital Expenditure**

This is expenditure on the acquisition of property, plant and equipment, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

- **Capital Financing Charges**

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

- **Capital Receipts**

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Glossary of Accounting Related Terminology

Statement of Accounts 2017/18

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**

Glossary of Accounting Related Terminology

Statement of Accounts 2017/18

Newport City Council

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Council. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

- **Revaluation Reserve**

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

- **Service Reporting Code of Practice (SERCOP)**

Prepared and published by CIPFA, the Service Reporting Code of Practice (SERCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SERCOP establishes proper practices with regard to consistent financial reporting for services in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

- **Treasury Management**

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

- **Trust Funds**

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

- **Unsupported (Prudential) Borrowing**

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

Glossary of Acronyms

Statement of Accounts 2017/18

Newport City Council

SERCOP	Service Reporting Code of Practice
CAA	Capital Adjustment Account
CERA	Capital Expenditure charged to Revenue Account
CFA	Capital Financing Account
CIPFA	Chartered Institute of Public Finance & Accountancy
Code	CIPFA Code of Recommended Accounting Practice
EIB	European Investment Bank
ERDF	European Regional Development Fund
GAAP	Generally Accepted Accounting Practice
GAVO	Gwent Association of Voluntary Organisations
GCC	Gwent County Council
GEST	Grants for Education Support & Training
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LMS	Local Management of Schools
MRP	Minimum Revenue Provision
NCA	Notional Credit Approval
NNDR	National Non-Domestic Rates
NPV	Net Present Value
NRV	Net Realisable Value
PFI	Private Finance Initiative
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RSG	Revenue Support Grant
SEWREC	South East Wales Racial Equality Council
TTF	Treasury Task Force
WIP	Work in Progress

Further Information

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.

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Civic Centre/Canolfan Ddinesig
Newport/Casnewydd
South Wales/De Cymru
NP20 4UR

4th April 2019

Mr Will Godfrey
Chief Executive
Newport City Council
Civic Centre
NP20 4UR

Dear Chief Executive,

Audit Committee Members' concern around the poor controls within City Services Service Area.

The Audit Committee gain a level of assurance that appropriate controls are in place across the Council's services to safeguard its assets, to ensure sound financial management is in place, to minimise fraud, corruption and significant loss, and to ensure public money is being utilised appropriately, from regular reports from the Chief Internal Auditor. On a quarterly basis the Chief Internal Auditor updates the Audit Committee on the audit reviews undertaken and all audit opinions issued; on a six monthly basis unfavourable audit opinions are reported, the reasons why they were given that opinion along with a revised audit opinion if the work has been followed up. The intention of the follow up audit work is to assess the progress operational managers have made in implementing agreed management actions in order to improve the internal control environment such that a greater level of assurance can be provided of sound financial management.

If the audit follow up work results in a consecutive unfavourable audit opinion then the respective Head of Service is invited into Audit Committee to account for the lack of improvement.

Members of the Audit Committee wish to express their concern about the **limited assurance** provided on systems and services operated within the City Services Service Area. The quarterly update to 31 December 2018 showed that 2 out of the 5 Unsatisfactory audit opinions were within City Services.

The six monthly report, presented to January 2019 Audit Committee, showed that since 2015/16 2 audit reviews within City Services resulted in two consecutive unfavourable audit opinions, showing a lack of improvement. A further review in 2018/19 also resulted in an Unsatisfactory audit opinion.

The Head of 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. The same Head of Service also attended Audit Committee in September 2018 to respond to concerns raised about a

second consecutive unfavourable audit opinion in relation to Refuse Agency & Overtime.

Members of the Audit Committee are concerned that lessons are not being learnt following audit reviews within the service area and improvements are not being made quickly enough. Members would like assurance from you as the Chief Executive of the Council, that appropriate action will be taken to address these shortcomings and would welcome your response to their concerns.

Yours faithfully,

J Baker

John Baker

Chairman of the Audit Committee
On behalf of the Audit Committee

30th April 2019

Civic Centre/Canolfan Ddinesig
Newport/Casnewydd
South Wales/De Cymru
NP20 4UR

Mr John Baker
Chairman of Audit Committee
Newport City Council
Civic Centre
NP20 4UR

RE: City Services Audit

Dear Mr Baker,

Thank you for your letter dated 4th April.

The number of unsatisfactory audits in Streetscene (now City Services) has been a legacy issue for some time, due to a number of factors. After a long period of instability, a new Head of Service was appointed in May 2017.

As your letter highlights, in June 2017, four weeks after his appointment, the Head of Service and Strategic Director attended Audit Committee to respond to the repeated unsatisfactory audits that had occurred prior to him commencing his employment.

In September 2018, the Head of Service again attended Audit Committee to give an update on progress. At this meeting, the Committee was appraised of the considerable changes that had already been made by the Strategic Director and Head of Service, which included a wholesale management restructure and a significant amount of work to eliminate previous patterns of overspending.

It is also important to note that in May 2018, the Cabinet under advice from the Senior Leadership Team, allocated specific funding to support issues that had been identified by the Strategic Director and Head of Service. This funding spans a two-year period and from conversations with the Head of Service and Strategic Director, I do not believe further resource is needed at this time.

This additional resource is currently being utilised to conduct in-depth service reviews of the systems and processes of each area of City Services to inform detailed action plans for improvement. However, internal audit has also been asked to audit these specific areas before they are reviewed (in service) to ensure there is a clear and robust picture of the issues.

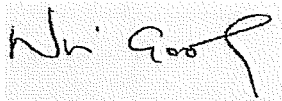
In the short-term, this is likely to result in further unsatisfactory reports for a period of time. I am, however, content with this approach, as I feel this is a better use of internal audit resource and will ensure the services involved are able to plan for improvement for more effectively, rather than audit being directed towards improved or improving services.

Furthermore, there is frequently a lag between the audit review period and the final report being issued, which can lead to a lack of understanding in terms of distance

travelled by a service. For example, you mention specifically the unsatisfactory audits in the Waste and Cleaning department. As part of the aforementioned restructure, a new Service Manager and Team Managers have been appointed and are working extremely hard to improve the position and respond to audit recommendations. The most recent review of the refuse collection service (completed March 2019) achieved the first 'good' in the service area for many years. I have also recently presented the Cleansing Team Manager with a Staff Values award in recognition of the rapid improvement in his department.

It is clear that whilst much good work has been done and further work is already underway, it will take a little more time to improve all of the many and varied functions that form part of City Services. Hopefully, we all appreciate the continued challenges facing City Services and I would like to reassure you that the Strategic Director, Head of Service, and myself are committed to building on the work already undertaken and addressing any issues arising from future audits.

Yours Sincerely,



Will Godfrey
Chief Executive, Newport City Council