

Agenda



Governance and Audit Committee

Date: Thursday, 29 July 2021

Time: 5.00 pm

Venue: Microsoft Teams Live Event

To: Mr J Baker (Chair) Councillors H Thomas, M Whitcutt, G Giles, P Hourahine, R White, R Mogford, J Jordan and R Hayat

Item

- 1 Apologies for Absence
- 2 Declarations of Interest
- 3 Minutes of the Last Meeting (Pages 3 - 14)
- 4 Statement of Accounts 2020/2021 (Pages 15 - 160)
- 5 Work Programme (Pages 161 - 164)
- 6 Date of Next Meeting
30 September 2021 at 5pm
- 7 Live Event
[To view the live event please click here](#)

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Date of Issue: Thursday, 22 July 2021

This document is available in welsh / Mae's ffurflen hon ar gael yn Gymraeg

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Minutes



Governance and Audit Committee

Date: 27 May 2021

Time: 5pm

Present: Cllr Richard White, Cllr Mark Whitcutt, Cllr Phil Hourahine, Cllr Herbie Thomas, Cllr Ray Mogford

In Attendance: Mark Bleazard (Digital Services Manager), Gareth Price (Head of Law and Regulation), Rhys Cornwall (Head of People and Business Change), Paul Flint (Performance and Research Business Partner), Dona Palmer (Audit Manager), Mark Howcroft (Interim Assistant Head of Finance), Andrew Wathan (Chief Internal Auditor), Laura Mahoney (Senior Finance Business Partner), Robert Squance (Audit Manager), Anne Jenkins (Governance Team Leader), Ellie Howard (Graduate Trainee), Kathryn Beavan-Seymour (SRS), Matt Lewis (SRS), Gareth Lucey (Audit Wales)

Apologies: Councillor Gail Giles

2 Declarations of Interest

None.

3 Minutes of the Last Meeting

Cllr Hourahine wanted to clarify that he had asked how long instruments lasted before they were written off; the answer given at the time was 7 years. Andrew agreed to seek clarification from the manager of Gwent Music whether this answer was correct. This point was noted as needing to be corrected.

Subject to the last comment being amended, the minutes were agreed.

4 Appointment of Chairman

The Chair was re-elected for another year of the position.

5 Treasury Management Year End Report 2020/21

Laura Mahoney, Senior Finance Business Partner, explained that this paper is to inform the Committee of the treasury management activities undertaken in financial year 2020/21. This is a backwards looking report and confirms that the Council keeps its strategy of maintaining its' investments to a minimum, rather than taking out additional long term borrowing.

A summary of the treasury management activities shows that total borrowing in the year 2020/21 reduced by £13.1 million to £153.2 million, and total investments increased by £12.3 million to £24.8 million. This reduced the net borrowing by £25.4 million to £128.4 million.

The main reasons for the decrease in the net borrowing at the end of 2019/20 was that the Council had undertaken some short term borrowing to support small businesses in March 2020, in response to the pandemic. Welsh Government then reimbursed this, and the borrowing was repaid in June 2020. The increase in investments is due to having higher levels of cash, due to possible unexpected pressures during the pandemic.

The overall borrowing strategy remains the same, the Council has significant long term borrowing requirements. The Council's current strategy of funding capital expenditure utilises internal borrowing rather than undertaking new borrowing when it can. The level of internal borrowing currently stands at £107 million as of the end of 31st March 2021. Currently only investing very short term with UK government and local government, meaning there are low interest rates, but this was felt as prudent during the pandemic. The 2020/21 treasury management strategy agreed that the Council would be undertaking longer and larger investment strategies in riskier investments, to generate income. CCLCD stopped new investments following the pandemic. Due to the market volatility at the time, it was decided that it was not prudent to begin investing in more risky instruments.

In terms of the impact of Covid-19 on cash flow, the Council has had to take no further long-term borrowing since January 2021, apart from £94,000 for Salex, for a one off energy project, and this had no interest. This was due to a significant amount of Welsh Government funding during Covid-19. It is expected that additional long term funding may be required over the course of the following year.

The PWLB have released new lending terms after last years' consultation. Interest rates will be reduced, provided that Local Authorities submit detailed capital expenditure plans.

Discussion included the following:

- Members queried what the PWLB stands for
- The Senior Finance Business Partner explained it stands for Public Works Loans Board.
- Members queried if there is a paper on when we can expect payback from Salex, and what is this money being invested in?
 - The Senior Finance Business Partner explained that the project is for the replacement of all lighting in the velodrome so it is energy efficient. The current payback is expected in 8-10 years.
 - Members commented that 10 years is a long payback period
 - The Senior Finance Business Partner replied that the payback period is expected to be 8 years
- The Chair asked how much the capital spend slippage is
 - The Senior Finance Business Partner answered that it is approximately £7 million
 - The Chair asked why this is slipping 25% year on year, and do the treasury take account of this in the strategy?
 - Treasury Management do take account of slippage as part of the forecast, and tend to assume 25-30% for each year. This year lots of the slippage was in relation to grants from Welsh Government, who have given an extension up until the end of April in order to spend some of the allocations. Often, by the time allocations were received, it was difficult to get plans and contractors in place.
 - The Chair queried that, if we have a plan for capital and every year there is slippage, would this not indicate poor project management? We wouldn't want to risk losing grants from Welsh Government if it appears we are not spending this money that we have received.

- Members commented that shortfall in education projects was cited as the reason for slippage for year before. Has all the slippage attributable to Education projects been closed out?
 - The Senior Finance Business Partner explained that there has been some slippage in Education projects, but the main areas of slippage last year have been managed more effectively this year
- The Chair asked that, as our borrowing is now £128 million, are we now down to relatively low levels of net debt
 - The Senior Finance Business Partner said she would need to go back and confirm that.

Action:

The Senior Finance Business Partner (Laura Mahoney) to clarify the last query regarding debt levels.

Agreed:

The paper was duly noted and approved by the Committee.

6 Audit Committee - Changes to Terms of Reference

The Head of Law and Regulation presented this item. The purpose of this item is to note the contents of the report and endorse the recommendations to make the constitutional changes, which reflect the new legislation affecting the Governance and Audit Committee.

The Local Government and Elections Wales Act will bring changes to the Councils' internal governance.

The changes in terms of audit have come into effect on 1 April 2021. The first change is the change of name to 'Governance and Audit Committee' to reflect enhanced terms of reference and expanded responsibility. The second change is to add to the statutory terms of reference to include additional responsibilities in terms of complaints handling, as well as a role relating to performance assessment going forwards, under the legislation.

In appendix 2, the new terms of reference have been set out to incorporate the statutory changes. Council will be asked to make those constitutional changes at the next meeting at the end of June.

The opportunity has also been taken to update the role descriptions for the chair and members due to these constitutional changes. The change to the complaints handling procedure will start immediately, and that will be in the forward work programme from now. Regarding the performance assessment aspect, we are awaiting further guidance from WG.

It aims to provide a self-assessment process for service delivery, which will replace the previous annual report system in place. This is a more flexible self-assessment process and will include a peer review by an independent panel. Democratic Services are currently unclear about how this will work in detail. The Committee will need to produce the first assessment report by 2022/23, so it is likely to be deferred to September 2022, after the next elections. Flintshire have volunteered to be a pilot council, and the Committee can learn from their experience. Once this new process is in force, Governance and Audit Committee will play a role in overseeing the self-assessment process in terms of improving service delivery.

Another change to come is the composition and membership of the Committee. As from next May (2022), there will be a legal requirement to ensure that at least a third of the committee members are independent. That is intended to strengthen the external scrutiny of the Council's audit process. Between now and next May, we will need to go through a recruitment process to recruit new lay members. In addition, as the chair has served two successive terms of office, a new independent chair will also need to be recruited.

Democratic Services are recommending to start this process now, as there is a long and rigorous procedure of recruitment and interviews.

Discussion including the following:

- The Chair remarked that, currently, the Audit Committee oversees the risk process. Can we confirm that this new Act does not bring any new powers regarding risk for the Audit Committee?
 - The Head of Law and Regulation replied that there is no change to risk. Under the 2011 Act, there are statutory roles and responsibilities for audit, but the Council has discretion to provide additional roles. It is already in the terms of reference that Audit Committee has oversight of the Council's risk processes, and the Committee need to be satisfied that the Council has robust measures in place to deal with risk. However, the identification of corporate risks and dealing with these remains an issue for Cabinet Members.
- Members asked how the recruitment process will happen in a politically balanced way, and who will oversee this?
 - The Head of Law and Regulation explained that the first element is the role description, which sets out what we are looking for; this is the basis on which applications are being assessed. This will be put out for external advertisement. Officers will then create a shortlist of applicants. We would then look to set up a politically balanced panel to interview the applicants, supported by officers who regularly advise this Committee. These recommendations would then go to Full Council for appointment.

The Head of People and Business Change commented that, regarding performance, the intention is to work with the Committee to determine what this will look like for the Council, rather than presenting Committee with the finished article. Over the next few months, the plan is to bring forward some ideas with help of WLGA.

Agreed:

The Committee endorse the recommendations of the Democratic Services Committee.

7 Corporate Risk Register Quarter 4

The Head of People and Business Change presented this item.

In Q4, the Council is dealing with 46 risks including those in the corporate risk register across all service areas. All detail of these risks is contained within the report. There were 6 service areas where risks were closed within this quarter.

There is also some change in direction of corporate risks also within report. The Brexit risk has reduced. In year financial management reduced risk due to year end closing. Covid-19 pandemic risk receding by end of March due to vaccination programme; this continues to be monitored carefully. NCC property estate risk has increased due to St Andrew's Junior School, and there are mitigations in place for this. Out of County Placements for Special Educational Needs risk has also increased at the end of Q4.

The Performance and Research Business Partner explained that at the end of Q4, we have identified a number of risks that have remained at the same score over the last year. In light of this, corporate management team (CMT) will be taking a more proactive approach looking at performance and risk over the coming year. They will be undertaking deep dive reviews to understand why certain risks remain high, and what can be done to mitigate and reduce these risks in order to achieve the target risk scores. As part of good practice, the CMT and Cabinet will be looking at the current risk appetite statement, and consider whether the risk appetite statement needs to change to reflect what risks are being faced internally and

externally. In due course, the committee will receive this risk appetite statement for comments and consideration, and this will be taken to Cabinet.

Discussion included the following:

- Members commented that they were pleased a number of risks had fallen. It was queried why has the risk gone up for out of county placements, despite more places being opened up for children in care.
 - The Performance and Research Business Partner explained that Out of County placements are due to the change in legislation regarding additional learning needs, which has placed additional demands on the service. We need to utilise Out of County placements due to the increase in demand.
 - Members commented that the report could be clearer in explaining that the risk had gone up due to increased demands placed on the service.
- Members asked regarding the property estate risk and wanting to achieve carbon neutral by 2030, how would this affect that risk due to significant investment needed?
 - The Head of People and Business Change replied that becoming carbon neutral by 2030 is a huge challenge. Carbon is spread across a range of activities, partly property related, but also a lot of this footprint comes from procurement of services, as well as transport activities. That risk is associated across our entire estate, and when issues arise such as the St Andrews property, they do have an impact on risk. The carbon reduction plan will have an impact on that.
- The Chair commented that CMT are taking more ownership of risk than perhaps they previously were. On page 49, we have 10 red risks that aren't moving, which implies that not much is being done to mitigate these risks. Will CMT look to mitigate these risks?
 - The Head of People and Business Change replied that there is a lot going on to mitigate these risks, but some of them are very challenging. It is necessary to bring in different views, ideas and resources to approach these risks. Risks are taken very seriously, and there is lots of work going on. Moving forward, need to consider how we consider performance management and risk together, and would be useful to do a deep dive approach. Some of these risks are beyond the control of CMT. We need to address how we determine what our target risk score is. We may need to accept that sometimes our target risk scores are perhaps too high.
 - The Performance and Research Business Partner explained that having a more mature approach is what we're aiming to do, in relation to risk management. CMT are taking more ownership and responsibility. We would be happy to undertake deep dives and call in any owners of risks to explain the standing of various issues.

Agreed:

This paper was duly noted and approved.

8 Annual Governance Statement (draft statement)

The Chief Internal Auditor presented this item. The purpose of this Statement is to give assurance to the Committee that the appropriate controls are in place across the Council, and ensure that all business is appropriate. There is a requirement to put an annual governance statement together, and this is an early sight for members of the Governance and Audit Committee to comment and shape this annual statement. It is based on the code of corporate governance, which has come through the Governance and Audit Committee previously. That is the framework as set out by CIPFA / Solace for good governance in the public sector. This framework details all governance frameworks we have in the Council. The 7 governance principles are outlined in the report given to Members. The report hopefully gives Members assurance that we have appropriate internal controls in place for 2021.

The intention of the statement is to capture what has gone through Scrutiny, Cabinet, Audit Committee and Council through the year demonstrating good governance. We would say we have effective governance processes in place. As stated this is in draft form, and will be sent to all Heads of Service once thoroughly checked and completed.

Discussion included the following:

- The Chair mentioned that perhaps this statement is too long. There are also some formatting issues, which the Chair will send through to the Chief Internal Auditor. There is a diagram on page 107, which doesn't add much value and is too complicated; this could be taken out. On page 116, 'role' is spelt wrong as 'roll'. On page 131, the conclusion is not clear enough to say how effective the controls are. We need a statement that makes clear whether our controls are effective or not, not just in relation to Covid-19.
 - The Chief Internal Auditor explained that the purpose of the diagram is to link the Council values with the Wellbeing of Future Generations Act. However if this is unclear it can be removed.

Agreed:

The report was duly noted and The Chief Internal Auditor noted the comments made.

9 Audit Wales Annual Report on Grants Works 2020-21- Draft

A representative from Audit Wales, Gareth Lucey, presented this item. This is the standard annual report for grants which Audit Wales are responsible for certifying. The full details are contained within the report. Audit Wales certified far fewer audits this year, due to WG removing the requirement for Audit Wales to externally certify some types of grants; the number of grants certified was reduced from 10 to 4.

There have been no new issues or matters of focus arising from the findings this year. However, a number of issues raised related to the Housing Benefit subsidy return. Audit Wales have raised a number of recommendations, particularly concerning the relationship between the housing benefit team and the housing needs team. If these recommendations are successfully implemented, this will reduce the cost of certifying this item, and reduce the risk relating to this issue.

Discussion included the following:

- The Chair queried regarding housing benefit and the teachers' pension. Have asked for clarification from finance as to what actions are being taken, but it seems that each year the answer is the same but nothing seems to be done. This new report emphasises that this is a continuous problem. What are the accountancy team and audit team going to do about this?
 - Gareth Lucey replied from the Audit Wales perspective. The aim is to escalate this set of recommendations to hold the housing benefit team to account. In future years, we need to ensure that these are actioned in the coming years. Actions can still be taken at this stage to correct any issues in the 2020/21 return.
 - The Interim Assistant Head of Finance (Mark Howcroft) explained that this is a common feature in the housing benefit claim across local authorities, as it is a large claim and has significant movements in it. But this is not to say that the Council can't get better at improving the communication between the housing benefit team and housing needs team.
- The Chair commented that the fact it happens elsewhere doesn't make it right
 - The Interim Assistant Head of Finance (Mark Howcroft) explained that this is just context to recognising that this is a complex claim that involves large amounts of money.

- The Chair replied that the same things come up year on year. E.g., the form not being signed off by relevant finance officer, this seems like a basic check that needs to be done. If there are certain areas that are complicated that people need training on, this can happen. However there is also information just not being obtained. Some of this is basic stuff, like people not getting the right information that is expected. We need to minimise human error regarding this.
- The Chair also enquired regarding the teachers' pensions element
 - The Head of People and Business Change explained that this can become complex due to teachers changing their hours etc. The Council have invested in an HR system which is now totally online, which will help to better calculate pensions.
 - The Chair requested that the audit team look at both of these items.
- Members enquired that the report seems to suggest an error in systems has saved £400,000. What is being done to check this?
 - Gareth Lucey (Audit Wales) explained that this is an isolated issue, however it reduced the amount the Council needed to pay. It was merely due to an error within the spreadsheet (a row was deleted).

Action:

Request that the audit team look into the housing benefit teams' actions

Agreed:

The Committee duly noted the report, and note that finance will work with housing benefits to resolve some of these issues.

10 Internal Audit Annual Report 2020/21

The Chief Internal Auditor presented this report. The annual report is based on two elements- assurance that we have effective internal controls, governance arrangements and risk management process in place and also the performance of the team. This report is looking back over 2020/21.

The overall opinion is set out in the report as **Reasonable**. This means we have adequate controls, although there are risks present requiring improvement. The 2020/21 opinion was based on 6 months of audit work due to Covid-19 impacting on the ability to carry out audit work. Although Audit Committee previously agreed a plan for 1200 days of audit work, the revised plan was 600 days' worth of audit work. The team did a fantastic job of getting as many opinion ratings out as possible. For 2020/21, it has also been necessary to rely on previous years' audit work, as there have been very few changes regarding systems or staff, meaning we have assurance that we can rely on this opinion.

The other aspect of the report is the performance of the team, which has completed 78% of the agreed plan, and this was revised based on a half year of work. It was hoped that the team would get back out to schools and other site visits, but due to Covid-19 this was not possible.

The overall opinion is based on 6 months work, and the team identified 29 opinions to give an overall **Reasonable** level of assurance, also relying on previous knowledge and audit work, to identify that there are no significant issues.

Comparing year on year, paragraph 6 outlines the number of opinions given in the past 4 years.

2020/21: similar number of opinions issued in 19/20 which was for a full year. This shows the team really focused on the opinion work.

It was pleasing to note there were 5 good opinions. There were 23 reasonable opinions, and 1 unsatisfactory opinion (Newport City Dogs Home).

The team have also taken on an additional resource, taken on an external internal audit expert provided by South West Audit Partnership. This report would normally report on the implementation of the 2019/20 agreed management actions, but due to the covid pandemic, this information has not been fully received. This will be reported back to the Committee later on in the year.

The team are in another 2-year cycle of the National Fraud Initiative, and they are currently working through the data matches from the Cabinet Office.

The team are getting draft reports out within 8 days, and final reports out within 3 days, which is commendable.

The Chief Internal Auditor then outlined the appendices of the report, which summarised the items being reported on; this was regarding internal controls and the performance of the team.

Discussion included the following:

- Members commented that the dogs' home has come up a number of times in audit. Do we need to address this as a committee?
 - The Chief Internal Auditor explained that there has only been one unsatisfactory report, so it doesn't seem necessary to call them in yet. If there is a second unsatisfactory opinion, his advice would then be to call them in.

Agreed:

The report is duly noted and endorsed.

11 Internal Audit Annual Plan 2021/22

The Chief Internal Auditor presented this item. This report looks forwards to 2021/22, and is being brought to the Governance and Audit Committee for comment and approval. This report relates to work, Internal Audit are planning to undertake across all service areas. The objective is to provide assurance on the adequacy of the internal control environment, governance arrangements and risk management processes. The plan aims to cover as many service areas as possible and is based on a full 12 month financial year. This is based on 1084 productive audit days.

There is some background information in the report about the structure of the team and the independence of their work. They are planning to cover some of the higher risk rated areas.

The team will have to prioritise any work which couldn't be done in 2020/21. The plan also incorporates schools, which seems possible having spoken to the Chief Education Officer.

The Chief Internal Auditor has spoken to all heads of service regarding risk in their service areas, in addition to known audit issues as a team, which has helped shape this year's plan.

The Audit Team has prioritised the long list of the audit universe into a more reasonable audit programme and then balanced it to the resources available, to result in an audit plan which has been presented to the Committee.

The Chief Internal Auditor then outlined the appendices of the report, which explained the details of the audit processes and individual jobs.

There are 82 jobs in the plan, of which 59 are opinion related. 23 non-opinion related works where the team can add value to the organisation.

There are currently 6.5 full time staff. The total number of working days in the year is 2072, deducting leave, sickness, training, management, admin etc. leads to a net figure of 1084 productive audit days- (934 operational audit days & 150 allocated to special investigations)

Discussion included the following:

- The Chair mentioned that there is capital programme slippage every year. Is there a possibility to review project management around capital plans and capital budgeting, as this appears to be a weakness?
 - The Chief Internal Auditor explained that the plan is flexible, and needs to be flexible to respond to need. This is something that can be included, but will need to be adjusted within the plan. Will need to discuss this with lead officers to ensure we can accommodate this.
- Members queried the 7 items which have never been audited. Can these items be prioritised for audit as a matter of urgency?
 - The Chief Internal Auditor replied that the team will endeavour to do these first, but will need to work with service areas to agree an appropriate time for these audits to take place.

Agreed:

Report is duly noted and approved.

12 SO24/Waiving of CSO's: Quarterly report reviewing, Cabinet/CM urgent decisions or waiving CSO's (Quarter 4, Jan to March)

The Chief Internal Auditor presented this item. This is a quarterly report related to waiving of contract standing orders (CSOs) and urgent decisions which have been taken that don't have the opportunity for call in by other members. In the last Quarter, there were 2 reports relating to the NNDR for discretionary relief, as a result of the pandemic. One report relates to hospitality, one to enhanced hospitality. The Leader of the Council in both cases has taken an urgent decision.

The first report didn't specifically say why an urgent decision was made, but within the appendix of that report, the information came through from WG that the government minister made the decision on the 3rd March 2021 for council tax papers which go out before the 1st April. Therefore this urgent decision was due to WG making a late decision, as an email was sent to NCC on 16th March with paperwork needed by 1st April. It was therefore deemed as an appropriate justification.

Although it was not specifically stated in the report for the second item, the Chief Internal Auditor subsequently identified that the justification for the urgent decision was the same as the first item, a late decision by WG being communicated to NCC in mid March. Therefore, there was appropriate justification for the second item, as an urgent decision needed to be made regarding the NNDR discretionary relief. It would appear there is no cause for concern there.

Agreed:

The Committee duly note the comments and recognise there is no cause for concern.

13 Draft Work Programme

The Chair observed that there were some lines within the report for the forward work programme which had been repeated.

Action:

The Democratic Services Team will work in the background to iron out any issues with the work programme.

14 Date of Next Meeting

29 July 2021 at 5pm

Part 2 Exempt or Confidential Items**16 Audit Wales Cyber Security Report**

Gareth Lucey from Audit Wales presented this report. This report has been issued to all audited bodies in Wales confidentially. Putting this report into the public domain could lead to an increase in cyber-attacks against public sector bodies, which is undesirable. This is being seen as the beginning of discussion, to inform and educate any further actions. Cyber-attacks are becoming a growing and common threat; there were around 1 million unsuccessful cyber-attacks in the last year alone.

This report is largely survey based. What it shows is a variable picture across the public sector. What we are doing is to consider, from this national report, what can be done locally to take this forward.

The Head of People and Business Change emphasised the confidentiality on this agenda item. He assured the committee that there is no complacency on the part of NCC. As a Council we are in a good position, particularly with SRS as our strategic partners. This is something of daily concern to himself and SRS. This is with regards both to digital services as well as counter-terrorism. The risk is very high to public bodies, both from criminals, organised crime, and terrorism. This is from a digital point of view, as well as a physical location.

The Digital Services Manager explained that this is a significant report. The threat level has increased over the past few years. This is very much a business as usual activity for NCC. There are measures currently in place to mitigate these risks. The team work on significant solutions to prevent the spread of ransom-wear, and further solutions for worst case scenario. There had been a significant incident previously with a travel company, which had a huge impact on their services. In the public sector, Redcar in Cleveland was hit with ransom-wear. The threat is out there and having an impact. The Irish health service has also recently been attacked. NCC is taking specific steps to boost its own protection. There are technical and non-technical measures in place to reduce risk. We are now in the process of compiling the 9th report regarding information risk. We are aware that this is a real risk, but there are a number of measures to ensure that these risks are mitigated.

Kathryn Beavan-Seymour from SRS explained that 30% of SRS activity is related to preventing risks. Penetration tests are provided by external companies, which provide reports on partner organisations to ensure everything is working properly. There are full anti-virus capabilities, email detection etc. Web-proxy is in place which monitors all internet access to protect against threats. Schools have WG specific process in place to ensure only age specific content is available. SRS have put a tender process together to monitor against defence throughout the organisation- this went out to tender in Feb/March, currently compiling the business case for this to go out to all partners. Recently carried out an internal audit as well.

The Head of People and Business Change reported that a group had recently attended an All-Wales cyber-resilience event, considering business continuity and cyber-attack issues.

This is being kept in everyone's consciousness across Wales. If the attack is of the nature that it can't be defended against, then recovery is the critical aspect.

Discussion included the following:

- The Chair commented that it is very reassuring that all of these measures are in place. Is there a plan for a local audit in Newport?
 - Gareth Lucey from Audit Wales explained that it is currently up for discussion, deciding how best to take this forward.
- Members emphasised that what Kathryn outlined could act as a type of audit. What is the reporting line back to NCC?
 - Kathryn Beavan-Seymour explained that SRS report back on a monthly basis to the Newport group.
- Members commented that it is essential to take this seriously. There is no complacency in the officers in this Council.
- Important to note that the Council response is very comprehensive and this issue is taken very seriously by all involved. The Committee appreciate the work being done to achieve this.

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Statement of Accounts
2020/21



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Head of Finance Narrative Report for the Statement of Accounts

Statement of Accounts 2020/21

Newport City Council

Introduction / summary

The 2020/21 financial year for Newport City Council has been an unconventional one. Traditional considerations to deliver a balanced revenue budget, generally involving significant increased demands on social services and schools in particular, have been replaced with pressures on income budgets, establishments and service outlets that have been closed for significant parts of the year leading to lower running costs, alternate working measures being introduced, and considerable ad-hoc reactive funding that is not guaranteed into the medium term.

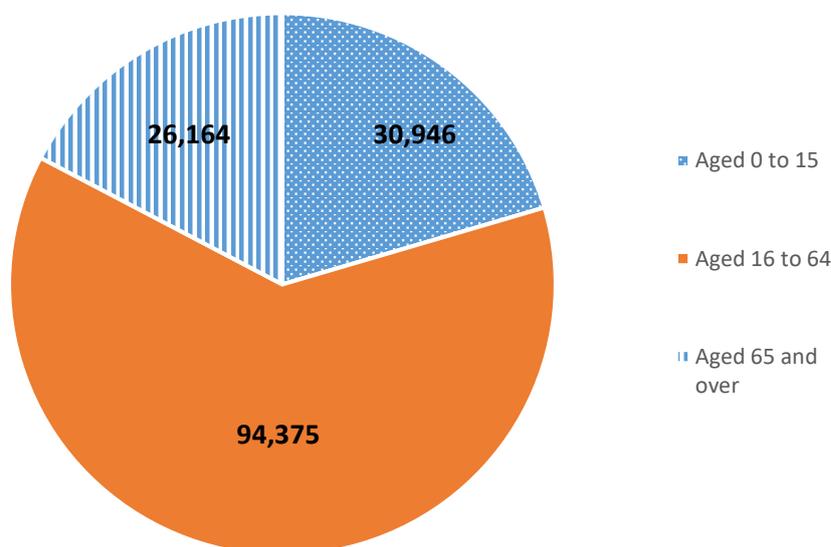
It is very difficult at this stage to quantify the long term impact of Covid-19, especially in the early stages of recovery and subsequently the “new normal”, when it is unknown what services will look like and how they will be provided in the future, and the level of funding that will be made to deliver these.

The Council will monitor and forecast these future costs and loss of income alongside our “usual” monitoring process, and will take the appropriate actions required to maintain the financial sustainability going forward.

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

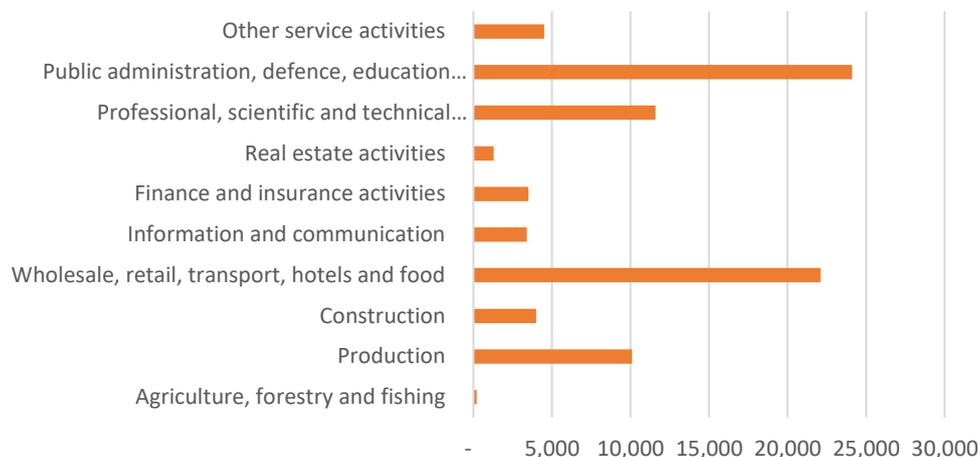


Head of Finance Narrative Report for the Statement of Accounts

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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 practise, through the well-being objectives, which have been adopted:

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

The Council employs approximately 5,800 members of 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 2020/21

The impact of Covid continues to have a significant impact on Services. Staff have needed to be rapidly redeployed to cover unexpected changes in demand, for example litter bins on countryside walks, cemeteries and a shift from commercial to domestic waste and recycling collections.

The need to shield vulnerable staff and for others to self-isolate has also made delivery of services challenging and increased operation costs. Focus has been on frontline services, which we have been able to maintain through the pandemic. Whilst many councils reduced their garden waste and recycling collections, Newport Council maintained its operations and were not impacted during this period. Safety critical highway repairs were carried out and the contact centre was made virtual, with staff working from home still able to answer calls.

The last year has presented unprecedented and unique challenges. Whilst most of the UK began shutting down, services ramped up and supported not only our Newport businesses and key workers but also some of our most vulnerable residents.

The Flying Start team continued to provide early year's childcare for key workers as well as for the more vulnerable

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children in our community and hub based youth workers supported the provision of weekend key worker childcare for older children. This support continued throughout the summer holiday period and provided an invaluable service for key workers.

The Neighbourhood hubs have remained at the heart of our communities and have supported residents in need of food, advice and support. A free phone helpline was set up and over 800 emergency food parcels were provided for vulnerable residents with no other access to food. Activity packs and baby bundles were also distributed to children and new parents. The hubs team also coordinated the Welsh Government food parcel scheme which saw over 5,000 telephone calls made to shielding residents and over 600 weekly food parcels ordered.

Demand for temporary accommodation has increased significantly due to Welsh Government guidance to accommodate anyone at risk of, or sleeping rough. We have strengthened partnerships with other departments, stakeholders, external agencies and the third sector to provide accommodation and support to those most vulnerable. Demand for temporary accommodation is far exceeding supply and we have worked tirelessly to source further accommodation and consider new and innovative ways of supporting service users through joint working, an example being the fifteen modular units which were provided at Mission Court and provide supported temporary accommodation for some of our most vulnerable residents.

The Social Services Teams normally deal with challenging conditions and increasing demand but this was significantly heightened this year. The adults social care market - domiciliary and residential services were already under financial pressure but Covid meant that increased support was required, both to maintain safe services as well as ensure the market was financially secure and sustainable. Additional payments were paid to care workers and administered by the services commissioning team. Whilst the impact on the Children's care market was relatively less severe than Adult's, the pressure on families during the pandemic meant that Children's social services were also under severe pressure in supporting vulnerable children/families.

The Business Support Team helped over 1,000 Newport businesses access advice and financial support at a time when most businesses were struggling to keep afloat. The Regeneration team have been working hard to maintain momentum in respect of project delivery and inward investment. Construction work on the Market Arcade redevelopment has recommenced and a new glass roof over the Arcade has been completed. Transforming Towns funding has been awarded for the development of a co-working/business incubator space within the Information Station building and planning applications have been submitted for the Indoor Market redevelopment. A multi-million pound funding bid has been submitted to the Heritage Lottery Fund for the refurbishment of the Transporter Bridge and the provision of a new visitor centre. At a strategic level, an addendum to the Economic Growth Strategy was agreed by Cabinet in June and sets out a plan for assisting the economy recovery from the effects of Covid-19 in the short, medium and long term.

Education services effectively addressed enforced temporary closure of schools and provision of distance learning materials to majority of pupils whilst also providing specific childcare and support for children of critical workers and to vulnerable learners. In September 2020 schools reopened in line with Newport City Council recovery objectives and Welsh Government guidance linked to school operations and the development of blended learning. Also the Council's Band B capital schools transformation programme got under way to deliver building and asset improvements.

The Council's Revenues team within the Finance service were also involved heavily in supporting businesses. They administered the business rates relief grants to businesses and made payment of c£40m in 2020/21 as an 'agent' of Welsh Government. In addition, they also administered the Welsh Government's rate relief scheme which reduced certain businesses rates liabilities by c£20m over the year. Details of these and other schemes administered by the Council are shown in Note 35 to the accounts.

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Whilst all services were heavily involved in supporting businesses/residents in various ways as described above, the democratic processes of the Council had to also change and quickly moved to new operating processes. Democratic meetings such as the Cabinet, Council and Scrutiny were moved onto IT based virtual meetings and operated more or less as normal.

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 2021. 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 2020/21, 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 2020/21

The 2020/21 budget and funding

The 2020/21 funding settlement from Welsh Government was positive for Newport with a cash increase of £13.7m, while this was required to fund significant inflation and demand pressures, it was welcome and allowed some of

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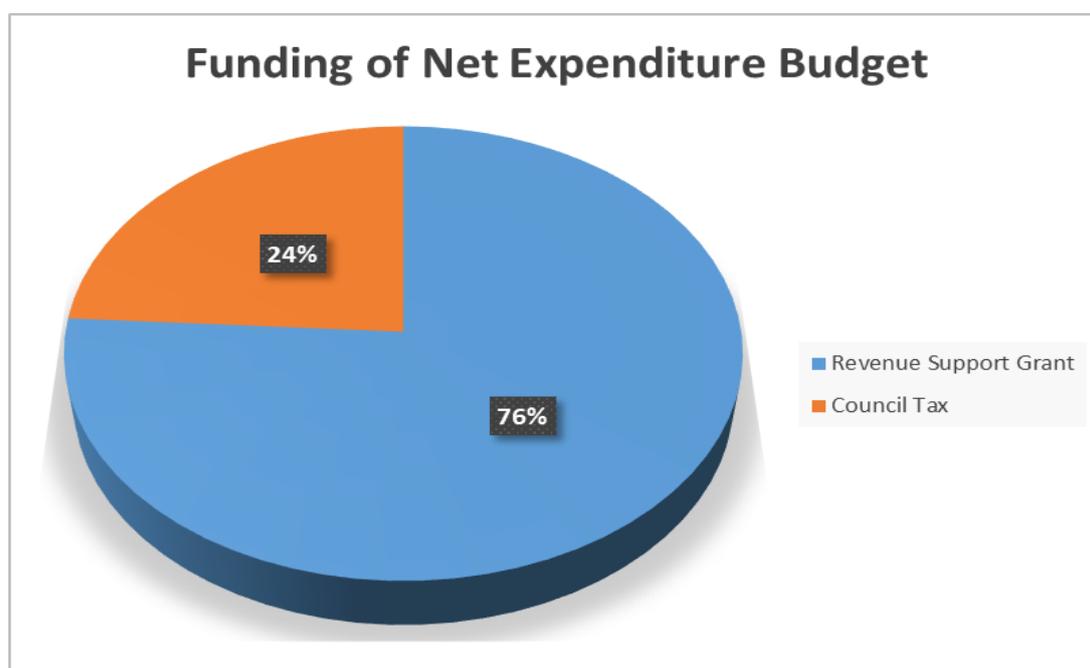
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the funding to support the Medium Term Financial gap, including reversal of use of reserves to balance the budget, and to bring forward the funding of some pressures that were in future years.

Despite this, the Council continues to operate within a challenging financial environment and framework, which is increasingly skewed toward annual and in year funding and introduces significant challenges to longer term planning.

The net budget for 2020/21 was £300.3m of which 76% is funded from the Welsh Government Revenue Support Grant and 24% from local Council Tax. This means every 1% change in the grant we receive from Welsh Government is equivalent to a 3.2% change in Council Tax.



Grant from Welsh Government funds 76% of the Council's net expenditure budget, with Council Tax funding 24%

Local authorities adopt an incremental approach to annual budgeting, using the previous year's base budget as its starting point. The 2019/20 net expenditure revised base budget was £280.6m. The 2020/21 budget process involved,

- an uplift in the revenue support grant funding of circa £13.7m
- service pressures were identified totalling £12.4m, (which included absorbing additional responsibilities previously afforded by grant), and
- service efficiencies and savings mitigated this pressure by £5.4m.
- Council tax receipts were calculated to deliver an extra £5.9m per annum, resulting from an approved Council tax increase of 6.95% and a predicted number of additional properties.

Council tax levels are set using band D property as the base, and it is the common comparator used across Wales. Newport City Council's charge for 2020/21 remains the third lowest in Wales and one of the lowest in the UK at £1,198 for such a property. Most properties within the Council boundary are in Bands B & C and therefore pay proportionately less than the average Band D property.

This combined net headroom allowed for circa additional service investments totalling £12.6m.

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Financial Performance – “how did we do” – 2020/21

Revenue budget

The 2020/21 revenue out-turn produced a net underspend, after core budget contributions to/ from reserves, of £14m against the £300.2m budget (4.6% variance). This variance has arisen for several reasons and individual service analysis of key variances is shown later in this report.

At a high level, the following explains the position:

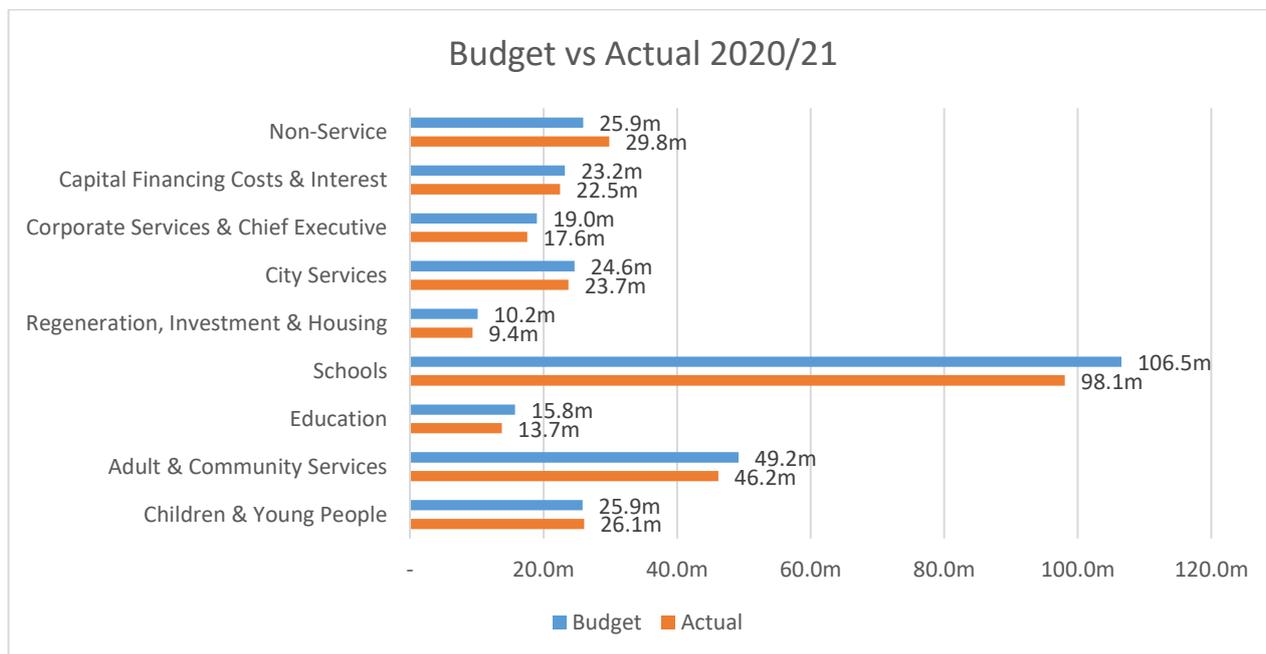
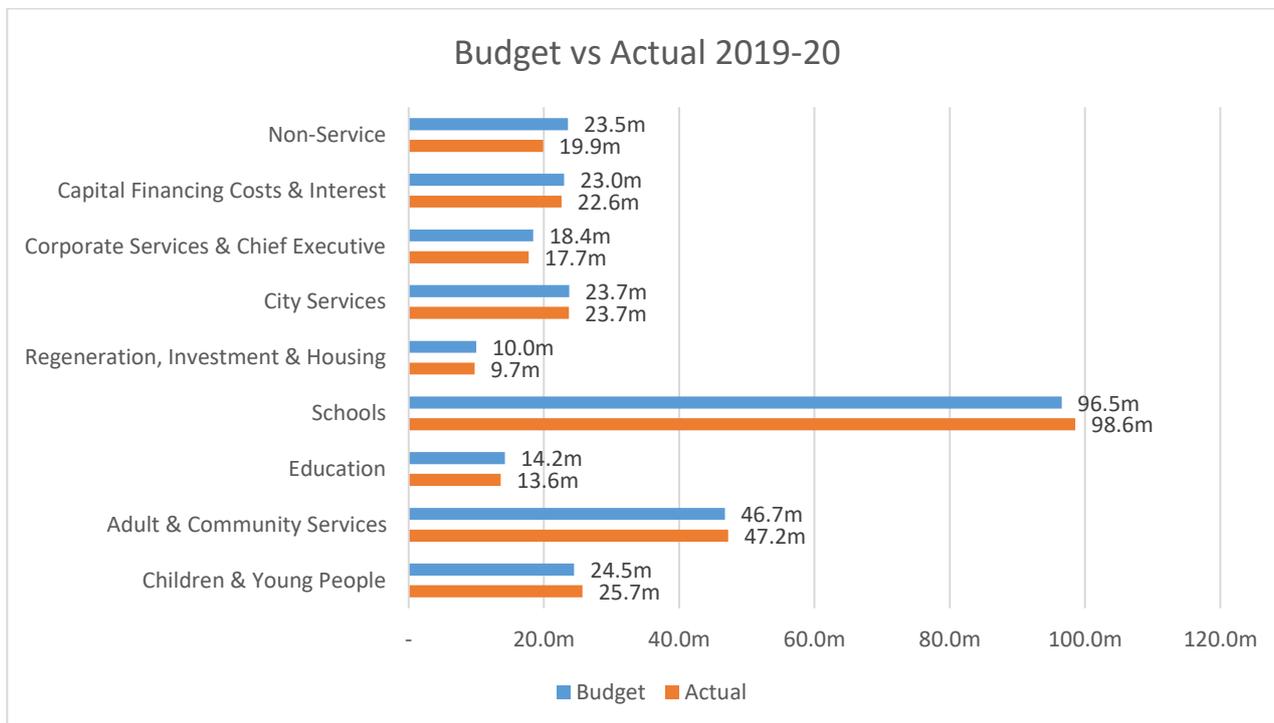
- Receipt of one-off Welsh Government (WG) funds to compensate Council services to support its enhanced service delivery to Newport’s communities in response to covid; and lost income from covid restrictions, which meant these costs were not borne by the Council;
- Funding for the direct costs of, and delivery of the WG support programs to businesses which meant these costs were not borne by the Council;
- Resulting directly and indirectly from the above, underspending on the general revenue contingency budget, Council Tax reduction scheme and Council Tax income, all within non-service budget areas;
- Underspends across all services in relation to (i) costs of general administration and service provision due to changes in working practices and (ii) not undertaking planned/normal services as they were not required or unable to be carried out as covid response work was prioritised which were funded, as noted above, by WG.

The Covid situation, as well as introducing a significant underspend, has had the effect of altering reserves and provision balances within the Statement of Accounts introducing more significant movements than would be traditional at the year end. This situation is somewhat unusual and rather artificial, masking the more traditional pattern of spending and pressure particularly amongst schools and social care. A comparison of 2019/20 activity and 2020/21 activity is provided in graphical form below to demonstrate this.

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NB. Non service actuals include the effect of schools underspends transferred to their reserves (£8.4m)

The position of school finances during 2020/21 ended up being an improving one, due the significant and unanticipated grants received by schools during February / March which has had a beneficial effect on collective schools balance position, with schools reserves increasing by £8.4m to £9.6m, to reflect net revenue underspends. A significant investment was put into schools for the 2020/21 financial year, which mainly covered increased costs for pay awards, pension increases and growing schools, therefore it is essential that schools deliver their expenditure within budgets and realise the savings put forward.

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Capital programme

The Council has an ambitious 7-year capital programme which started in 2018/19 and runs through to 2024/25, totalling £274.5m.

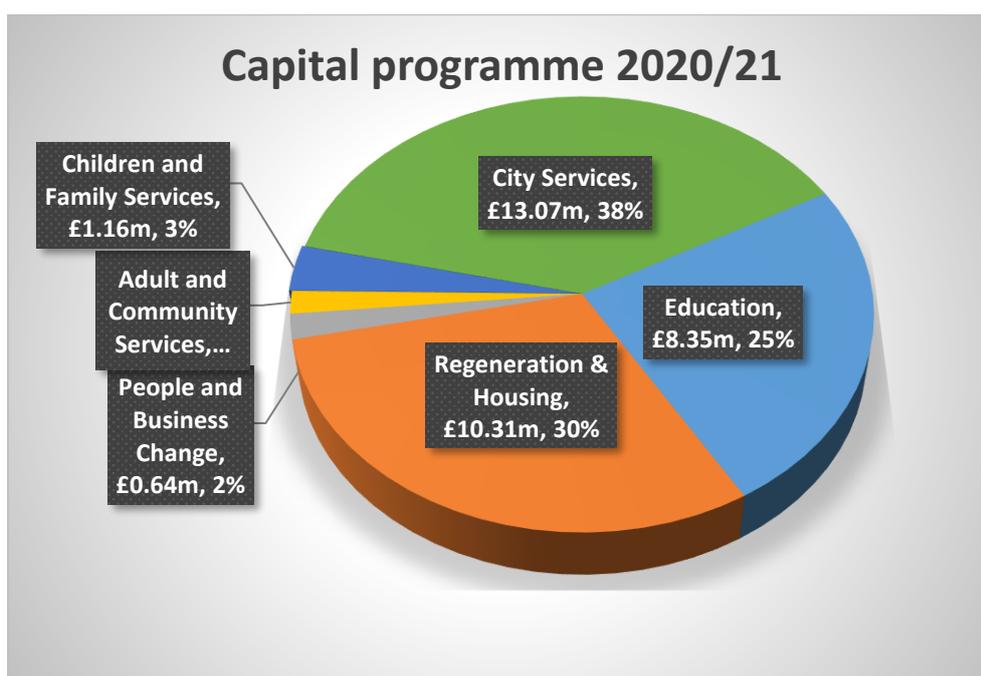
Estimates of Capital Expenditure and Capital Financing in £ millions

	2018/19 Actual	2019/20 Actual	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total 7-year programme
	£m	£m	£m	£m	£m	£m	£m	£m
TOTAL EXPENDITURE	29.5	31.4	26.2	100.2	62.36	19.2	5.6	274.5

The agreed programme for 2020/21 included:

- £7m investment in schools.
- £10m road and infrastructure works.
- £1.6m in social care aspects
- £7m investment in regeneration and housing (with £3m facilitating developer loans affecting City buildings)
- A continuance of energy efficiency schemes across the Council including LED streetlights
- Commitment to invest in the Transporter Bridge
- Gypsy & Traveller site development
- Investment into the Cardiff City Region City Deal and regeneration projects within Newport city centre

Pictorially this was evidenced as follows,

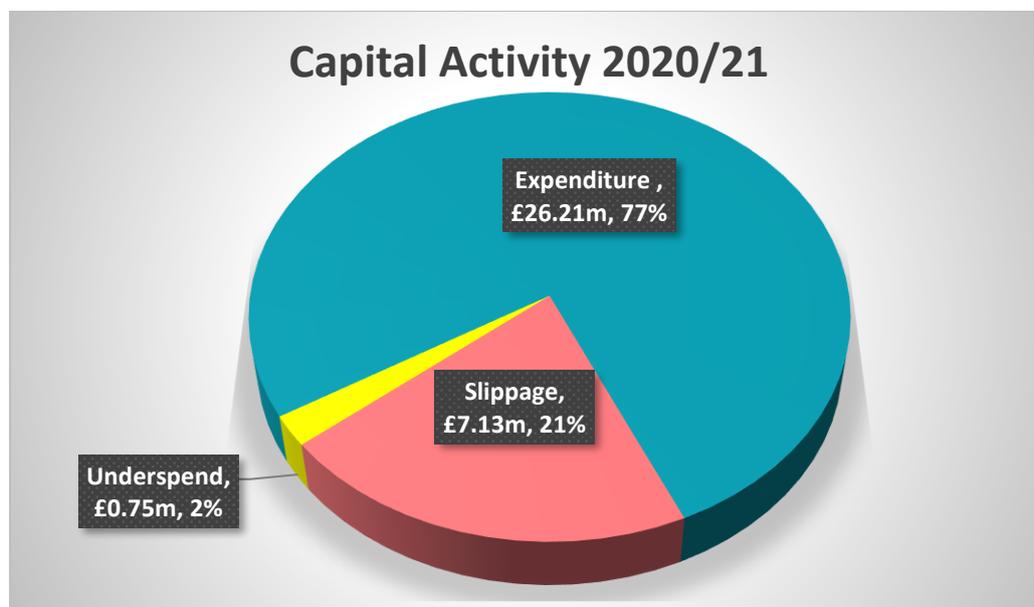


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During 2020/21 the Council actually spent £26.21m on Council assets to maintain and improve service delivery and to support regeneration initiatives. The outturn position for capital in 2020/21 showed a total slippage (budget moved into future years of the programme) of £7.13m and an underspend of £0.75m.



The capital financing for the £26.21m expenditure was as follows:

<u>Capital Expenditure 2020/21</u>	-	<u>Financed by:</u>	-
Education & Schools	£7.20m	Grants	£19.29m
Regeneration, Investment & Housing	£7.42m	Borrowing	£5.90m
People & Business Change	£0.46m	Capital Receipts	£0.03m
Social Services	£1.52m	Contributions & S106	£0.46m
City Services	£9.61m	Council Resources	£0.54m
TOTAL	£26.21m		£26.21m

Balance Sheet

The Balance Sheet shows a 'snapshot' of the Council's assets and liabilities as at 31 March 2021, including its reserves. The Council's balance sheet has seen a decrease in value between 2019/20 (net liability of £7.8m) and 2020/21 (net liability £86mm), this is largely due to an increase in the pension fund liability by £124m from the previous year. The pension fund liability is now £471, which if excluded would leave net assets of £385m.

Usable reserves (a reserve which can be used to fund cash expenditure of the Council) of £108.3m shows the council as having strong financial resilience, these are described further in this report.

Usable Reserves

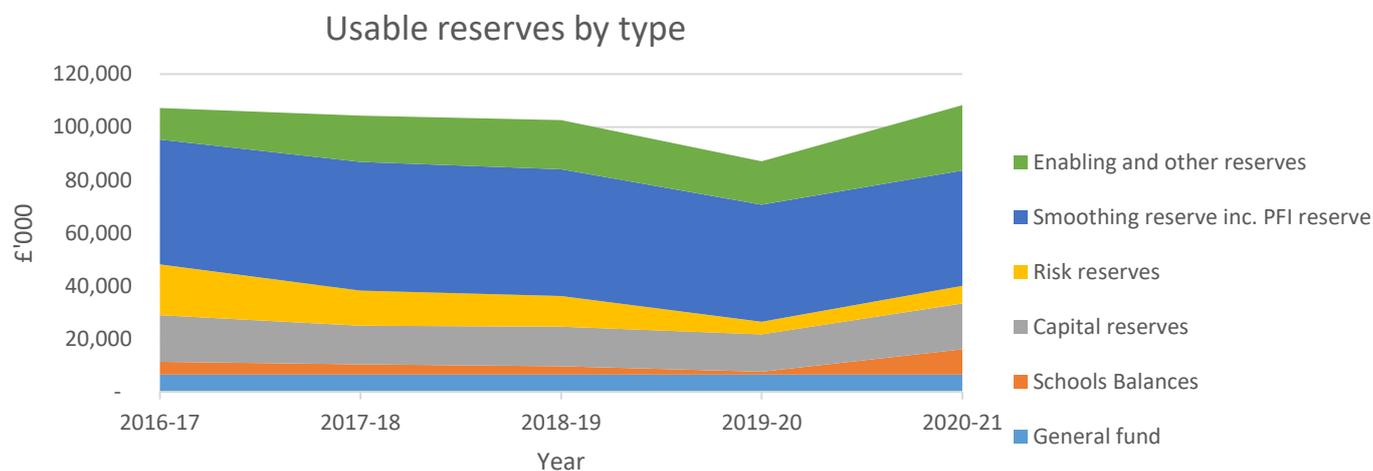
The level of Council's usable reserves increased by £21.2m. The general fund reserve remained unchanged at £6.5m (3.4% of net expenditure budget excluding schools). The chart below shows the level of reserves since

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2016/17, 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 previous four years, but has seen an unusual increase in 2020/21 of 24%.

A substantial element of this increase (net £12.7m) is derived by passporting the extent of Council year end surplus to appropriate earmarked reserves for use into the future. The remainder (£8.5m) is specific to schools performance and legislation requires any surpluses or loss involving schools are held within a reserve specific to each school, so that collective surpluses can be used by them to mitigate any past deficits or assist with additional ad-hoc spending into the future.

The reserves as at 31st March 2021 provide:

- General reserves have been maintained at £6.5m, this is a prudent reserve held to mitigate against the risk of unforeseen circumstance. It is established by Council's Head of Finance and based on a risk approach.
- Adequate cover for the assessed risks identified by the Council – such as pay inflation above planning / funded parameters, self-insurance and investment risks.
- 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.

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. The employer contribution rates remained the same at 21.2% of pay for 2020/21 and will be the same in 2021/22, rising by 1% in 2022/23 to 22.2%. The average employee contribution is 6.2% of pay.

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The Statement of Accounts for 2020/21 shows a net unfunded liability of circa c£471m. This is an increase of £124m on 2019/20 net liabilities. In the last 12 months, whilst fund assets invested have performed well, increasing by £139m, the effect of changing actuary assumptions (e.g. increased inflation, decreased discount rate, increased longevity/age presumptions) have introduced an anticipated £262m increase in gross liabilities to pay pensions.

However, the fund is there for the long term funding of pensions, and annual variations in actuary assumptions can skew the presentation of figures quite significantly in any one year. This anticipated deficit on the pension scheme and its impact on the Council's overall reserves is also a long-term issue. Helpfully 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 41-42.

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 cash backed provisions increased by net £126k to £4.64m. Net £894k additional provisions reflected an increased anticipation of loss/non recovery of debts in respect of regeneration scheme, an increased implied liability falling to the Council in respect of Newport Transport pension fund and an increase in provision required in respect of insurance claims activity. £768k of historic provision was utilised in 2020/21

Long-term provisions have increased by net £37k to £11.1m. Notably the provision in respect of capping and upkeep of Council tips increased by £475k reflecting a shortening lifespan of the asset. The effect was masked by a reduction of £500k to the long term provision set aside to pay future income subsidy fees up to 2032 which moved instead to Friar's Walk short term provision as it likely falls due within next 12 month period.

Additionally the Council makes provision for a proportion of the debts it raises not being paid. This is calculated based on historic recovery levels and how long particular debts have remained outstanding. Combined for general debts, housing benefit and council tax this provision has increased by £1.8m. This year the calculation has been inflated by circa 10% to prudently anticipate falling recovery rates due to effect of Covid upon the economy and households disposable income.

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

Details of the movements of individual provisions and contingent liabilities are shown in Note 24 and 44 respectively.

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4. Financial Outlook

Unusually the Council had to consider and set its 2021/22 budget and Council tax levels (3.7% increase) for the year ahead at about the same time of being notified of its final government settlement.

The draft funding settlement from Welsh Government (WG) for 2021/22 confirmed that funding would increase by 5.58% (5.48% after transfers), which was better than anticipated. This was welcomed as it enabled the council to deal with a number of budget pressures and priorities, including those that would assist in reducing the budget gap over the medium term. The most significant areas of additional expenditure are linked to:

- £4,937k investment in school budgets. As stated within the February update, provision for teachers and non-teaching staff pay awards within schools will be distributed to schools after confirmation of any pay award by the WG, with the aim of maintaining a funding increase, which at least reflects the cost increases within schools within available resources;
- £2,460k for increasing social care demand for both children's and adult services including further investment to support the challenges associated with ongoing issues of the pandemic and sustainability challenge posed by Brexit;
- £305k investment to deliver the promises set out within the Corporate Plan such as the delivery of digital aspirations and a new household waste recycling centre
- £2,731k provision for supporting city centre and regeneration projects and other corporate priorities.

Despite the 2021/22 settlement from WG being much improved from that anticipated, the medium term outlook is still very uncertain which makes planning for the future difficult. The pandemic has seen Wales and the UK experience an unprecedented collapse in economic output and the longer-term impact of national and local lockdowns and ongoing public health measures remains to be seen. It is therefore inevitable that uncertainties such as future WG settlements, the ongoing impact of Covid-19 and subsequent economic recovery and Brexit will mean that current projections will inevitably develop and change as assumptions are confirmed or updated in future years.

It will be essential to review the impact of the pandemic on the current financial year as we move into the recovery phase and the subsequent "new normal". This, alongside funding decisions by Welsh Government will shape the future Medium Term Financial Plan. While we await this, the Council still focuses on delivering the saving plans it has already put in place, and takes a strategic view on areas where the Council will make savings in the future and what the Council will look like in the "new normal" world, appreciating greater emphasis on Future Generations assessments and an increased focus on the resilience and sustainability of services.

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

Meirion Rushworth

Head of Finance (Section 151 Officer)

17th July 2021

What is Corporate Governance?

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

What does 'Good' Corporate Governance look like?

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

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

What this statement will tell you

The Annual Governance Statement is a requirement of the Accounts and Audit (Wales) Regulations 2014. This Statement demonstrates that Newport City Council is compliant with these Regulations for 2020/21.

It describes the governance framework in place within the Council, how the effectiveness of the governance arrangements has been monitored and evaluated during the year with evidence and examples and sets out any changes planned for 2020/21.

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'.

This statement was compiled during the Coronavirus disease (COVID-19) pandemic which, in the first few months, resulted in the suspension of all public and non-essential meetings.

The sound governance framework in place at Newport City Council is detailed in the revised Code of Corporate Governance 2019/20 which includes a detailed list of all governance arrangements.

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 2011 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'. This was initially approved by Cabinet and then Council in July 2013 with a further update approved by Cabinet in July 2014. The Code was updated in 2019/20 and approved by Cabinet in April 2021. A copy of the Code can be obtained from the Head of Finance.
- 1.6 The Code of Corporate Governance outlines the key governance arrangements in place at Newport City Council and as such will be cross referenced to where relevant throughout this Annual Governance Statement.

2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council throughout the year 2020/21, and up to the date of approval of the statement of accounts.

3 The Governance Framework

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

Overarching requirements for acting in the public interest:

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

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

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

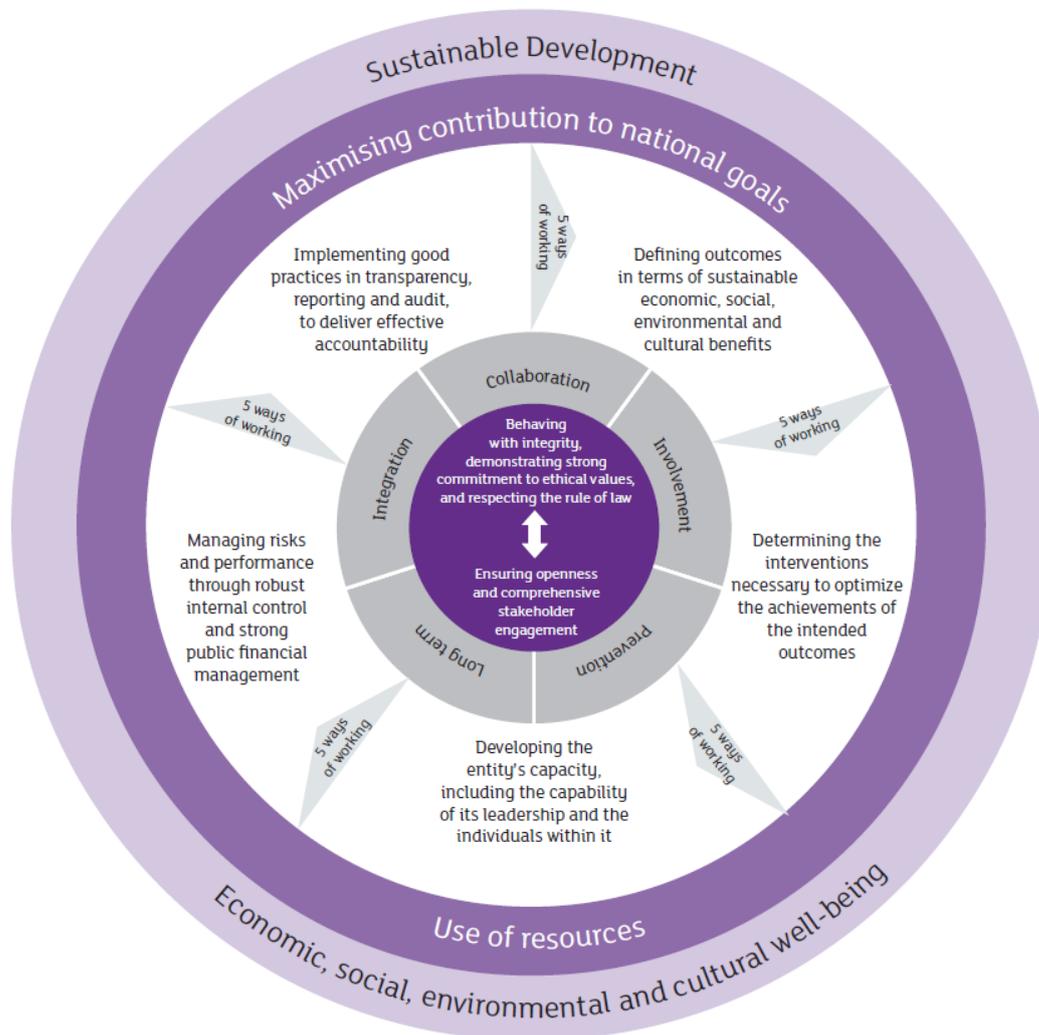
The Statement will cover these principles in more detail from Section 6 onwards.

Wellbeing of Future Generations (Wales) Act 2015

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

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

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



The Three Lines of Defence in effective Risk Management and Control

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

By defining these sources into three categories:

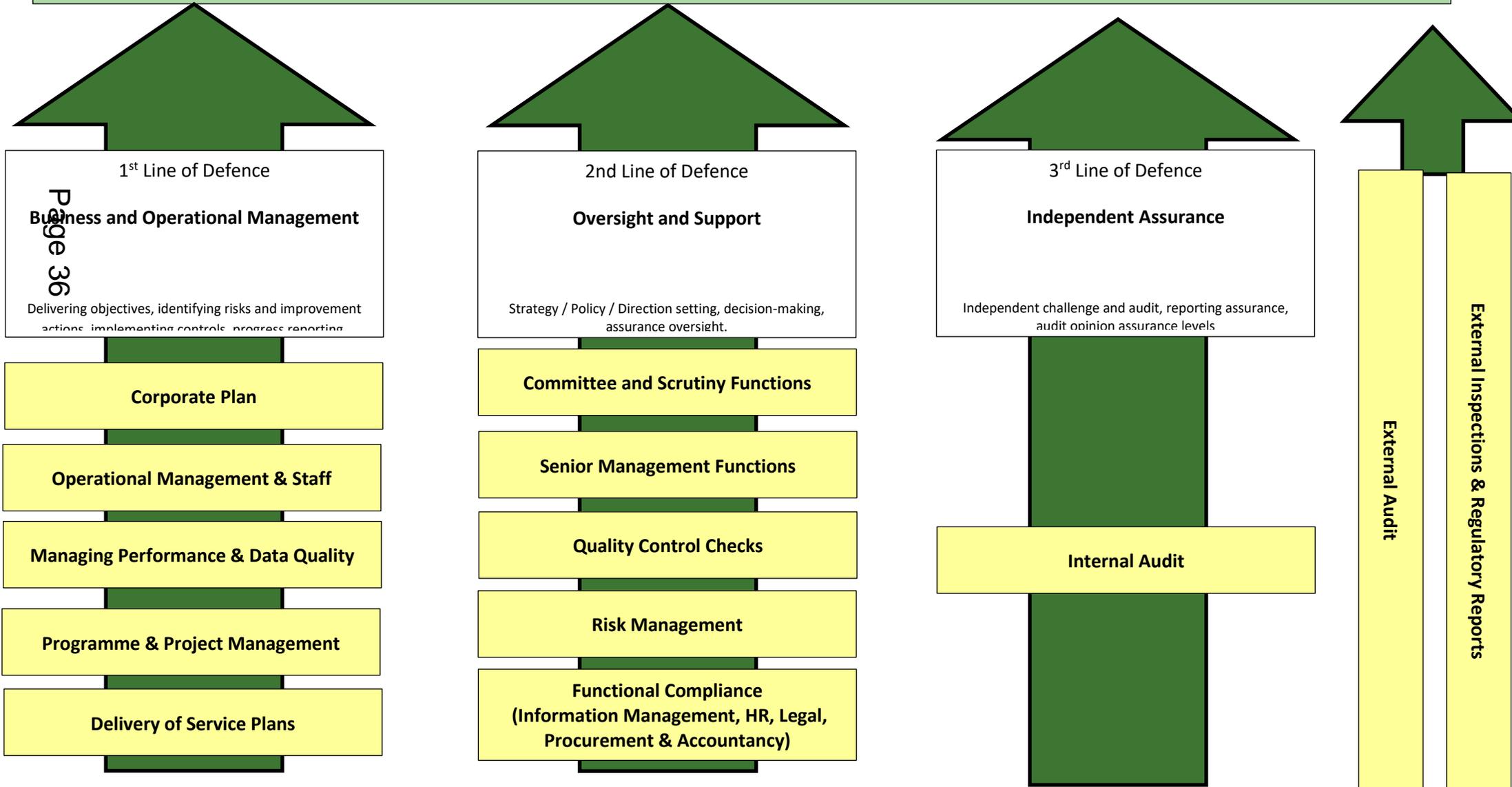
- First Line - functions that own and manage risks e.g. management and supervisory controls;
- Second Line - functions that oversee risks e.g. Governance structures and processes such as Scrutiny Committees, policies and procedures and;
- Third Line - functions that provide independent assurance on the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

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

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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 The Corporate Plan forms part of the Council's policy framework, and prior to agreement had been through the necessary consultation with scrutiny and members of staff.
- 3.6 Within the Corporate Plan twenty commitments for change, relating to the following four key areas have been outlined:
- Resilient Communities,
 - Thriving City,
 - Aspirational People,
 - Modernised Council.
- 3.7 Newport City Council's Well-being Objectives are:
- To improve skills, educational outcomes and employment opportunities
 - To promote economic growth and regeneration while protecting the environment
 - To enable people to be healthy, independent and resilient
 - To build cohesive and sustainable communities
- 3.8 The Corporate Plan is delivered through service area plans. Service plans are set in conjunction with Cabinet Members and scrutiny committees to ensure oversight and accountability for the delivery of the actions.
- 3.9 An annual report of progress against the Corporate Plan is presented to Members (Cabinet - October 2020) 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.

ONE Newport Public Service Board

- 3.10 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 including 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 in May 2018.
- 3.11 PSBs were established by the Well-being of Future Generations (Wales) Act 2015 (WFG) 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.
- 3.12 The well-being objectives of the Plan are linked to the Act. The Plan identifies 13 priorities in the 4 areas of Economic, Social, Cultural and Environmental.

3.13 Performance of the Well-being Plan was reported through the Performance Scrutiny Committee – Partnerships during 2020/21, in October 2020 and February 2021.

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

4 Coronavirus (Covid-19) Pandemic

4.1 The Coronavirus pandemic (WEF March 2020) had caused significant organisational disruption including new emergency responsibilities, increased staff absence and a requirement for staff to work from home (where possible) while continuing to ensure statutory services were maintained as expected. This statement assesses the governance in place during 2020/21.

4.2 In accordance with the Council's Corporate Emergency Management Plan (revised March 2019) an Emergency Response Team (ERT) was established along with a regional multi-agency Strategic Co-ordination Group (SCG) to deal with this pandemic. These groups met on a daily basis during March 2020 and meetings continued throughout 2020/21.

4.3 Once enacted, the Corporate Emergency Management Plan allowed for an emergency management structure and delegation of emergency powers to the ERT Gold Duty Officer in consultation with the Leader of the Council.

4.4 During the early stages of the pandemic response, the Council operated with an Interim Chief Executive which became a permanent appointment in July 2020.

4.5 The pandemic impacted on the Council's delivery of services as some staff were diverted to front line duties to ensure that critical services were prioritised. There were also new areas of activity as part of the national response to Coronavirus for example providing emergency assistance to businesses in Newport.

4.6 There has been funding and logistical consequences of delivering the local government response. To ensure appropriate governance and accountability, these costs have been identified by staff and appropriately coded on the Council's Main Accounting System and reclaimed from Welsh Government.

4.7 In line with public health measures to mitigate the spread of Coronavirus and to enable the Council to focus on the delivery of critical services, all public meetings were initially suspended. This included Council meetings, meetings of full Cabinet and all committee and sub-committee meetings, including Scrutiny, Planning and Licensing.

4.8 Urgent decisions were made in accordance with the officer and Members' schemes of delegation as detailed in the Council's Constitution and urgent decision-making procedures.

4.9 Using appropriate technology there was minimum disruption to Council democratic business; Cabinet recommenced in June 2020, Council in July 2020, Audit Committee in September 2020, Democratic Services Committee in October 2020, Scrutiny Committees in September 2020. Virtual and remote meetings were held in line with temporary legislation.

4.10 At this stage, the longer term disruption and consequences arising from Coronavirus is currently unclear however, existing projects and programmes may have to be put on hold, new priorities and objectives will need to be introduced and new risks will have to be identified.

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- 4.11 As much as possible, the systems of internal control have continued to operate during the pandemic. The Council's implementation of Office365 and multi-factor authorisation has allowed the majority of employees to successfully work from home without major disruption. For example, the Council's i-Procurement system allows for electronic authorisation from delegated officers with an inbuilt segregation of duties.
- 4.12 In the Chief Internal Auditor's opinion, adequate assurance was obtained over the course of 2020/21 resulting in an overall 'Reasonable' audit opinion to be issued for the Council's activities, although this was based on limited work undertaken by the team; the revised Internal Audit Plan was approved by Audit Committee in September 2020. Internal Audit coverage was adversely affected during the first part of 2020/21; however, it recovered in the second part of the year. 78% of the approved revised Audit Plan was completed against the target of 82%, with 29 audit opinions issued. Reliance on previous years' audit work has also been taken into consideration in arriving at this year's opinion in that there have been no significant systems or staff changes. Further detail regarding the Internal Audit team's performance is included within the Internal Audit Annual Report 2020/21 presented to the Governance and Audit Committee in May 2021.
- 4.13 In conclusion, during 2020/21 the coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness. This will continue to be monitored during 2021/22 and reviewed as part of future Annual Governance Statements.

5 Review of Effectiveness

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team within the Council which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The 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; Democratic Services Committee in February 2021;
 - ii. periodic reviews of the financial controls by the Chief Finance Officer; Revised Contract Standing Orders approved by Cabinet in December 2019;
 - iii. formal risk management and regular on-going review of the processes involved; Cabinet March 2020, September 2020, October 2020, December 2020;
 - 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; Annual Report 2020/21 Governance & Audit Committee May 2021
 - 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;

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- viii. the outcomes of the Annual Information Risk Report are monitored quarterly by the Information Governance Group;
- ix. progress against the Newport Well-being Plan is monitored by scrutiny and the PSB throughout the year.

Sections 6 to 12 demonstrate how the Council is meeting the key governance principles with evidence and examples.

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

Behaving with integrity

- 6.1 Standards Committee met in 2020/21; received reports on succession planning for Standards Committee Members in line with respective Regulations, updates on complaints against Members, revised Employee Code of Conduct, changes to the Guidance on Members' Code of Conduct.
- 6.2 In order to monitor all key Council decisions for fairness a 'Fairness Commission' was established. 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. Reviews of the Council budget proposals have been undertaken by the Fairness Commission.
- 6.3 The Council has an agreed Constitution, available on the website, which includes the Council's related codes and protocols.
- 6.4 A set of Council values 'Courageous, Positive, Responsible' were established following staff feedback. These are regularly communicated with all staff.
- 6.5 The Council demonstrates, communicates and embeds its operating principles and values through appropriate policies which are reviewed on a regular basis. These policies also place an emphasis on ethical values. Some of the policies in place to support this are:
 - Whistleblowing Policy
 - Member and Employee Codes of Conduct
 - Anti-Fraud, Bribery & Corruption Policy
 - Safeguarding Policy
 - Complaints Procedure
- 6.6 The revised Anti-fraud, Bribery and Corruption Policy was approved by Cabinet April 2021.

Demonstrating strong commitment to ethical values

- 6.7 The Council's 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 periodically reviewed;
 - registers of personal and business interests for Members and Chief Officers;

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- 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;
- the Strategic Equality Plan and Equality Objectives 2020-24 were agreed by Cabinet in July 2020 and Council September 2020;
- Strategic Equality Plan Annual Report for 2019/20 went to Cabinet in November 2020.

6.8 In line with the Local Government Measure a separate Democratic Services Committee was established; this committee met in 2020/21; it deals with national consultation exercises, national policy and Members' codes and development. Council received a copy of the Democratic Services Committee Annual Report for 2019/20 in November 2020.

6.9 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. Council received a copy of the Standards Committee Annual Report for 2019/20 in November 2020.

6.10 An ethical Standards Questionnaire was issued by the Standards Committee during 2019/20. Despite there being a low response it was noted that the answers to the questions were fairly positive.

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

6.12 The Council looks to ensure that external providers of services on behalf of the Council act with integrity and in compliance with high ethical standards. The Council has signed up to the Welsh Government's Code of Practice – Ethical Employment in Supply Chains. The Code covers modern slavery and human rights abuses, blacklisting, false self-employment, unfair use of umbrella schemes and zero hours contracts as well as considering paying the living wage.

Respecting the rule of law

6.13 The Council has a strong commitment to the rule of law and adhering to the laws and regulations set by Welsh Government, UK Government and the European Union. There were no "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.

6.14 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 Annual Information Risk Report 2019/20 was presented to the Information Governance Group May 2020 and endorsed by the Cabinet Member in December 2020.

6.15 There was 1 complaint of Member misconduct made to the Public Services Ombudsman for Wales (PSOW) in 2020/21 involving City Councillors but none were accepted for formal investigation. There were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.

6.16 The PSOW annual letter was taken through Cabinet November 2020 along with the Council's Annual Report on Compliments, Comments & Complaints. In 2019/20 38 complaints were received by PSOW concerning Newport. Most of the complaints received were discontinued or resolved. There were no findings of maladministration, misconduct or public interest reports.

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- 6.17 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.
- 6.18 The Internal Audit team continued to deliver awareness raising sessions on the importance of compliance with Financial Regulations and Contract Standing Orders.
- 6.19 A new Leader of the Council (Cllr Mudd) was appointed by a meeting of the Full Council in November 2019. Upon appointment, the Leader announced her new Cabinet.
- 6.20 The Council has the following statutory posts and enables officers to fulfil their responsibilities in accordance with legislative and regulatory requirements:
- Head of Paid Service (Chief Executive)
 - The current Chief Executive was formally appointed in July 2020
 - Section 151 Officer (Head of Finance)
 - Monitoring Officer (Head of Law & Regulation)
 - Director of Social Services
 - The Director of Social Services post is currently being fulfilled by the Head of Adult & Community Services on an interim basis.
 - Head of Democratic Services
 - The designated post holder (Democracy & Communication Manager) left the Authority in September 2019.
 - As an interim measure, the Monitoring Officer (Head of Law & Regulation) has fulfilled the role.
 - Following an internal appointment, the role of Democratic Services Manager was filled in May 2021.
- 6.21 The Council optimises the use of the full powers available for the benefit of the citizens of Newport, communities and other stakeholders. For example, the Council takes its decisions by way of full Council or the Executive (Cabinet). Decisions are also taken by individual Cabinet Members and Chief Officers. The Scheme of Delegation and the Terms of Reference which are included in the Constitution, make it clear at which level decisions are taken.
- 6.22 A revised Whistleblowing Policy was updated in 2017, and a confidential helpline set up. In 2020/21 there were no disclosures made under the policy.
- 6.23 All waivers of the Contract Standing Orders and urgent decisions are reported through the Audit Committee quarterly.

7 Principle B: Ensuring openness and comprehensive stakeholder engagement

Openness

- 7.1 The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council 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 City Council's Twitter account.
- 7.2 Due to the impact of Covid-19 and national lockdown in March 2020 all public meetings were initially put on hold. In late August / September, virtual and remote meetings were set up which were accessible by the public.
- 7.3 As part of Newport City Council's commitment to being open and transparent it continues to publish its data on the website which the public is free to view and use www.newport.gov.uk/transparency.

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

	2018-19	2019-20	2020-21
No' of FOI requests	1167	1100	797
No' responded to within 20 days	1051	992	724
Percentage of FOIs responded to within 20 days	90.1 Target 88%	90.2 Target 88%	90.8% Target 88%

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

7.6 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.

7.7 Agendas, reports, decision schedules and minutes of all meetings of the Council, Cabinet or Cabinet Member are available to the public by way of the Council's website. Minutes or decisions arising from the consideration of such reports are available to the public via the website.

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

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

7.10 The Council uses a range of formal and information consultation and engagement exercises to determine the most appropriate and effective intervention / course of action. For instance, the Council undertakes the school reorganisation programme in accordance with the Welsh Government statutory School Organisation Code. Each consultation is supported by full stakeholder engagement as outlined in the statutory code. Since the pandemic, we have ceased face to face meetings. Instead, and regarding engagement with adult stakeholders, we ask that any questions or comments are submitted to a dedicated email account and are then responded to in a timely manner to enable stakeholders to submit an informed response to the consultation. We have however continued to support pupil engagement through MS Teams. 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.

Engaging comprehensively with institutional stakeholders

7.11 The Council looks to effectively engage with all stakeholders to ensure that the objectives and intended outcomes for each relationship are clear so the outcomes can be achieved successfully and sustainably. For example, the Local Authority works closely with the governing bodies of all schools across Newport and as key stakeholders they are consulted where appropriate on all matters.

7.12 The Council has developed a number of formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. Some examples of these are the ONE Newport Public Services Board, Newport Live (Leisure Trust) and the Community Safety Partnership.

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- 7.13 All partnerships are based on trust along with a shared commitment to change while promoting challenge among partners.
- 7.14 The Council has a number of formal appointments onto outside bodies to provide effective challenge. These appointments are agreed at the Council's AGM and at further Full Council meetings when necessary. A list of these appointments can be seen within the Council minutes.

Engaging stakeholders effectively, including individual citizens and service users

- 7.15 A formal policy for the type of issues that the Council will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes cannot be located.
- 7.16 Communication is important to Newport; the Annual Statement of Accounts 2019/20 was taken through the Audit Committee in 2020/21. 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, and are also available on the Council's intranet and website.
- 7.17 The Council looks to communicate via a number of different methods. 'Have Your Say' consultations are on the Council website, along with regular posts on social media and the use of Bus WIFI surveys.
- 7.18 Members are encouraged to hold regular Ward meetings and these are supported by Officers of the Council. Social media, Twitter and Facebook for example, is regularly being used to engage local people and communicate the corporate message.
- 7.19 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. An Annual Report on Compliments, Comments and Complaints Management for 2019/20 was presented to Cabinet in November 2020. The following table shows the number of complaints received for the past three years:

	2018-19	2019-20	2020-21
Stage 1 Complaints	271	1,413	1,129
Stage 2 Complaints	28	36	31
Complaints to PSOW	38	38	31

- 7.20 Stage 1 complaints are attributed to two things:
- The online self-service system made it much for customers to make their complaints online, using the website, their customer accounts or through an app. We rarely received any complaints online; this has changed significantly since the new system was introduced, which is a positive step forward. The number of Stage 2 and Ombudsman complaints has not increased, which indicates the same level of competence in responding to complaints successfully at Stage 1, without them needing to escalate further.

- A number of operational changes resulted in higher volumes of complaints for certain issues, e.g. the rollout of smaller bins and waste enforcement, introduction of Civil Parking Enforcement.

7.2 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.

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

Defining Outcomes

8.1 The Corporate Plan 2017-2022 “Building on Success - Building a Better Newport” incorporates the Council’s wellbeing objectives as required by the WFG Act. The Plan sets out clearly the Council’s purpose, priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and promoting sustainable development. This provides the basis for the Council’s overall strategy and performance.

8.2 Audit Wales issued the Council with its first Certificate of Compliance in accordance with the Local Government (Wales) Measure 2009 following its publication of its Strategic Recovery Aims in June and July 2020. This went to Cabinet in November 2020, confirming the Council had discharged its duties under section 17 of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

8.3 The One Newport PSB Well-being Plan (Cabinet November 2020) – 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. The 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.

8.4 Regular risk based meetings are held between Council officers and representatives of the Head of Finance to ensure that service areas are managing their outcomes on a sustainable basis within the available financial resources allocated.

8.5 Members of the performance team attend each service area’s monthly management team meetings to comment on and review the section’s performance against key performance indicator targets.

8.6 The Council identifies and manages risk through the Corporate Risk Register (see section 11) and also individual service area plans to ensure the achievement of intended outcomes.

8.7 The Council looks to manage service user expectations with regards to determining priorities and making the best use of the resources available. For instance, regular updates on the Council’s Medium Term Financial Plan (MTFP) are presented to Cabinet regularly.

8.8 2020/21 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.

Sustainable economic, social and environmental benefits

- 8.9 Newport City Council considers and balances these combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provisions. Each report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer (legal), the Section 151 Officer (economic) and the Head of People and Business Change (social and environmental).
- 8.10 Equality Impact Assessments (EIA) 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 2020/21 which have been published on the Council's website. A Strategic Equalities annual report is published by the Council (Cabinet July 2020).
- 8.11 The PSB review includes the monitoring of targets to ensure policies are delivering the agreed outcomes to ensure services are effective, focused on local people and improved quality of life in the City. In terms of measuring the environmental impact of policies, plans and decisions, the Council is working with the Welsh Local Government Association as one of 10 lead authorities for sustainability, and this will also form part of the Wellbeing Assessment and Wellbeing Plan work.

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

Determining Interventions

- 9.1 Decision makers are provided with reports which allow for an analysis of a variety of options including how they would be achieved and the risks associated. Comments are received on each report from the Monitoring Officer, Chief Financial Officer and the Head of People & Business Change.
- 9.2 The results of all consultation exercises are considered along with Fairness Equality Impact Assessments when making decisions about service improvements to prioritise the competing demands with the resources available. All reports consider the WFG Act.

Planning Interventions

- 9.3 The Council's Corporate Plan underpins the strategic objectives of the Council. Each service area also has an operational plan along with their own priorities and targets. Service area plans are approved by the Cabinet Member responsible for the portfolio. Mid and end of year reviews are completed by the Head of Service and reported to Scrutiny; November 2020.
- 9.4 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.
- 9.5 Through the Council's communication methods and annual budget consultation internal and external stakeholders are consulted in determining how services and other courses of action are planned and delivered.
- 9.6 For partner organisations such as the ONE Newport PSB and Newport Live, the Council collaboratively works together to consider and monitor the risks which may arise while ensuring that any arrangement is flexible so they can be adapted to any change of circumstance.

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- 9.7 The Council has established a number of local performance indicators and monitors these along with the relevant statutory and national performance indicators. These are detailed within individual service plans and reported via the Council's performance management system MI Hub. The year-end Performance Analysis for 2019/20 was taken through Cabinet in September 2020 which showed 55% of performance indicators performed in line with targets.
- 9.8 Performance management arrangements have improved with regular monitoring by the Cabinet and Cabinet Members as well as at officer level. The Authority had made its targets more difficult to achieve in an effort to push the organisation into improving services.
- 9.9 Mid-Year Performance Analysis for 2020/21 was taken through Cabinet in January 2021. The report showed that for the first six months of this financial year:
- 37% of performance measures were on target
 - 10% of performance measures were short of target
 - 16% of performance measures were off target
 - 64% of the actions identified in the service plans were reported as being 'In Progress';
 - 5% of actions reported as being 'Completed'
 - 22% of actions had been reported as 'Amber'; and
 - 6% of actions had not yet started.
- 9.10 Budgets are prepared in accordance with the Council's strategic directives and Corporate Plan. There are robust arrangements for effective financial control through the Council's accounting procedures, Financial Regulations (May 2016). These include established budget planning procedures, which are subject to risk assessment, and regular reports to Members comparing actual revenue and capital expenditure to annual budgets. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Council's Audit Committee and Cabinet (July 2020, December 2020) to ensure a sustainable funding strategy is maintained.
- Optimising achievement of intended outcomes**
- 9.11 Where value for money of the public pound is concerned, budget proposals were examined by meetings of the Scrutiny Committees. This is to ensure that the service priority, affordability and other resource constraints are balanced.
- 9.12 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 July 2020, September 2020, November 2020, January 2021 and February 2021, taking into account the full cost of operations. The MTFP report highlights any significant delivery issues or changes to the external environment which arise during the period and have a financial impact.
- 8.12 The 2021/22 Budget consultation and MTFP were submitted to Council in February 2021; 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 2021/22 budget proposals.

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

Developing the entity's capacity

10.1 The Council has developed and maintained a People & Culture Strategy 2018 – 2022 as a workforce plan to enhance the strategic allocation of resources.

10.2 Through annual service area plans and mid year reviews, the operations and use of assets are reviewed. Performance is monitored through the service plans and also through the MI Hub performance management system with 6 monthly reports to Cabinet to ensure the continuing effectiveness of operations.

10.3 The Council recognises the benefits of partnerships and collaborative working to add value into the organisation. Examples of these arrangements can be in place locally (within Newport) such as the Newport Live (Leisure Trust), regionally within Gwent – the Education Achievement Service for SE Wales (EAS), regionally within South East Wales - the Cardiff Capital Region City Deal and wider afield through the 'Great Western Powerhouse'.

Developing the capability of the entity's leadership and other individuals.

10.4 The Council has an agreed Member/Officer Protocol within the Constitution which ensures that a shared understanding of the roles and objectives are maintained.

10.5 The Constitution also includes a clear scheme of delegated powers for decision taking by Members and Chief Officers. This document details the types of decisions which can be delegated to Cabinet Members, established Sub-Committees or Chief Officers or those which have to be made by the collective body of the full Council.

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

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

10.8 The Council develops the capabilities of Members and senior management to achieve effective shared leadership. This enables the Council to respond successfully to changing legal and policy demands. In addition the Council ensures that Members and officers have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities. This is completed by;

- An on-going programme of events and training for Members especially those involved in the Planning & Licensing Committees and Sub Committees.
- A mandatory management programme for all senior manager 'Management in Action' to develop management capacity (2018).
- Further In-house management development modules for middle managers;
- Aspiring Leaders Programme delivered in partnership with the University of South Wales.
- Core Skills training is also available to all employees aligned to our corporate values with specific training available on topics such as Customer Care, Stress Management and Equality and Diversity.

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

- Chief Executive's Annual Appraisal;

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- Chief Executive's 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).

- 10.10 The employee performance management system (Clear Review) was launched during 2017. This enables ongoing evaluation and encourages all staff to give feedback to colleagues. This ensures that all officers and managers reflect on their objectives and staff are able to link their objectives directly to the organisational goals set within the Corporate Plan and service plan. Clear Review was superseded by the 'Check-in' process directly recorded onto i-Trent. This will form 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.
- 10.11 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures. Newport City Council supports employees and citizens in maintaining both their physical and mental well-being. Information on our workforce can be found in the Strategic Equalities annual report.

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

Managing Risk

- 11.1 Risk management is an integral part of all activities and is considered in all aspects of decision making. A report template for all formal Member and scrutiny reports requires authors to consider risk and its management or mitigation when writing reports. Each Head of Service incorporate the keys risks to their service within service plans which identify the impact, the likelihood and any mitigation in place to manage those risks.
- 11.2 The Corporate Risk Management Policy was reviewed during 2019/20 and revised to strengthen existing arrangements and support the delivery of the Corporate Plan. The revised Policy was considered by the Audit Committee in January 2020, approved and endorsed by the Leader in July 2020.
- 11.3 The Council's Corporate Risk Register was updated and taken through Cabinet and Audit Committee during 2020/21 on a quarterly basis. Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. 18 corporate risks were identified for the Council and these were recorded on the Corporate Risk Register as of the end of quarter 3 2020/21 which went to Cabinet March 2021; 10 severe, 6 major, 2 moderate.
- 11.4 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. Risk management is included within the service plans where operational managers have greater responsibility for owning and dealing with the risks identified in their areas. All risks within the Corporate Risk Register have a designated overseeing officer(s) and a lead Cabinet Member(s) assigned.

Managing Performance

- 11.5 Service delivery is monitored through a number of key performance indicators agreed with targets at the start of each year. These are included on the Council's performance management system MI Hub and challenged by the Policy & Performance team. The planning, specification and delivery of service area work is included within annual service area plans which are approved by the lead Cabinet Member for the service area along with being reviewed through the scrutiny process. These are subject to mid-

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year and end of year reviews presented to the respective scrutiny committee. This ensures that Members and senior managers have regular reports on progress towards outcome achievement.

- 11.6 All decisions are based on clear, objective analysis taking into account the Council's financial position, social and environmental implications. Consideration against statutory policies is also made through a review of the WFG Act commitments. The above are considered by the report author when writing the report and also through the comments of the Monitoring Officer, Chief Financial Officer and the Head of People & Business Change.
- 11.7 Members of the scrutiny committees review policies and performance and question key decisions made by the Council's Cabinet and Officers to ensure they are open, accountable, transparent and in the best interests of the local area and its residents. Audit Wales reviewed the Council's Overview and Scrutiny functions to determine if they were 'Fit For the Future' in August 2018. They concluded that the Council's leadership was committed to improving its scrutiny function and to meet current and future challenges for scrutiny, but Members need a fuller understanding of their scrutiny role and more effective, timely training.
- 11.8 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

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

Robust internal control

- 11.9 Internal Audit provides assurance to Senior Management and the Audit Committee on the effectiveness of internal control, risk management and governance.
- 11.10 The Audit Committee considers the work of internal and external auditors and the responses to audit recommendations. The Audit Committee has appointed an independent Chair; who is not part of the political structure of the Council. It also has responsibility for approving the Annual Statement of Accounts and its associated reports (which include this statement). This responsibility has been delegated by Council where the Chair of the Audit Committee signs the Accounts on behalf of the Audit Committee.
- 11.11 Audit Committee meets regularly and its activities can be seen via the Council's website; it met 4 times in 2020/21 as a result of Covid-19. Members received:
- The Annual Internal Audit Report 2019/20
 - The Annual Internal Audit Plan 2020/21 and Revised Internal Audit Plan 2020/21
 - 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 2019/20 Financial Statements, including the Annual Governance Statement
 - 6 monthly updates on Internal Audit low assurance opinions

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- Audit Wales reports

- 11.12 The Council has established anti-fraud, bribery and corruption arrangements which provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. The revised Anti-Fraud, Bribery and Corruption Statement was approved by Cabinet in April 2021.
- 11.13 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. 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.
- 11.14 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.
- 11.15 29 Internal Audit opinions were issued in 2020/21. The overall opinion on the adequacy of the internal control environment for 2020/21 was **REASONABLE (in 2019/20 the opinion was Reasonable)**.

	2018-19	2019-20	2020-21
Good	10	7	5
Reasonable	27	19	23
Unsatisfactory	10	6	1
Unsound	1	0	0
Total	48	32	29

- 11.16 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will follow this up. 71% of agreed management actions for 2019/20 had been implemented by management.
- 11.17 Reasons why the outcome of some internal audit reviews were deemed to be unsatisfactory were presented to Audit Committee. 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. Examples of this occurring during 2020/21 include:
- The Chief Education Officer, November 2020, with regards Members' concerns around an Unsatisfactory Audit Opinion of Gwent Music;
 - The Head of Children and Young Peoples' Services, November 2020, with regards a second consecutive Unsatisfactory Audit Opinion of SGO/ Kinships

Assurance was provided by all those who attended Audit Committee that improvements will be made in the examined areas which will result in a future improvement in the internal control environment and resulting internal audit opinion.

Managing Data

- 11.18 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 (SRS);
 - 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.
- 11.19 The Annual Information Risk Report 2019/20 Draft was presented to the Information Governance Group May's meeting and endorsed by Cabinet Member for Community and Resources in December 2020.
- 11.20 There is a Council policy on information sharing along with numerous information sharing protocols with our partners. Information sharing is key to joined up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Newport signed up to this in January 2011. The Council is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 2018. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.
- 11.21 Through Internal and External Audit reviews the quality and accuracy of data used in decision making and performance monitoring is reviewed.

Strong public financial management

- 11.22 The Council ensures that its financial management supports both long term achievement of the strategic objectives and outcomes while ensuring that short-term financial and operational performance is monitored. This is completed through the approval of a Medium Term Financial Plan and Capital Programme which are reviewed on a regular basis by Cabinet. On a short term basis, the individual service area budgets are monitored on a risk based programme by Accountancy.
- 11.23 The Council has a Budget Management System which promotes responsible and good financial management across all service areas of the Council. This system allows officers to highlight and explain any financial risks and controls.

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

Implementing good practice in transparency

- 12.1 The Council looks to ensure that all reports and communications are in clear English and in a style which is easily understandable. All reports can be accessed via the democracy pages on the Council's website using the modern.gov platform. The Council ensures that the provisions of the Welsh Language Standards are met with its communication to residents.

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- 12.2 All reports are required to have comments from the Monitoring Officer, Chief Financial Officer and the Head of People & Business Change. These 3 Officers ensure that reports strike the correct balance to ensure the right amount of information is provided to satisfy transparency demands and to enhance public scrutiny. They also ensure that reports are not too onerous and in a language which the users can understand.

Implementing good practices in reporting

- 12.3 All service areas are required to report annually on performance, value for money and the stewardship of resources through the service plan reviews, which also have a mid year review by Scrutiny.
- 12.4 All service plans, risks, budgets and performance measures have a designated responsible officer along with the appropriate Head of Service and Cabinet Member.
- 12.5 The Council has arrangements through this Annual Governance Statement for ensuring robust arrangements for assessing the extent to which the principles contained in the Code of Corporate Governance Framework have been applied to demonstrate good governance.
- 12.6 The Councils Code of Corporate Governance was revised during 2019/20 and approved by Cabinet in April 2021.
- 12.7 The preparation of the Council's financial statements are completed as soon as possible after year end and to the deadlines agreed with Audit Wales. Both the publication of the Draft and Final 2019/20 end of year accounts met these deadlines.

Assurance and effective accountability

- 12.8 Any recommendations made by the Council's external auditors (Audit Wales) are acted upon. Each report contains an action plan and is presented to and monitored by the appropriate scrutiny committee. An end of year 'lessons learnt' exercise was completed for the 2019/20 account closure process and this was reported to the Audit Committee in November 2020.
- 12.9 The Council has an Internal Audit service which has unrestricted access to all personnel, documentation and premises of the Council. The Chief Internal Auditor also has unrestricted access to the Chair of the Audit Committee, Chief Executive and Leader of the Council if required. These provisions are set within the Council's Financial Regulations (part of the agreed Constitution) and are also included within the Internal Audit Charter.
- 12.10 An Internal Audit follow up review of Corporate Governance across the organisation will be undertaken during 2021/22.
- 12.11 The Council welcomes all challenge, reviews and inspections from regulatory bodies. A number of external bodies have provided reports on the Council's activities during 2020/21 including Audit Wales, the Care Inspectorate for Wales (CIW) and Her Majesty's Inspector of Education & Training in Wales (ESTYN). The Council looks to implement all recommendations arising from these reports to ensure the necessary controls and improvements are made for the benefit of the citizens of Newport.
- 12.12 When working in partnership, the Council ensures that arrangements for accountability are clear, whether this is through a memorandum of understanding or contract being in place. This is to ensure that wider public accountability is met.

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13 Action Plan

Based on our review of the governance framework, the following issues need to be addressed during 2021/22 to further improve and strengthen the governance arrangements and their effectiveness in future years.

2019/20 Action Plan

Issue	Action	Responsible Officer
6.8 Key statutory positions are currently filled as soon as possible, even if that is on a temporary, interim basis.	To ensure all statutory posts within the Council are appointed to following an open and transparent recruitment process. <i>Progress to date:</i> Chief Executive and Democratic Services Manager posts have been appointed to. The Strategic Leadership team is subject to review.	Head of People & Business Change
7.15 Consultation and Engagement Policy requires review	To review the required policy and seek appropriate approval. <i>Progress to date:</i> To be reviewed as part of the implementation plan for the Local Govt. & Elections Act during 2021/22.	Head of Law & Regulation
12.6 The Council's revised Code of Corporate Governance needs to formally approved. [b/f from 2018/19]	The Council's Code of Corporate Governance will be considered by Audit Committee before taking to Cabinet for approval during 2020/21 <i>Progress to date:</i> Code of Corporate Governance approved by Cabinet April 2021	Chief Internal Auditor

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<p>12.7</p> <p>Once approved the revised Code of Corporate Governance needs to be communicated to all jointly managed and shared service organisations.</p>	<p>Communicate the revised Code of Corporate Governance to all jointly managed and shared service organisations and that assurance on compliance is received for the Annual Governance Statement 2020/21.</p> <p><i>Progress to date:</i></p> <p>Action to be taken in 2021/22</p>	<p>Head of Finance</p> <p>Chief Internal Auditor</p>
<p>12.11</p> <p>Action needs to be taken in response to the 'Corporate Governance' Unsatisfactory Internal Audit report (Draft at 31/3/20).</p>	<p>Management to agree a response to the report and ensure concerns are addressed.</p> <p><i>Progress to date:</i></p> <p>Management actions agreed, Internal Audit to undertake a follow up audit in 2021/22.</p>	<p>Head of People & Business Change</p> <p>Head of Law & Regulation</p> <p>Head of City Services</p>
<p>[b/f from 2018/19]</p> <p>The established anti-fraud, bribery and corruption policy statement required review. This was endorsed by the Audit Committee.</p>	<p>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.</p> <p><i>Progress to date:</i></p> <p>Anti-fraud, bribery and corruption policy statement approved by Cabinet April 2021.</p>	<p>Chief Internal Auditor</p>

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14 Conclusion

14.1 In conclusion during 2020/21 the Coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness. There are effective governance arrangements in place at Newport City Council. This will be monitored during 2021/22 and reviewed as part of Internal Audit work and future Annual Governance Statements.

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

Signed:Date..... 2021

Councillor Jane Mudd, Leader of Newport City Council

Signed:Date..... 2021

Beverly Owen, Chief Executive of Newport City Council

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

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Expenditure and Funding Analysis

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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.

2020/21	Net Expenditure Chargeable to the General Fund	Adjustments between the funding and accounting basis	Net expenditure in the CIES
	£'000	£'000	£'000
Children and Young People	26,226	1,129	27,355
Adults and Community	46,224	2,172	48,396
Education	14,511	3,414	17,925
Schools	106,527	18,432	124,959
Regen Investment + Housing	15,284	(1,716)	13,568
Streetscene and City Services	26,606	10,215	36,821
Corporate Services	21,940	(1,920)	20,020
Other Non Department Costs (Non Service)	10,296	(8,975)	1,321
Net Cost of Service	267,614	22,751	290,365
Other Income and Expenditure	(274,971)	(8,719)	(283,690)
(Surplus) or Deficit	(7,357)	14,032	6,675
Opening General Fund as at 31 March 2020	(6,500)		
(Surplus) / Deficit on the General Fund	-		
Transfer between Earmarked reserve and general funds	-		
Closing General Fund as at 31 March 2021	(6,500)		

2019/20	Net Expenditure Chargeable to the General Fund	Adjustments between the funding and accounting basis	Net expenditure in the CIES
	£'000	£'000	£'000
Children and Young People	25,697	3,037	28,734
Adults and Community	47,242	2,787	50,029
Education	13,634	5,189	18,823
Schools	96,545	13,665	110,210
Regen Investment + Housing	9,738	6,783	16,521
Streetscene and City Services	23,702	15,076	38,778
Corporate Services	17,738	4,858	22,596
Other Non Department Costs (Non Service)	45,449	(29,906)	15,543
Net Cost of Service	279,745	21,489	301,234
Other Income and Expenditure	(281,553)	24,306	(257,247)
(Surplus) or Deficit	(1,808)	45,795	43,987
Opening General Fund as at 31 March 2019	(6,500)		
(Surplus) / Deficit on the General Fund	-		
Transfer between Earmarked reserve and general funds	-		
Closing General Fund as at 31 March 2020	(6,500)		

Comprehensive Income and Expenditure Statement

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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.

	2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			Children's and Young People Services		34,578	(7,223)	27,355
33,763	(5,029)	28,734	Adults and Community Services		93,647	(45,251)	48,396
81,376	(31,347)	50,029	Education		30,758	(12,833)	17,925
23,702	(4,879)	18,823	Schools		155,238	(30,279)	124,959
135,437	(25,227)	110,210	Regeneration, Investment and Housing		39,623	(26,055)	13,568
41,899	(25,378)	16,521	City Services		54,786	(17,965)	36,821
52,705	(13,927)	38,778	Corporate Services		26,457	(6,437)	20,020
27,197	(4,601)	22,596	Other Non Department Costs		46,441	(45,120)	1,321
60,335	(44,792)	15,543					
456,414	(155,180)	301,234	Cost of services		481,528	(191,163)	290,365
23,038	238	23,276	Other operating expenditure	11	25,032	(1,291)	23,741
24,537	(1,632)	22,905	Financing and investment income and expenditure	12	18,913	(257)	18,656
-	-	-	(Surplus) / deficit on discontinued operations		-	-	-
-	(303,428)	(303,428)	Taxation and non-specific grant income	13	-	(326,087)	(326,087)
503,989	(460,002)	43,987	(Surplus) / Deficit on Provision of services		525,473	(518,798)	6,675
		(2,945)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets				(35,022)
		(82,203)	Actuarial (gains) / losses on pensions assets / liabilities				106,560
		(85,148)	Other Comprehensive Income and Expenditure				71,538
		(41,161)	Total Comprehensive Income and Expenditure				78,213

Movements in Reserves Statement

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

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

	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the 31 Mar 2019 carried forward	(6,500)	(88,242)	(8,295)	(103,037)	152,010	48,973
Movement in reserves during 2019/20						
(Surplus) / deficit on the provision of services	43,987	-	-	43,987	-	43,987
Other comprehensive Income and Expenditure	-	-	-	-	(85,148)	(85,148)
Total Comprehensive Income and Expenditure	43,987	-	-	43,987	(85,148)	(41,161)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(28,051)	-	36	(28,015)	28,015	-
Net Increase / Decrease before Transfers to Earmarked Reserves	15,936	-	36	15,972	(57,133)	(41,161)
Transfer to/ from Earmarked Reserves (Note 10)	(15,936)	15,936	-	-	-	-
Increase/ Decrease in 2019/20	-	15,936	36	15,972	(57,133)	(41,161)
Balance at the 31 Mar 2020 carried forward	(6,500)	(72,306)	(8,259)	(87,065)	94,877	7,812
Balance at the 31 Mar 2020 carried forward	(6,500)	(72,306)	(8,259)	(87,065)	94,877	7,812
Movement in reserves during 2020/21						
(Surplus) / deficit on the provision of services	6,674	-	-	6,674	-	6,674
Other comprehensive Income and Expenditure	-	-	-	-	71,538	71,538
Total Comprehensive Income and Expenditure	6,674	-	-	6,674	71,538	78,212
Adjustments between accounting basis and funding basis under regulations (Note 9)	(29,386)	-	1,506	(27,880)	27,880	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(22,712)	-	1,506	(21,206)	99,418	78,212
Transfer to/ from Earmarked Reserves (Note 10)	22,712	(22,712)	-	-	-	-
(Increase) / Decrease in 2020/21	-	(22,712)	1,506	(21,206)	99,418	78,212
Balance at the 31 Mar 2021 carried forward	(6,500)	(95,018)	(6,753)	(108,271)	194,295	86,024

Balance Sheet

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

31-Mar-20		Notes	31-Mar-21
£'000			£'000
501,064	Property, Plant and Equipment	14	511,190
17,354	Heritage Assets	16	17,354
10,897	Investment Property	17	12,743
251	Long Term Investments	18	447
18,356	Long Term Debtors	18	22,113
547,922	Long Term Assets		563,847
12,450	Short Term Investments	18	15,294
1,284	Assets Held for Sale	22	3,046
201	Inventories	19	295
62,557	Short Term Debtors	20	69,245
-	Deferred Tax Asset	18	141
(7,189)	Cash and Cash Equivalents	21	7,694
69,303	Current Assets		95,715
(19,685)	Short Term Borrowing	18	(5,648)
(36,755)	Short Term Creditors	23	(50,281)
(8,866)	Provisions	24	(7,470)
(2,175)	Other Short Term Liabilities	18	(2,447)
(67,481)	Current Liabilities		(65,846)
(13,252)	Long Term Creditors	18	(12,627)
(11,041)	Long Term Provisions	24	(11,078)
(145,947)	Long Term Borrowing	18	(145,725)
(347,150)	Pension Liability	26	(470,989)
(40,166)	Other Long Term Liabilities	18	(39,320)
(557,556)	Long Term Liabilities		(679,739)
(7,812)	Net Assets / Liabilities		(86,023)
(87,065)	Usable Reserves	25	(108,271)
94,877	Unusable Reserves	26	194,294
7,812	Total Reserves		86,023

Cash Flow Statement

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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.

2019/20		Note	2020/21
£'000			£'000
43,987	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		6,675
(49,748)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	(60,341)
20,407	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	19,720
<u>14,646</u>	Net cash flows from Operating Activities		<u>(33,946)</u>
11,802	Investing Activities	28	3,232
<u>27,881</u>	Financing Activities	29	<u>15,830</u>
<u>54,329</u>	Net (increase) or decrease in cash and cash equivalents		<u>(14,884)</u>
<u>47,140</u>	Cash and cash equivalents at the beginning of the reporting period	21	<u>(7,189)</u>
<u>(7,189)</u>	Cash and cash equivalents at the end of the reporting period	21	<u>7,694</u>

Notes to the Statement of Accounts

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Newport City Council

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, and in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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.

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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.

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Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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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 41 and 42.

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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.

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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

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therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Jointly Controlled Operations and Jointly Controlled Assets

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

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

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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Operating Leases

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

The Council as Lessor

Finance Leases

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

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

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Overhead and Support Service

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

Property, Plant and Equipment

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

Recognition

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

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

Measurement

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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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

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(if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

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

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

Private Finance Initiative (PFI)

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

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

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

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

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

Provisions

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

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Provisions are charged to the Comprehensive Income and Expenditure Statement to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement.

Estimates are reviewed at the end of each financial year and any changes are reflected within relevant service revenue accounts. When payments related to the obligation are eventually made they are charged to the provision set up in the Balance Sheet.

Contingent Assets / Liabilities

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

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

Contingent Liabilities and Assets are not recognised in the Balance Sheet but are disclosed in Notes 44 and 45. 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 26.

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.

Schools Accounting Policy

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority

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financial statements (and not in the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

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.

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 2022. The adoption of IFRS 16 will likely have a material impact to the accounts but the exact impact is not yet known.

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 single entity accounts and their activities must be reported.

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

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

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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 2nd July 2021. Any events taking place after this date are not reflected in the statement of accounts or notes and there are no specific issues or events that are expected to change this.

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 economic impact of the Covid-19 pandemic presents challenges to the Council and its service users. It has been recognised that it will have a significant impact upon ongoing operations and the finances associated with providing services and any assumptions we have made about the future as well of areas of estimation within the statement of accounts.

The items in the Council's Balance Sheet at 31 March 2021 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
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 2021, 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.
Property, Plant and Equipment	Assets are depreciated over their useful lives which 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.

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<p>Fair value measurements</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model.) Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the senior external valuer).</p>	<p>The Council uses a selection of valuation methods to measure the fair value of its surplus assets, investment properties and financial assets and liabilities.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement particularly for the investment properties.</p>
<p>Valuation of operational property</p>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.</p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will change in direct relation to changes in estimated current value.</p>

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<p>Fair value measurement of investment property</p>	<p>The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.</p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, it has been difficult to value property assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>
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Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2019 valuation data to ensure that it is captured in the 31 March 2021 IAS19 balance sheet figures. The impact is recorded as a past service cost of which £1,599,000 of the total £1,953,000 relate to McCloud.</p> <p>As a result of the Covid-19 outbreak and the impact that it has had globally the Pension Fund auditor of the Greater Gwent Pension Fund has reported that certain investments held within the fund as having estimation uncertainty attached to them. NCC's share of these assets is £14.9m.</p>	<p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>The actuary has advised the effects of a 0.5% increase in the following criteria:</p> <p>Discount Rate – £113.6m amendment to liability.</p> <p>Salary Increase Rate – £11.6m amendment to liability.</p> <p>Pension Increase Rate - £99.6m amendment to liability.</p>
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6 MATERIAL ITEMS OF INCOME AND EXPENSE

There are no items classed as exceptional items in 2020/21 (nil for 2019/20)

7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2020/21	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000
Adjustments from General Fund to arrive at CIES amounts					
Children and Young People	(32)	1,403	(93)	(149)	1,129
Adults and Community	847	1,459	(104)	(30)	2,172
Education	3,885	690	(50)	(1,111)	3,414
Schools	23,666	3,191	(829)	(7,596)	18,432
Regen Investment + Housing	2,735	1,063	(224)	(5,290)	(1,716)
Streetscene and City Services	11,288	1,293	(98)	(2,268)	10,215
Corporate Services	1,051	1,638	(124)	(4,485)	(1,920)
Other Non Department Costs (Non Service)	31	(1,543)	-	(7,463)	(8,975)
Net Cost of Service	43,471	9,194	(1,522)	(28,392)	22,751
Other Income and Expenditure from Funding Analysis	(18,147)	8,084	-	1,344	(8,719)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit	25,324	17,278	(1,522)	(27,048)	14,032

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2019/20	Adjustments for Capital Purposes	Net change for Pension Adjustments	Accumulated Absences	Other Adjustments	Total Adjustments
Adjustments from General Fund to arrive at CIES amounts	£'000	£'000	£'000	£'000	£'000
Children and Young People	253	2,426	5	353	3,037
Adults and Community	293	2,512	(27)	9	2,787
Education	3,977	653	(653)	1,212	5,189
Schools	4,190	5,681	1,457	2,337	13,665
Regen Investment + Housing	2,888	2,510	112	1,273	6,783
Streetscene and City Services	12,373	2,293	10	400	15,076
Corporate Services	1,077	2,866	15	900	4,858
Other Non Department Costs (Non Service)	95	(16)	-	(29,985)	(29,906)
Net Cost of Service	25,146	18,925	919	(23,501)	21,489
Other Income and Expenditure from Funding Analysis	(13,852)	9,842	-	28,316	24,306
Difference between General Fund surplus or deficit and CIES Surplus or Deficit	11,294	28,767	919	4,815	45,795

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.

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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:
- 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
 - 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 £1,344k under 'Other Non Department Costs (Non service)' includes adjustments for Levies, Council Tax Reduction Scheme, reserve balances, minimum revenue provision and any other income and expenditure.
 - The £1,344k will include any other adjustments, including PFI.

8 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2019/20	2020/21
	£'000	£'000
Expenditure		
Employee Benefits Expenses	204,688	201,254
Other Services Expenditure	227,393	237,727
Depreciation, Amortisation, Impairment	28,141	43,567
Interest Payments	20,729	17,893
Precepts and Levies	23,271	25,031
(Gain)/Loss on Disposal of assets	(233)	-
Total Expenditure	503,989	525,473
Income		
(Gain)/Loss on Disposal of assets	238	(1,292)
Fees, Charges and other service income	(28,796)	(26,727)
Interest and investment income	(1,633)	(258)
Income from Council tax and non-domestic rates	(118,891)	(122,903)
Government grants and contributions	(310,920)	(367,620)
Total Income	(460,002)	(518,799)
(Surplus) or Deficit on the Provision of Services	43,987	6,675

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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.

	Usable Reserves		Movement in Unusable Reserves £'000
	Council Fund Balance £'000	Capital Receipts Reserve £'000	
2020/21			
Adjustments primarily involving the Capital Adjustment Account:	(14,813)	-	14,813
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	(26,200)	-	26,200
Charges for depreciation and impairment of non-current assets	(23,573)	-	23,573
Revaluation losses on PPE & Assets Held for Sale	(17,444)	-	17,444
Movements in the fair value of Investment Properties	(279)	-	279
Capital grants and contributions applied	19,935	-	(19,935)
Revenue expenditure funded from capital under statute	(4,681)	-	4,681
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	(158)	-	158
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	11,387	-	(11,387)
Statutory provision for the financing of capital investment	9,808	-	(9,808)
Capital expenditure charged against the General Fund	1,579	-	(1,579)
Adjustments primarily involving the Capital Receipts Reserve:	548	1,506	(2,054)
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	548	(548)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	2,054	(2,054)
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:	636	-	(636)

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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	636	-	(636)
Adjustments primarily involving the Pensions Reserve:	(17,279)	-	17,279
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(35,240)	-	35,240
Employer's pensions contributions and direct payments to pensioners payable in the year	17,961	-	(17,961)
Adjustment primarily involving the Accumulated Absences Account:	1,522	-	(1,522)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,522	-	(1,522)
TOTAL ADJUSTMENTS	(29,386)	1,506	27,880

2019/20 Comparative figures

	Usable Reserves		
	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	120	-	(120)
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	(13,035)	-	13,035
Charges for depreciation and impairment of non-current assets	(26,159)	-	26,159
Revaluation losses on Property Plant and Equipment	2,197	-	(2,197)
Movements in the market value of Investment Properties	(3,808)	-	3,808
Capital grants and contributions applied	19,724	-	(19,724)
Revenue expenditure funded from capital under statute	(3,881)	-	3,881
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	(1,108)	-	1,108
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	13,155	-	(13,155)
Statutory provision for the financing of capital investment	10,109	-	(10,109)
Capital expenditure charged against the General Fund	3,046	-	(3,046)

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Adjustments primarily involving the Capital Receipts Reserve:	880	36	(916)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	880	(880)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	916	(916)
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:	635	-	(635)
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	635	-	(635)
Adjustments primarily involving the Pensions Reserve:	(28,767)	-	28,767
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(46,217)	-	46,217
Employer's pensions contributions and direct payments to pensioners payable in the year	17,450	-	(17,450)
Adjustment primarily involving the Accumulated Absences Account:	(919)	-	919
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	(919)	-	919
TOTAL ADJUSTMENTS	(28,051)	36	28,015

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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 2020/21.

	Movements between Reserves		Via Comprehensive I&E Account		Balance at 31-Mar-21	
	Balance at 31-Mar-20	Transfers Out	Transfers In	Transfers Out		Transfers In
	£'000	£'000	£'000	£'000	£'000	£'000
Council Fund	(6,500)	-	-	-	-	(6,500)
Balances held by schools for future use	(1,113)	-	-	29	(8,474)	(9,558)
Risk Reserves						
Music Service	(127)	-	-	-	-	(127)
Pay Reserve	(1,418)	-	-	-	-	(1,418)
Insurance Reserve	(664)	-	-	-	(498)	(1,162)
MMI Insurance Reserve	(602)	-	-	-	-	(602)
Health & Safety	(16)	-	-	-	-	(16)
Education Achievement Service	(92)	-	-	-	-	(92)
Schools Redundancies	(725)	-	-	-	(260)	(985)
General Investment Risk Reserve	(658)	-	-	594	(1,124)	(1,188)
European Funding I2A & CFW	(394)	-	-	18	(608)	(984)
Metro Bus	(9)	-	-	-	-	(9)
GEMS Redundancies	(78)	-	-	-	-	(78)
Enabling Reserves						
Capital Expenditure	(5,343)	-	-	40	(4,624)	(9,927)
Invest to Save	(9,938)	-	-	1,474	-	(8,464)
Super Connected Cities	(426)	-	-	128	-	(298)
Landfill Reserve	(332)	-	-	-	-	(332)
School Works	(452)	-	-	20	-	(432)
School Reserve Other	(182)	155	-	-	-	(27)
Investment Reserve	(342)	-	(155)	-	-	(497)
Usable Capital Receipts	(8,259)	-	-	2,054	(548)	(6,753)
Streetscene Manager Support	(117)	-	-	51	-	(66)
Smoothing Reserves						
Municipal Elections	(130)	-	-	-	(34)	(164)
Local Development Plan	(625)	-	-	-	(63)	(688)
Glan Usk PFI	(1,607)	-	-	-	-	(1,607)
Southern Distributor Road PFI	(40,691)	-	-	299	-	(40,392)
Building Control	(104)	-	-	23	-	(81)
Loan modification IFRS 9	(1,085)	-	-	572	-	(513)
Kingsway	-	-	-	-	(64)	(64)
Other Reserves						
Works of art	(21)	-	-	-	-	(21)
Theatre & Arts Centre	(232)	-	-	-	-	(232)
Cymorth Income	(25)	-	-	-	-	(25)
Blaen-y-plant remodelling	(18)	-	-	14	-	(4)
Homeless Prevention	(38)	-	-	-	-	(38)

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Environmental Health - Improve Air Quality	(49)	-	-	-	-	(49)
Refurbishment of a Children / Older People Homes	(41)	-	-	-	-	(41)
Apprenticeship Scheme Reserve	(29)	-	-	12	-	(17)
City Economic Development Reserve	(90)	-	-	-	-	(90)
Welsh Language Standards	(169)	-	-	40	-	(129)
Port Health	(16)	-	-	-	-	(16)
CRM	(244)	-	-	192	-	(52)
Financial System Upgrade	(400)	-	-	-	(200)	(600)
Events	(216)	-	-	-	-	(216)
MTFP Reserve	(2,037)	-	-	70	(3,150)	(5,117)
Voluntary Sector Grants	(49)	-	-	6	-	(43)
Bus Wifi	(17)	-	-	17	-	-
Bus Subsidy	(15)	-	-	-	-	(15)
Feasibility Reserve	(117)	-	-	63	-	(54)
IT Development	(53)	-	-	-	-	(53)
Leisure Delivery Plan	(103)	-	-	-	-	(103)
Chartist Tower	(256)	-	-	-	-	(256)
Joint Committee City Deal Reserve	(626)	-	-	337	-	(289)
Civil Parking Enforcement	(175)	-	-	-	(70)	(245)
Community COVID Recovery Fund	-	-	-	-	(500)	(500)
Clean & Green	-	-	-	-	(500)	(500)
Green Recovery Task Force	-	-	-	-	(1,000)	(1,000)
Business Development Grants	-	-	-	-	(250)	(250)
Business Support	-	-	-	-	(56)	(56)
Children's Service legal fees	-	-	-	-	(150)	(150)
Community Occupational Therapy	-	-	-	-	(53)	(53)
Directly Managed Community Centres Maintenance	-	-	-	-	(50)	(50)
IT Infrastructure	-	-	-	-	(120)	(120)
PSB Contribution	-	-	-	-	(40)	(40)
COVID Reserve	-	-	-	-	(596)	(596)
Highways road repairs [potholes]	-	-	-	-	(116)	(116)
Homelessness Prevention	-	-	-	-	(289)	(289)
Chief Education Grant	-	-	-	-	(765)	(765)
Home to School Transport	-	-	-	-	(801)	(801)
Housing Supply review	-	-	-	-	(25)	(25)
Anniversary tree planting / green canopy	-	-	-	-	(20)	(20)
Cariad Casnewydd	-	-	-	-	(170)	(170)
Soft Loan interest equalisation reserve	-	-	-	-	(1,861)	(1,861)
Community Gardening Schemes	-	-	-	-	(180)	(180)
Total	(87,065)	155	(155)	6,053	(27,259)	(108,271)

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 3 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;

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- **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** - The Council manages the residual insurance fund of the former Gwent County Council on behalf of Torfaen, Blaenau Gwent, Caerphilly and Monmouth Councils. 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. The Council holds an earmarked reserve to mitigate this risk.
- **Pay reserve** - established to fund potential pay liabilities in future years should any annual pay award be greater than what has been provided in the annual budget;
- **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** – the funding for these two projects were received from Welsh Government upfront, and is held in a reserve to pay the annual capital repayments to the contractor over the life of the project;
- **General Investment Risk Reserve** – the Council are involved in providing support towards regeneration activities within the city. This reserve has been established to provide limited mitigation against any potential risks arising from any support the council has given.

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11 OTHER OPERATING EXPENDITURE

31-Mar-20		31-Mar-21
£'000		£'000
	Precepts and levies:	
369	Community Councils	418
7,028	South Wales Fire Authority	7,408
755	Natural Resources Wales	755
15,119	Police and Crime Commissioner for Gwent	16,451
(233)	(Gains) and Losses on assets held for sale	(1,103)
238	Loss / (Profit) on the disposal of non-current assets	(188)
<u>23,276</u>	Total	<u>23,741</u>

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

31-Mar-20		31-Mar-21
£'000		£'000
10,888	Interest Payable and similar charges	9,809
9,841	Pensions interest cost and expected return on pensions assets	8,084
(256)	Interest receivable and similar income	(180)
	Income and expenditure in relation to investment properties and changes in their fair value	943
<u>2,432</u>		<u>943</u>
<u>22,905</u>	Total	<u>18,656</u>

13 TAXATION AND NON SPECIFIC GRANT INCOME

31-Mar-20		31-Mar-21
£'000		£'000
(71,654)	Council tax income	(76,467)
(47,237)	Non domestic rates	(46,436)
(167,106)	Non-ring fenced government grants	(185,517)
<u>(17,431)</u>	Capital grants and contributions	<u>(17,667)</u>
<u>(303,428)</u>	Total	<u>(326,087)</u>

National Non-Domestic Rates (NNDR)

The total rateable value for non-domestic rates was £142,324,592 at 31 March 2021 (£144,460,983 at 31 March 2020). The rate poundage for occupied properties was 53.5p per £ of rateable value (52.6p in 2019/20) with empty properties being charged at 53.5p (52.6p in 2019/20).

In 2020/21 Newport received £46.4m from the Welsh NNDR pool in support of its services (£47.2m – 2019/20).

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Local Taxation

Council Tax Collection

	£'000	£'000
INCOME		
Council Taxes (net of Council Tax benefits)	(72,333)	(77,899)
Council Tax benefits	(11,234)	(12,273)
Total income	(83,567)	(90,172)
EXPENDITURE		
Precepts payable		
- Gwent Police Authority	15,119	16,451
- Community Councils	369	418
Newport Council Fund requirement	66,268	72,193
Council tax written off and provided for	678	1,432
Total expenditure	82,434	90,494
Net surplus for the year	(1,133)	322

Council Tax Requirement

	31-Mar-20		31-Mar-21	
	Dwellings	Tax Base	Dwellings	Tax Base
Total number of properties on valuation list	68,675	68,675	69,295	69,295
Adjusted as follows				
Less exempt properties @ 100%	2,044	(2,044)	2,044	(2,044)
Less single discounts @ 25%	24,636	(6,159)	25,328	(6,332)
Less multiple discounts @ 50%	1,201	(600)	87	(44)
Band D conversion		47		63
Losses on collection		(753)		(671)
Tax Base		59,166		60,267
		£		
Council tax requirement		81,755,539		89,060,765
Less payable to Gwent Police		(15,118,686)		(16,450,480)
Less payable to Community Councils		(368,518)		(417,650)
Net requirement Newport City Council		66,268,335		72,192,635
Band D tax for the year		1,126		1,205

Council Tax Requirement

This basic amount of £1,204.81 for a band D property (£1,126.27 in 2019/2020) 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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Newport City Council

14 PROPERTY, PLANT AND EQUIPMENT

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2020	370,801	41,198	228,473	179	2,636	1,780	645,067	72,880
Additions	9,288	3,389	6,045	31		2,092	20,845	1,196
Donations	-	-	127	-	-	-	127	-
Re-classifications	(5,591)	141	(141)	-	-	2,368	(3,223)	-
Revaluations	(22,247)	-	65	-	-	-	(22,182)	-
Impairments	(1,125)	-	(513)	(31)	-	-	(1,669)	-
Disposals	-	(1,099)	-	-	-	-	(1,099)	-
At 31 March 2021	351,126	43,629	234,056	179	2,636	6,240	637,866	74,076
Accumulated Depreciation								
At 1 April 2020	(35,041)	(29,518)	(79,444)	-	-	-	(144,003)	(23,867)
Depreciation Charge in Year	(12,168)	(3,341)	(7,015)	-	-	-	(22,524)	-
Re-classifications	280	-	-	-	-	-	280	-
Revaluation Impact	38,472	-	-	-	-	-	38,472	-
Disposals	-	1,099	-	-	-	-	1,099	-
At 31 March 2021	(8,457)	(31,760)	(86,459)	-	-	-	(126,676)	(23,867)
Net Book Value								
At 1 April 2020	335,760	11,680	149,029	179	2,636	1,780	501,064	49,013
At 31 March 2021	342,669	11,869	147,597	179	2,636	6,240	511,190	50,209

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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 2019	358,574	38,026	218,111	179	2,636	3,966	621,492	71,139
Additions	11,079	4,265	10,155	77	-	1,798	27,374	1,741
Donations	-	-	112	-	-	-	112	-
Re-classifications	3,720	-	156	-	52	(3,961)	(33)	-
Revaluations	2,192	-	-	-	(52)	-	2,140	-
Impairments	(3,746)	(174)	(61)	(77)	-	(23)	(4,081)	-
Disposals	(1,018)	(919)	-	-	-	-	(1,937)	-
At 31 March 2020	370,801	41,198	228,473	179	2,636	1,780	645,067	72,880
Accumulated Depreciation								
At 1 April 2019	(25,170)	(27,408)	(73,050)	-	-	-	(125,628)	(20,152)
Depreciation Charge in Year	(12,719)	(3,023)	(6,394)	-	-	-	(22,136)	(3,715)
Re-classifications	230	-	-	-	-	-	230	-
Revaluation Impact	2,565	-	-	-	-	-	2,565	-
Disposals	53	913	-	-	-	-	966	-
At 31 March 2020	(35,041)	(29,518)	(79,444)	-	-	-	(144,003)	(23,867)
Net Book Value								
At 1 April 2019	333,404	10,618	145,061	179	2,636	3,966	495,864	50,987
At 31 March 2020	335,760	11,680	149,029	179	2,636	1,780	501,064	49,013

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 2020/21 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-20	31-Mar-21
	£'000	£'000
Adults & Community Services	-	-
Children & Young Peoples Services	-	-
Corporate	-	-
Education	110	13,406
City Services	322	38
RIH	-	23
Total	432	13,467

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							-
Valued at current value as at:							
31 March 2021	274,000	774	-	-	2,636	-	277,410
31 March 2020	1,172	-	-	-	-	-	1,172
31 March 2019	60,221	-	-	179	-	-	60,400
31 March 2018	9,058	-	-	-	-	-	9,058
31 March 2017	6,532	-	-	-	-	-	6,532
Total Cost or Valuation	350,983	774	-	179	2,636	-	354,572

Fair Value Measurement of Surplus Assets

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Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2021 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 2021
	£'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 2020 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 2020
	£'000	£'000	£'000
Residential properties	-	2,021	2,021
Commercial units/Land	-	615	615
Total	-	2,636	2,636

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

Significant Observable Inputs – Level 2: There are no assets included in Level 2.

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 2020/21, there has been no change in the valuation techniques used during the year for surplus assets.

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

15 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 2020/21 the Council has recognised the following impairment losses:

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	31-Mar-20	31-Mar-21
	£'000	£'000
Land & Buildings	3,746	1,125
Community Assets	77	30
Infrastructure Assets	61	513
Vehicles Plant & Equipment	174	-
Assets Under Construction	23	-
Heritage Assets	-	-
Total	4,081	1,668

16 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 2020	12,914	1,280	3,057	103	17,354
Revaluations	-	-	-	-	-
At 31 March 2021	12,914	1,280	3,057	103	17,354
Depreciation charge in year	-	-	-	-	-
At 31 March 2021	-	-	-	-	-
Net Book Value					
At 1 April 2020	12,914	1,280	3,057	103	17,354
At 31 March 2021	12,914	1,280	3,057	103	17,354

	Museum & Library Collections	Tredegar House & Park	Public Art & Features	Archaeology	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2019	12,914	1,280	3,057	103	17,354
Revaluations	-	-	-	-	-
At 31 March 2020	12,914	1,280	3,057	103	17,354
Depreciation charge in year	-	-	-	-	-
At 31 March 2020	-	-	-	-	-
Net Book Value					
At 1 April 2019	12,914	1,280	3,057	103	17,354
At 31 March 2020	12,914	1,280	3,057	103	17,354

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 Museum and Art Gallery Manager. The Museum and Arts Gallery manager 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 began 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 drastically and it cannot be determined when it will be completed. 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 and in some cases specifically approved by the Cabinet Member for Leisure and Culture. 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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17 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-20	31-Mar-21
	£'000	£'000
Rental income from investment property	(1,483)	(1,576)
Direct operating expenses arising from investment property	303	1,495
Net (gain) / loss	(1,180)	(81)

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-20	31-Mar-21
	£'000	£'000
Restated		
Balance at start of the year	14,704	10,897
Additions	-	-
Disposals	-	-
Net gains/ (losses) from fair value adjustments	(3,807)	(279)
Transfers:		
- to/ from Property, Plant and Equipment	-	2,847
- to/ from Assets Held for Sale	(33)	(722)
- to/ from Public Conveniences	33	-
- to/ from Commercial Properties	-	-
Balance at end of the year	10,897	12,743

Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£'000	£'000	£'000
<i>Recurring fair value measurements using:</i>			
Office units	339	273	612
Commercial units	3,262	6,022	9,284
CCRCD Investment Properties		2,847	2,847
Total	3,601	9,142	12,743

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Comparative figures as at 31 March 2020 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 2020
	£'000	£'000	£'000
Restated	1,412	253	1,665
Office units	3,268	5,964	9,232
Commercial units	4,680	6,217	10,897
Total			

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-21 £'000	Valuation technique used to measure fair value	Unobservable inputs and Sensitivity
Office Units	273	Hardcore and Topslice*	Rental growth, Collection of rent, Discount rate, Basis of occupation
Commercial Units	6,022	Term and Reversion, Hardcore and Topslice	Rental growth, Special purchaser, Discount rate

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

*Term and Reversion and Hardcore and Topslice are form of valuation methods

Term and Reversion capitalises the rent received at an appropriate yield derived from comparables up until the next lease event; rent review or lease renewal. Then an ERV (Estimated Rental Value) is determined again from comparables and this is capitalised (usually at a slightly higher yield to reflect the risk of the uncertainty of the ERV) in perpetuity deferred for the amount of time until the next lease event. Both values are added together to give the whole capital value.

Hardcore and Topslice is an alternative method to using term and reversion. The 'Hardcore' or the rent received is capitalised in perpetuity at an appropriate yield. An ERV is assumed and the Hardcore is deducted from this figure to determine the 'Topslice'. This is then also capitalised in perpetuity at the same yield as the Hardcore and then

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

18 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
- Any overdraft facility is also treated in a similar fashion to short term loans
- Finance leases detailed in Note 38
- Private Finance Initiative contracts detailed in Note 39
- 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-20	31-Mar-21	31-Mar-20	31-Mar-21
	£'000	£'000	£'000	£'000
Financial assets at amortised cost:				
- Investments	-	-	12,450	15,294
- Debtors:				
- Financial assets held at contract amount	-	-	15,394	12,449
- Tredegar house lease premium	7,322	9,088	241	241
- Finance Leases	6,419	5,825	-	-
- Friars Walk Income Share	7,500	7,500	-	-
- Friars Walk Bad Debt Provision	(7,500)	(7,500)	-	-
- Other long-term debtors	4,615	7,200	-	-
- Cash & Cash Equivalents	-	-	(7,189)	7,694
Amortised Cost Total	18,356	22,113	20,896	35,678
Financial assets at Fair Value through other comprehensive income - designated equity instrument	251	447	-	-
Total Financial Assets	18,607	22,560	20,896	35,678

Financial Liabilities

	Non-Current		Current	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost:				
- Borrowing	145,947	145,725	19,685	5,648
- Creditors*	13,252	12,627	20,887	26,024
- PFI & Lease liabilities	40,166	39,320	2,175	2,447
Total Financial Liabilities	199,365	197,672	42,747	34,119

Current debtors excludes £56.8m of non-contractual current debtors that do not meet the definition of financial assets at amortised cost.

*Current creditors excludes £24.3m of non-contractual current creditors that do not meet the definition of financial liabilities at amortised cost.

Items of Income and expense

	31-Mar-20	31-Mar-21
	£'000	£'000
Interest expense	10,888	9,809
Interest and Investment Income	(256)	(180)
Net (Gain)/Loss for the year	10,632	9,629

Deferred Tax Asset (CCRCO)

	31-Mar-20	31-Mar-21
	£'000	£'000
Deferred Tax Asset	-	141
Total Deferred Tax Asset	-	141

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 2021, using the following methods and assumptions:

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

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

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

d) Financial Assets - Fair Value

Fair values of the Council’s financial assets is not significantly different to the amortised cost as recognised on the balance sheet.

e) Financial Liabilities - Fair Value

For the first time, the 2020/21 Accounts shows interest free loans received as a separate category to demonstrate its equivalent fair value. Also for the purpose of fair value calculations, short term borrowing is comprised of temporary loans and accrued interest and isn't subject to fair value consideration where as PWLB loans that involve equal instalment of principal repayments have been treated as a long term borrowing liability despite appreciating a short term repayment component.

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	Fair Value Level	Balance Sheet 31-Mar-20 £'000	Fair Value 31-Mar-20 £'000	Balance Sheet 31-Mar-21 £'000	Fair Value 31-Mar-21 £'000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	101,973	126,782	101,973	126,979
Long-term LOBO loans	2	30,000	50,654	30,000	49,578
Other long-term loans and loan stock	2			5,000	7,957
Long term interest free loans	2	5,000	7,826	8,693	9,525
Lease payables and PFI liabilities	3	42,244	70,708	39,320	70,180
Total		179,217	255,971	184,986	264,219
Liabilities for which fair value is not disclosed*		62,895		41,419	
Total Financial Liabilities		242,112		231,791	
Recorded on balance sheet as:					
Short-term creditors		20,887		26,024	
Short-term borrowing		19,685		12,627	
Long-term creditors		13,252		5,648	
Long-term borrowing		145,947		145,725	
Other short-term liabilities		2,175		2,447	
Other long-term liabilities		40,166		39,320	
Total Financial Liabilities		242,112		231,790	

* This predominantly reflects long term creditors and short-term financial liabilities including trade payables assumed to approximate to the carrying amount.

19 INVENTORIES

Inventories are purchased and used by the Council at historical cost. Work in progress is included at cost.

	31-Mar-20 £'000	31-Mar-21 £'000
Stocks		
Building Services	181	272
Leisure & Catering	1	2
Museum Shop	-	-
Printing/Stationery	9	10
Monwel Hankinson	10	11
	201	295

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20 SHORT TERM DEBTORS

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

	31-Mar-20			31-Mar-21		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	19,157	(3,763)	15,394	16,617	(4,168)	12,449
Council tax payers	7,081	(4,086)	2,995	9,272	(5,482)	3,790
NHS bodies	4,592	-	4,592	2,862	-	2,862
Central government bodies*	38,306	-	38,306	44,429	-	44,429
Other local authorities	1,270	-	1,270	5,715	-	5,715
	70,406	(7,849)	62,557	78,895	(9,650)	69,245

* Central government bodies debtors include grants issued by Welsh Government that were initially issued to other Local Authorities, who act as banking facilities, but relate to funds directly for Newport City Council. There was nil in 2020-21 (£9.865m in 2019/20) in relation to Welsh Government debtors for Covid-19 Business Grants.

21 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 current accounts 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 2021 was £1,108k in credit, (31 March 2020 – £20k in credit).

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

	31-Mar-20	31-Mar-21
	£'000	£'000
Cash held by the authority	5,247	15,252
Bank Current accounts	(12,436)	(7,558)
Total Cash and Cash Equivalents	(7,189)	7,694

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22 ASSETS HELD FOR SALE

	31-Mar-20	31-Mar-21
	£'000	£'000
Assets at the start of the year	1,080	1,284
New Appropriations	35	94
Assets newly classified as held for sale:	-	722
Surplus Assets	-	-
Investment Properties	33	-
Property, Plant and Equipment	-	-
Revaluation losses	-	(1)
Revaluation gains	273	1,104
Assets declassified as held for sale:	-	-
to Property, Plant and Equipment	-	-
Community Land	-	-
to Surplus Assets	-	-
Assets sold	(137)	(157)
Assets at year-end	1,284	3,046

23 SHORT TERM CREDITORS

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

	31-Mar-20	31-Mar-21
	£'000	£'000
General	(20,887)	(26,024)
Central government bodies	(7,577)	(13,433)
Prepayments of council tax	(1,304)	(1,397)
NHS bodies	(218)	(358)
Other local authorities	(6,769)	(9,069)
	(36,755)	(50,281)

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24 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-20 £'000	Further provisions £'000	Amounts used £'000	Unused amounts reversed £'000	31-Mar-21 £'000
Current Provisions					
Accumulated absence provision	(4,353)	-	1,522	-	(2,831)
Social Care Tasks	(230)	-	-	-	(230)
Insurance / MMI Provision	(3,179)	(83)	768	-	(2,494)
Energy Provision	(200)	-	-	170	(30)
Chartist tower	-	(858)	-	-	(858)
Other	(904)	(123)	-	-	(1,027)
	(8,866)	(1,064)	2,290	170	(7,470)
Long Term Provisions					
Landfill Capping	(5,398)	(475)	-	-	(5,873)
Other	(5,643)	(62)	500	-	(5,205)
	(11,041)	(537)	500	-	(11,078)

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.
Social Care Settlement	Social Care Tasks provision which was set up in 2017/18 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. Whilst the majority was used in 2019/20, additional monies were received from the Welsh Government to be used in 2020/21.
Insurance / MMI	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 pay out.
Chartist Tower	This provision is to recognise the potential liability of non payment of rent for 2018/19, 2019/20 and 2021/22
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.
Other	The majority of this is in relation to the income subsidy that is due for Friars Walk until 2032. The other amount included is related to the City Deal Joint Venture.

In addition to the above the authority also has bad debt provisions in relation to Debtors, Council Tax and Housing Benefits. These are detailed separately within the specific notes.

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25 USABLE RESERVES

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

26 UNUSABLE RESERVES

	31-Mar-20	31-Mar-21
	£'000	£'000
Revaluation Reserve	(163,939)	(198,880)
Capital Adjustment Account	(96,232)	(81,525)
Financial Instruments Adjustment Account	3,816	1,150
Deferred Capital Receipt Reserve	(21)	(21)
Financial Instruments Revaluation Reserve	(251)	(251)
Pensions Reserve	347,150	470,989
Accumulated Absence Account	4,354	2,832
	94,877	194,294

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-20	31-Mar-21
	£'000	£'000
Balance at 1 April	(161,564)	(163,939)
Upward revaluation of assets	(5,319)	(79,933)
Downward revaluation of assets and impairment losses not charged to provision of services	2,374	44,911
Surplus or deficit on revaluation of non-current assets not charged to provision of services	(2,945)	(35,022)
Difference between fair value depreciation and historic cost depreciation	-	-
Accumulated gains on assets sold or scrapped	570	81
Amount written off to the Capital Adjustment Account	570	81
Balance at 31 March	(163,939)	(198,880)

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Capital Adjustment Account

The Capital Adjustment Account is predominantly an accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed. For example, the credit balance on the Account shows that an authority has generally financed capital investment in advance of receiving the benefits of that investment. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains

	31-Mar-20 £'000	31-Mar-21 £'000
Balance at 1 April	(94,625)	(96,232)
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	26,159	23,573
Revaluation losses/gains on Property, Plant and Equipment	(2,197)	17,444
Amortisation of intangible assets	-	-
Revenue Expenditure Funded from Capital under Statute	3,881	4,681
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	1,108	158
	28,951	45,856
Adjusting amounts written out of the Revaluation Reserve	(571)	(81)
Net written out amount of the cost of non-current assets consumed in the year	28,380	45,775
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(916)	(25)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing - Non REFCUS	(19,724)	(19,935)
Statutory provision for the financing of capital investment charged against the Council Fund balances	(10,109)	(9,808)
Capital expenditure charged against the Council Fund balance	(3,046)	(1,579)
	(33,795)	(31,347)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,808	279
Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31 March	(96,232)	(81,525)

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

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a result, the balance on the account at the end of the year will be charged to the Council Fund over the next 39 years.

	31-Mar-20	31-Mar-21
	£'000	
Balance at 1 April	4,451	3,816
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	(2,030)
Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(635)	(636)
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	(635)	(636)
Balance at 31 March	3,816	1,150

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-20	31-Mar-21
	£'000	£'000
Balance at 1 April	(21)	(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	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-
Balance at 31 March	(21)	(21)

Pensions Reserve

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

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

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	31-Mar-20	31-Mar-21
	£'000	£'000
Balance at 1 April	400,586	347,150
Actuarial gains or losses on pensions assets and liabilities	(82,203)	106,560
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	46,217	35,240
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,450)	(17,961)
Balance at 31 March	347,150	470,989

Accumulated Absences Reserve

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

	31-Mar-20	31-Mar-21
	£'000	£'000
Balance at 1 April	3,435	4,354
Settlement or cancellation of accrual made at the end of the preceding year	(3,435)	(4,353)
Amounts accrued at the end of the current year	4,354	2,831
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	919	(1,522)
Balance at 31 March	4,354	2,832

27 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31-Mar-20	31-Mar-21
	£'000	£'000
Interest received	(224)	(56)
Interest paid	13,566	9,788
	13,342	9,732

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

	31-Mar-20	31-Mar-21
	£'000	£'000
Depreciation	(22,136)	(22,524)
Impairment and downward valuations	(1,826)	(18,493)
(Increase) / Decrease in creditors	242	(12,695)
Increase / (Decrease) in debtors	11,427	9,507
Increase / (Decrease) in stock	12	94
Pensions liability	(28,767)	(17,279)
Carrying amount of non-current assets sold	(1,108)	(158)
Other non cash adjustments	(7,592)	1,207
	(49,748)	(60,341)

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

	31-Mar-20	31-Mar-21
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	880	548
Any other items for which the cash effects are investing or financing cash flows	19,527	19,172
Net cash flows from operating activities	20,407	19,720

28 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-20	31-Mar-21
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	26,797	19,610
Purchase of short-term and long-term investments	2,450	3,040
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(880)	(548)
Other receipts from investing activities	(16,565)	(18,870)
Net cash flows from investing activities	11,802	3,232

29 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-20	31-Mar-21
	£'000	£'000
Cash receipts of short- and long-term borrowing	(38,513)	(25,775)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	726	1,571
Repayments of short- and long-term borrowing	65,668	40,035
Net cash flows from financing activities	27,881	15,831

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30 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 Council has 49 Members. The total allowances and expenses paid in the financial year was £951,689 (2019/20 – £943,977). All Members are entitled to the same basic allowance of £14,218 per annum (2019/20 - £13,868). Each Member holding the following positions are also paid additional responsibility allowances as detailed below:

	31-Mar-20	31-Mar-21
	£	£
Leader of the Council	35,232	35,232
Deputy Leader	20,732	20,732
Mayor	8,700	8,700
Deputy Mayor	3,700	3,700
Cabinet Member (x7)	16,232	16,232
Chair of Scrutiny Forum (x4)	8,700	8,700
Chair of Planning (x1)	8,700	8,700
Chair of Democratic Services (x1)	8,700	8,700
Chair of Licensing (x1)	8,700	8,700
Opposition Leader	8,700	8,700

During the 2020/21 financial year, a total of seven Lay (unelected) Members served for the Authority. Seven of these Lay Members claimed a total of £2,543, including both fees and expenses (2019/20: £4,662.14 claimed by nine Lay (unelected) Members) to sit on a number of committees.

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Newport City Council

31 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 - (left Authority 6th October 2019)	2020/21	-	-	-	-
	2019/20	73,752	465	15,635	89,852
Chief Executive - (Appointed as interim 7th Oct 2019 - 22nd March 2020)	2020/21	-	-	-	-
	2019/20	62,768	435	-	63,204
Chief Executive - (Appointed 29 July 2020)	2020/21	86,068	600	18,246	104,914
	2019/20	-	-	-	-
Strategic Director - People (left Authority 30th November 2019 and vacant thereafter through 2020/21)	2020/21	-	-	-	-
	2019/20	73,312	600	15,498	89,409
Strategic Director - Place (Appointed to Chief Executive 29th July 2020 and vacant thereafter through 2020/21)	2020/21	37,809	300	8,016	46,125
	2019/20	113,428	900	24,047	138,375
Chief Education Officer	2020/21	85,001	605	18,020	103,626
	2019/20	80,713	675	17,111	98,499
Head of Law and Regulation (Monitoring Officer)	2020/21	85,001	403	18,020	103,424
	2019/20	82,726	450	17,538	100,714
Head of Finance (Section 151 Officer)	2020/21	85,001	-	18,020	103,021
	2019/20	82,726	-	17,538	100,264
Head of People & Business Change	2020/21	85,001	605	18,020	103,626
	2019/20	82,726	675	17,538	100,939
Head of Regeneration, Investment & Housing Services (left authority 7th September 2020)	2020/21	74,477	471	7,859	82,807
	2019/20	80,713	1,080	17,111	98,904
Head of Regeneration, Investment & Housing Services - (appointed as Acting Head 11th May 2020)	2020/21	69,710	-	14,779	84,489
	2019/20	-	-	-	-
Head of Adult & Community Services *	2020/21	92,001	605	19,504	112,110
	2019/20	85,273	675	18,078	104,026
Head of Children & Young People Services	2020/21	85,001	968	18,020	103,989
	2019/20	82,726	1,080	17,538	101,344
Head of City Services	2020/21	85,001	605	18,020	103,626
	2019/20	80,713	675	17,111	98,499

Note * The Head of Adult & Community Service was paid additional sums (£7,000 Salary and £966 Pension Contribution) for undertaking the additional Statutory role of Director of Social Services from 20th November 2019 (£2,547 salary and £497 Pension Contribution during 2019-20). The Statutory role of Director of Social Services is ordinarily undertaken by the current vacant post of Strategic Director - People.

In addition to the above the Chief Executive acts as the Returning Officer. During 2020/21 the Chief Executive received £0.00 for her role as the Authorities Returning Officer. (In 2019/20, the position received £10,513.50).

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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 2020/21 was 1:5.3 (2019/20 was 1:6.1). The median position for the Council for 2020/21 is £24,012 (2019/20 was £22,911). 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, these exclude those posts mentioned in the previous table, receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts, the figures below include amounts that are paid to employees on redundancy.

	31-Mar-20		31-Mar-21	
	Teaching	Other	Teaching	Other
£105,000 - £109,999	-	-	2	-
£100,000 - £104,999	2	-	1	-
£95,000 - £99,999	1	2	3	-
£90,000 - £94,999	2	-	1	-
£85,000 - £89,999	1	2	3	-
£80,000 - £84,999	6	1	5	-
£75,000 - £79,999	6	1	10	1
£70,000 - £74,999	14	1	11	-
£65,000 - £69,999	16	2	20	4
£60,000 - £64,999	22	4	14	2
Total	70	13	70	7

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:

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The table below shows the cost of redundancies that took place during the 2020/21 financial year.

	Number of compulsory redundancies 31-Mar-21	Number of other departures agreed 31-Mar-21	Total number of exit packages 31-Mar-21	Total Cost of exit packages in each band 31-Mar-21 £
£0 - £20,000	1	26	27	229,767
£20,001 - £40,000	-	12	12	369,281
£40,001 - £60,000	1	5	6	275,598
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
Total	2	43	45	874,646

	Number of compulsory redundancies 31-Mar-20	Number of other departures agreed 31-Mar-20	Total number of exit packages 31-Mar-20	Total Cost of exit packages in each band 31-Mar-20 £
£0 - £20,000	-	28	28	266,070
£20,001 - £40,000	-	19	19	529,747
£40,001 - £60,000	2	8	10	472,874
£60,001 - £80,000	1	-	1	78,730
£80,001 - £100,000	-	-	-	-
Total	3	55	58	1,347,421

32 TERMINATION BENEFITS

The Council completed redundancies of 45 employees in 2020/21, incurring liabilities of £0.9m (58 [restated] employees at £1.4m in 2019/20). See Note 31 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.

33 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-20 £'000	31-Mar-21 £'000
Fees payable with regard to external audit of accounts	192	192
Fees payable in respect of local government measure	103	103
Fees payable for the certification of grant claims and returns for the year	60	56
Fees payable for other financial audit work	1	1
Total	356	352

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34 GRANTS INCOME

The Council credited the following grants, contributions and donations to the Revenue Comprehensive Income and Expenditure Statement in 2020/21:

	31-Mar-20	31-Mar-21
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	167,106	181,641
Contribution from Non-Domestic Rate	47,237	46,436
Total	214,343	228,077
	31-Mar-20	31-Mar-21
	£'000	£'000
Credited to Services		
Education Grants		
COVID19 Related Grants	-	6,523
Education Improvement Grant	5,675	6,457
Post 16	6,380	6,481
Pupil Deprivation	4,996	5,697
LA Education Grant	3,734	3,804
Teachers' Pensions Grant	2,021	109
Maintenance Grant	-	2,387
Accelerated Learning Programme	-	1,967
Other	1,060	1,181
Education Contributions		
Gwent Music	168	1
Other	2,177	2,289
Education Donations	421	205
Social Services		
COVID19 Related Grants	-	13,553
Supporting People	6,473	6,309
Substance Misuse	4,870	6,184
Children & Communities Grant - Families First Preventions	519	575
Children & Communities Grant - Families First	943	909
Youth Offending Service	333	395
Regional Domestic Violence	389	636
Home First	832	1,101
Sustainable Social Services	1,501	2,008
Training	-	375
Other	2,075	2,335
Social Services Contributions		
Section 28A funding	2,095	2,095
Intermediate care fund	2,819	2,497
Substance Misuse	1,745	1,728
Other	2,695	2,957
Social Services Donations	1	-
Regeneration, Investment & Housing Grants		
COVID19 Related Grants	-	6,001
Children & Communities Grant - Communities First Grants	553	534

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Childcare Offer Delivery	7,083	8,805
Children & Communities Grant - Flying Start	5,583	5,691
Children & Communities Grant - Families First Youth	337	303
Communities for Work	1,180	1,214
Inspire to Achieve	912	859
Inspire to Work	491	238
Adult Education	409	398
Other	2,795	2,678
Regeneration, Investment & Housing Contributions	6	649
Regeneration, Investment & Housing Donations	-	5
City Services Grants		
COVID19 Related Grants	-	4,978
Housing Benefit Subsidy	843	652
Sustainable Waste	794	911
Concessionary Fares	2,859	1,876
Other	2,066	2,719
City Services Contributions	73	63
Corporate Services Grants		
COVID19 Related Grants	-	2,017
Housing Benefit Subsidy	44,575	41,352
NDR	322	331
Training	375	-
Other	1,437	6,049
Corporate Service Contributions		
Other	190	1,419
Corporate Service Donations	-	-
	126,805	170,501

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.

35 AGENCY EXPENDITURE AND INCOME

The Council acted as an agent on behalf of the following in the provision of goods and services:

- Non Domestic Rates collection. A net debtor of £2.875m at 31 March 2021 (£2.404m at 31 March 2020) is included in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.
- Covid Grants
 - Due to the impact of the Covid-19 pandemic on the need for additional services, support for individuals and businesses there have been a large number of new grants and financial support made available by Welsh Government. Local Authorities have been requested to administer on the Welsh Government's behalf because they have the local knowledge and ability to put in place systems quickly to make payments.
 - The below table details each scheme

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Scheme	Purpose	Amount Received in 2020/21
Social Care £500 bonus Scheme	Bonus payment for individual care workers.	£1.720m
SSP Enhancement	To top up to full salary where employees only receive statutory sick pay when off sick with Covid or having to self isolate as an infection control measure.	£0.108m
Self isolation payments	£500 for eligible individuals who have to self isolate.	£0.312m
NDR rate relief grants	Relief given to retail, leisure and hospitality.	£20.287m
Business Grants	Grants to support businesses during lockdown closures.	£40.421m
Freelancer grants culture	Payment available for freelancers in the culture sector of up to £2.5k	£0.580m

36 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 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 is shown in Note 30. During 2020/21, works and services to the value of £25.8m were commissioned from or paid to companies in which 21 Members had an interest. This would include Wastesavers Ltd, Newport Live, Newport Norse, Aneurin Bevan Health Board, Newport City Homes, Newport Transport, Shared Resource Service and Royal Mail as detailed below. (2019/20: £17.1m where seventeen Members had an interest). As at 31st March 2021, the balances outstanding for related parties were debtors of £1.97m (2019/20 £887k) and creditors of £2.79m (2019/20 £2.8m).

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 £3.8m made to Waste Savers Ltd in 2020/21 (£2.4m in 2019/20). This company is independent from the Council. As at 31st March 2021, the balances outstanding for Wastesavers were debtors of £10k (£7k in 2019/20) and creditors of £110k (2019/20 £356k). There are no Members on the board of Wastesavers Ltd but, there is one Member of the Council on the board of Wastesavers Charitable Ltd, the parent company of Wastesavers Ltd. The council contract with the company for waste recycling services.

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Newport City Council also made payments to Newport Live amounting to £405k excluding the subsidy in 2020/21 (2019/20 £247k), this is a company that has charitable status and is independent from the Council. The company has invited two Members of the Council on the board, in their capacity as elected Members, not private individuals. Newport Live is contracted by the Council to run its sport and leisure services. As at 31st March 2021, the balances outstanding for Newport Live were debtors of £26k (£205k in 2019/20) and creditors of £364k (2019/20 £112k).

There were three declarations of interest submitted where grants have been paid to voluntary organisations. These were for Gwent Association for Voluntary Organisation for which payments totalled £34k (2019/20 £58k).

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

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

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

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

The Council also participates in six joint committees;

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

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

The table below shows the receipts and the payments that Newport City Council has with each related party throughout the 2020/21 financial year. It also shows any outstanding balances as at 31st March 2021.

	2019/20			2020/21		
	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	-	1,118	-	(370)	991	-
Newport Norse	(23)	6,818	2,207	(1,486)	9,404	1,617
<u>Pooled Budgets</u>						
The Gwent Wide Integrated Community Equipment Service (GWICES)	-	331	-	-	388	-
The Gwent Frailty Programme	-	1,768	-	-	1,846	-
<u>Joint Ventures</u>						
Gwent Joint Records Committee	-	289	-	-	289	-
Greater Gwent Cremation Committee	(261)	617	-	(262)	649	-
Project Gwyrdd	-	27	-	-	40	-
Coroners Joint Committee	-	199	-	-	247	-
Cardiff Capital Region City Deal (from 2017/18)	-	4,211	-	-	4,311	-

Subsidiary Company

Newport Transport Ltd is a company wholly owned by the Council. Newport Transport's board includes five Council Members and one Council officer nominated by the Council. 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 £38,964 as at 31 March 2021. (2020: £35,801)

The Council operates 179 (2019/20: 166) appointee bank accounts holding £1,593,374.23 (2019/20: £1,395,397). 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.

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Newport City Council

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

	31-Mar-20 £'000	31-Mar-21 £'000
Opening Capital Financing Requirement	276,377	277,704
<u>Capital investment</u>		
Property, Plant and Equipment	27,486	21,704
Heritage Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	3,881	4,681
Long Term Debtors (Loans to external companies)	3,659	2,268
<u>Sources of finance</u>		
Capital receipts	(916)	(25)
Government grants and other contributions	(19,724)	(19,935)
Sums set aside from revenue	(2,930)	(1,542)
Direct revenue contributions	(20)	(37)
Minimum Revenue Provision	(10,109)	(9,808)
Closing Capital Financing Requirement	277,704	275,010
Explanation of movements in year		
Increase in underlying need to borrow:		
Supported by government financial assistance	4,077	4,097
Un-supported by government financial assistance	5,917	1,771
Assets acquired under finance leases	-	50
Bullet Repayment of PFI Liability	-	-
Assets acquired under PFI contracts	1,442	1,196
Minimum Revenue Provision	(10,109)	(9,808)
Increase/ (Decrease) in Capital Financing Requirement	1,327	(2,694)

The total amount of capital expenditure incurred in the year is shown in the table above (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.

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Newport City Council

38 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-20	31-Mar-21
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	39	725
	<u>39</u>	<u>725</u>

The Council is committed to making minimum payments under these leases, comprising settlement of the long-term liability for the interest in the asset 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-20	31-Mar-21
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	64	320
- non-current	39	81
Finance costs payable in future years	4	5
Minimum lease payments	<u>107</u>	<u>406</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£'000	£'000	£'000	£'000
Not later than one year	68	-	64	328
Later than one year and not later than five years	39	-	39	81
	<u>107</u>	<u>-</u>	<u>103</u>	<u>409</u>

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-20	31-Mar-21
	£'000	£'000
Not later than one year	984	1,260
Later than one year and not later than five years	2,858	3,536
Later than five years	2,133	8,210
	<u>5,975</u>	<u>13,006</u>

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Council as Lessor

Finance Leases

The Council has finance leases with the Kingsway Shopping Centre with a remaining term of 239 years and for Chartist Tower with remaining life of 247 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-20	31-Mar-21
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)		
- current	-	-
- non-current	5,824	5,824
Unearned finance income	123,248	122,719
Unguaranteed residual value of property	-	-
Gross Investment in the lease	<u>129,072</u>	<u>128,543</u>

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£'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	126,427	125,898	5,824	5,824
	<u>129,072</u>	<u>128,543</u>	<u>5,824</u>	<u>5,824</u>

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-20	31-Mar-21
	£'000	£'000
Not later than one year	972	900
Later than one year and not later than five years	3,175	2,898
Later than five years	12,619	12,039
	<u>16,766</u>	<u>15,837</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.

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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-20	31-Mar-21
	£'000	£'000
Not later than one year	-	2,005
Later than one year and not later than five years	2,005	-
Later than five years	472	472
	<u>2,477</u>	<u>2,477</u>

39 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Southern Distributor Road PFI Scheme

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

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

Property Plant and Equipment

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

Payments

The Council makes an agreed annual payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments, remaining to be made under the PFI contract at 31 March 2021 (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 2021/22	910	1,505	4,810	7,225
Payable within two to five years	3,357	6,960	19,656	29,973
Payable within six to ten years	4,726	10,457	24,837	40,020
Payable within eleven to fifteen years	5,497	11,972	25,575	43,045
Payable within sixteen to twenty years	6,084	13,046	24,579	43,710
Payable within twenty one to twenty five years	1,405	2,437	4,510	8,352
Total	21,980	46,378	103,968	172,326

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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-20	31-Mar-21
	£'000	£'000
Balance outstanding at start of year	33,959	33,761
Payments during the year	(198)	(410)
Balance outstanding at year-end	33,761	33,351

Glan Usk Primary School

2020/21 was the twelfth 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 2021 (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 2021/22	724	619	750	2,093
Payable within two to five years	3,889	2,042	2,705	8,635
Payable within six to ten years	5,202	2,757	3,479	11,438
Payable within eleven to fifteen years	3,453	2,554	2,891	8,897
Payable within sixteen to twenty years	-	-	-	-
Total	13,267	7,971	9,824	31,063

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-20	31-Mar-21
	£'000	£'000
Balance outstanding at start of year	9,101	8,540
Payments during the year	(561)	(569)
Balance outstanding at year-end	8,540	7,971

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40 CAPITALISATION OF BORROWING COSTS

There was no capitalisation of borrowing costs in 2019/20 or 2020/21

41 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 2020/21 the Council paid £13.5m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2019/20 were £11.3m and 16.4% of pensionable pay from April to August and 23.68% of pensionable pay from September to March. As at the 31 March 2021 contributions of £1.1m were payable (31 March 2020: £1.1m).

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

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year:

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	Local Government Pension Scheme 31-Mar-20 £'000	Unfunded Teachers Discretionary Benefits 31-Mar-20 £'000	Local Government Pension Scheme 31-Mar-21 £'000	Unfunded Teachers Discretionary Benefits 31-Mar-21 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	34,423	-	27,081	-
Past service cost (including curtailments)	1,953	-	75	-
Effect of settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Interest income on plan assets	(11,848)	-	(10,411)	-
Interest cost on defined benefit obligation	21,427	262	18,284	211
Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services	45,955	262	35,029	211
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
Changes in Demographic Assumptions	(37,681)	(697)	14,016	134
Return on assets excluding amounts included in net interest	51,164	-	(128,078)	-
Changes in financial assumptions	(81,311)	(406)	227,824	817
Other experience	(13,326)	54	(8,107)	(46)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(81,154)	(1,049)	105,655	905
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	45,955	262	35,029	211
Actual amount charged against the Council Fund Balance for pensions in the year				
Employer contributions	16,063	-	16,616	-
Contributions in respect of unfunded benefits	1,387	(960)	1,345	(916)
	17,450	(960)	17,961	(916)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2021 is a loss of £362.7m (2019/20 showed a gain of £82.2m).

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Assets and Liabilities in Relation to Retirement Benefits

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

	Funded liabilities: Local Government Pension Scheme 31-Mar-20 £'000	Unfunded liabilities: Teachers Discretionary Benefits 31-Mar-20 £'000	Funded liabilities: Local Government Pension Scheme 31-Mar-21 £'000	Unfunded liabilities: Teachers Discretionary Benefits 31-Mar-21 £'000
Opening balance at 1 April	(882,246)	(11,393)	(790,374)	(9,646)
Current service cost	(34,423)	-	(27,081)	-
Interest cost on defined benefit obligation	(21,427)	(262)	(18,284)	(211)
Plan participants contributions	(4,522)	-	(4,800)	-
Actuarial gains and losses arising on changes in financial assumptions	81,311	406	(227,824)	(817)
Changes in Demographics Assumptions	37,681	697	(14,016)	(134)
Other experience	13,326	(54)	8,107	46
Benefits paid	21,879	960	21,657	916
Past service cost (including curtailments)	(1,953)	-	(75)	-
Effect of settlements	-	-	-	-
Closing balance at 31 March	(790,374)	(9,646)	(1,052,690)	(9,846)

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme

	31-Mar-20 £'000	31-Mar-21 £'000
Opening balance at 1 April	493,054	452,871
Interest income on plan assets	11,848	10,411
Return on assets excluding amounts included in net interest	(51,164)	128,078
Employer contributions	17,450	17,961
Contributions by scheme participants	4,522	4,800
Benefits paid	(22,839)	(22,573)
Settlements	-	-
Closing balance at 31 March	452,871	591,548

The actual return on scheme assets in the year was (£138.489m), (2019/20: £39.316m).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £471m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

- the deficit on the local government scheme will be made good by maintaining contributions at an appropriate rate over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to be raised to cover the teachers' pensions when the pensions are actually paid. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £16.4m. Expected contributions to the Teachers' Pension Scheme in the year to 31 March 2022 are £14.9m.

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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 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men (years)	20.6	20.7	21.5	20.7
- Women (years)	22.9	23.4	23.9	23.4
Longevity at 65 for future pensioners:				
- Men (years)	21.6	22.1	23.6	22.1
- Women (years)	24.6	25.4	26.1	25.4
Other Assumptions:				
Rate of CPI Inflation	1.9%	2.9%	2.5%	2.50%
Rate of increase in salaries	2.2%	3.2%	N/A	N/A
Rate of increase in pensions	1.9%	2.9%	2.5%	2.50%
Rate for discounting scheme liabilities	2.3%	2.0%	2.4%	2.40%
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-20	31-Mar-21
	£'000	£'000
Equities	66,984	87,497
Investment Funds	337,606	440,987
Property	11,398	14,888
Alternatives	32,903	42,978
Cash	3,980	5,199
	452,871	591,548

43 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 economic impact of the Covid-19 pandemic presents challenges to the financial services industry and its institutions. The main risk to the Council is credit risk, its ability to raise finance and to a limited degree the interest rate payable and receivable on new loans and investments. However, these risks are mitigated as described in this note.

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

The assessment of credit losses is based on information about past events, current conditions but also future forecasts. The economic outlook for the Councils' financial assets (investments and debtors) as a result of the COVID-19 pandemic must be taken into account when making this assessment, based on the available information. The Council needs to consider the risk of default of its financial assets, the exposure to that default risk and the estimated loss as a result of the default. This will be dependent on the nature of the financial assets held at amortised cost and the impact of the pandemic in its local area (as well as national economic events). Note 18 indicates that majority of financial assets are short term in nature such that their carrying value and fair value remain aligned.

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:

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	Amount at 31 Mar 2021	Historic experience of default	Estimated Exposure to non- repayment Mar 2021	Estimated Exposure at 31 Mar 2020
	£'000	%	£'000	£'000
Council tax debts	9,272	2.30	213	78
Trade debtors	9,437	0.80	75	161
			289	239

The Council expects repayment of its general debt within 30 days. However, £3.8m (40%) of £9.4m trade debt is past this due date. The equivalent 2019/20 comparison indicated only 33% of debts exceed 30 day period So whilst less debt was raised during 2020/21 resulting in less being outstanding at year end, recovery action has slowed proportionately on this debt. The trade debt is analysed as:

	31-Mar-20	31-Mar-21
	£'000	£'000
Less than thirty days	7,106	5,476
Less than three months	1,206	803
Three months to one year	937	1,192
More than one year	1,339	1,966
	10,587	9,437

Additionally 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, but in mitigating against longer term credit/investment risk the Council also has a specific and prudent bad debt provision of £8.4m, and a general risk reserve for investments, totalling £1,188k. Please see financial instrument Note 18 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-20	31-Mar-21
	£'000	£'000
Loan maturity		
Less than one year	19,616	12,434
Between one and two years	5,327	4,102
Between two and five years	33,781	32,495
More than five years	107,552	104,144
	166,276	153,175

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

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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.

In terms of the financial impact of the Covid-19 situation it has been recognised that it will have a significant impact upon ongoing operations and the finances associated with providing services. The Council will continue to work closely with partnering organisations such as Welsh Government, other councils and bodies which help it to deliver the services.

The impact of interest rate changes in borrowing and investment held at variable interest rates will impact on the Council's Income and Expenditure account and therefore it's Council Fund Balances.

The Council has a number of strategies to manage the interest rate risk, as contained within its treasury management and investment strategy. Where it is economically sound to do so the Council will, during falling interest rates, repay early high cost fixed rate loans to limit loss exposure.

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

Price Risk

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

Foreign Exchange Risk

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

44 CONTINGENT LIABILITIES

There are a number of contingent liabilities identified as at 31 March 2021:

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

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

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- **Insurance Claims** - The Council manages current insurance claims made against it on an on-going basis. There are a number of claims against the Council that are not included within its general insurance cover. These relate to discrimination, employment tribunals, copyright claims and civil litigation. As at 31 March 2021 the total claims outstanding were £3.9m. A provision has been made for claims totalling £2.5m as detailed in Note 24, as these have been assessed as being probable in terms of likely settlement. The Council also has an insurance reserve to mitigate against a percentage of the balance of claims as it is difficult to quantify the amount of these claims and the likelihood of the liability, and the Council is disputing all of the claims
- **Newport City Homes** - As part of the legal agreements associated with the transfer of the housing stock in 2008, the Council provided a number of property-related, employment, planning, environmental and other warranties to Newport City Homes and its funders which are for a period of 35 years from the date of transfer. The property-related warranties are limited to £9,000 per property (as at 2008 index linked to RPI), and cover 9,144 separate properties. Other warranties and indemnities would only apply after Newport City Homes has committed pre-determined levels of expenditure within its Business Plan. To date there has been no call on these warranties.
- **Financial Guarantees** – The Council has entered into a number of agreements to act as guarantor; in particular regarding the safeguarding of former employees’ pension rights when their employment was transferred to third party organisations. There is no quantifiable liability to the Council; however there remains a potential liability in future years.
- **Council Investments** – The Council have made loans to a small number of external developers. Despite the financial uncertainty which surrounds the impact of Covid-19, repayment of any outstanding debt is still expected. However, due to the fact that it is difficult to quantify the long term impact of Covid-19, there is a risk attached to the repayment of this debt. The council will closely monitor the situation over the next 12 months.
- **Landfill Tax (WRA)** - In July 2019 the Welsh Revenue Authority (WRA) opened an enquiry into the 2018/19 financial year in relation to Landfill Tax and the Loss of Ignition (LOI) tests required as part of the return. Newport City Council are currently working with the WRA to provide all information required for their enquiry. It is currently unknown what sanctions will be imposed on the Council, but there is likely to be a reclaim of unpaid tax and further potential of penalties being issued if there is deemed to be careless behaviour. It is currently very uncertain what the value of the repayment/penalty will be. During 2019 and 2020 all efforts have been made to ensure all processes and procedures at the landfill site are properly documented and fully compliant with the relevant legislation. The WRA have also opened an enquiry for the 2019/20 financial year, however we do not anticipate any issues relating to that year. Landfill Tax was also payable prior to 2018/19 which was due to HMRC, there is potential that HMRC could open up an enquiry for Landfill Tax payable prior to 2018/19 also.
- **McCloud Judgement** - A legal challenge was recently brought by a group of firefighters and judges against the UK Government. The group claimed that changes to their relevant pension schemes in 2015 (specifically the introduction of new career average schemes, with transitional arrangements for those close to retirement age) were discriminatory.

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

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

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The Council's actuary has assessed the financial impact of this legal judgement to be an estimated increase in the pension liability of £1,599,000 which has been included within the pension liability within Past Service Costs.

A LGPS consultation to provide a remedy was published in July 2020, with the consultation finishing in October 2020. The response to the consultation was published in February 2021 which set out the way Public Sector Pension Schemes will remedy the age discrimination which was determined when the 2015 schemes were introduced. The final impact on the pension scheme will not be known until the required changes in legislation have been made.

45 CONTINGENT ASSETS

No contingent assets were identified at 31 March 2021.

INTRODUCTION

The group accounts that follow comply with the requirement of the 2020/21 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.

For 2019/20, the group accounts have been restated. This is due to the fact that the final audited set of Newport Transport accounts were not published until after the deadline for Local Authorities final 2019/20 accounts. All notes have been restated where necessary to correspond to the final 2019/20 Newport Transport Accounts.

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.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Group Total 2019/20				Group Total 2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
33,763	(5,029)	28,734	Children's and Young People Services	34,578	(7,223)	27,355
81,376	(31,347)	50,029	Adults and Community Services	93,647	(45,251)	48,396
23,702	(4,879)	18,823	Education	30,758	(12,833)	17,925
135,437	(25,227)	110,210	Schools	155,238	(30,279)	124,959
41,899	(25,378)	16,521	Regeneration, Investment and Housing	39,623	(26,055)	13,568
56,780	(18,746)	38,034	City Services	58,917	(24,018)	34,899
27,197	(4,601)	22,596	Corporate Services	26,457	(6,437)	20,020
60,335	(44,792)	15,543	Other Non Department Costs	46,441	(45,120)	1,321
460,489	(159,999)	300,490	Cost of services	485,659	(197,216)	288,443
25,018	238	25,256	Other operating expenditure	26,713	(1,291)	25,422
24,708	(1,633)	23,075	Financing and investment income and expenditure	19,033	(257)	18,776
-	-	-	(Surplus) / deficit on discontinued operations	-	-	-
-	(303,575)	(303,575)	Taxation and non-specific grant income	-	(326,107)	(326,107)
510,215	(464,969)	45,246	(Surplus) / Deficit on Provision of services	531,405	(524,871)	6,534
		(2,945)	(Surplus) / deficit on revaluation of Property Plant and Equipment assets			(35,022)
		(83,570)	Actuarial (gains) / losses on pensions assets / liabilities			105,285
		260	Other gains / losses required to be included in the Comprehensive Income and Expenditure Statement			242
		-	Share of other comprehensive income and Expenditure of Subsidiaries			-
		(86,255)	Other Comprehensive Income and Expenditure			70,505
		(41,009)	Total Comprehensive Income and Expenditure			77,039

GROUP BALANCE SHEET AS AT 31 MARCH 2020

Total			Total
2019/20		Notes	2020/21
£'000			£'000
505,303	Property, Plant and Equipment	6	517,770
17,354	Heritage Assets		17,354
10,897	Investment Property		12,743
-	Long Term Investments		196
18,356	Long Term Debtors		22,113
551,910	Long Term Assets		570,176
12,450	Short Term Investments		15,294
1,284	Assets Held for Sale		3,046
350	Inventories		476
63,977	Short Term Debtors	9	70,699
-	Deferred Tax Asset		141
(6,541)	Cash and Cash Equivalents	11	11,955
71,520	Current Assets		101,611
(19,685)	Short Term Borrowing		(5,648)
(38,796)	Short Term Creditors	10	(53,830)
(8,866)	Provisions		(7,470)
(2,175)	Other Short Term Liabilities		(2,447)
(69,522)	Current Liabilities		(69,395)
(14,636)	Long Term Creditors	8	(18,521)
(11,041)	Long Term Provisions		(11,078)
(145,947)	Long Term Borrowing		(145,725)
(351,828)	Pension Liability	5	(474,496)
(40,166)	Other Long Term Liabilities		(39,320)
-	Deferred tax liability		-
(563,618)	Long Term Liabilities		(689,140)
(9,710)	Net Assets		(86,748)
(87,065)	Usable Reserves		(108,271)
96,775	Unusable Reserves		195,020
9,710	Total Reserves		86,749

GROUP MOVEMENTS IN RESERVE STATEMENT FOR YEAR ENDING 31 MARCH 2020

GROUP	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
Restated	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the 31 Mar 2019 carried forward	(6,500)	(88,242)	(8,295)	(103,037)	154,108	51,071
Movement in reserves during 2019/20 (Surplus) / deficit on the provision of services	43,987	-	-	43,987	1,259	45,246
Other comprehensive Income and Expenditure	-	-	-	-	(86,255)	(86,255)
Total Comprehensive Income and Expenditure	43,987	-	-	43,987	(84,996)	(41,009)
Adjustments between accounting basis and funding basis under regulations	(28,051)	-	36	(28,015)	27,665	(350)
Net Increase / Decrease before Transfers to Earmarked Reserves	15,936	-	36	15,972	(57,331)	(41,359)
Transfer to/ from Earmarked Reserves	(15,936)	15,936	-	-	-	-
Increase/ Decrease in 2019/20	-	15,936	36	15,972	(57,331)	(41,359)
Balance at the 31 Mar 2020 carried forward	(6,500)	(72,306)	(8,259)	(87,065)	96,777	9,712
Balance at the 31 Mar 2020 carried forward	(6,500)	(72,306)	(8,259)	(87,065)	96,777	9,712
Movement in reserves during 2020/21 (Surplus) / deficit on the provision of services	6,674	-	-	6,674	(141)	6,533
Other comprehensive Income and Expenditure	-	-	-	-	70,505	70,505
Total Comprehensive Income and Expenditure	6,674	-	-	6,674	70,364	77,038
Adjustments between accounting basis and funding basis under regulations	(29,386)	-	1,506	(27,880)	27,880	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(22,712)	-	1,506	(21,206)	98,244	77,038
Transfer to/ from Earmarked Reserves	22,712	(22,712)	-	-	-	-
(Increase) / Decrease in 2020/21	-	(22,712)	1,506	(21,206)	98,244	77,038
Balance at the 31 Mar 2021 carried forward	(6,500)	(95,018)	(6,753)	(108,271)	195,021	86,750

GROUP CASH FLOW STATEMENT FOR YEAR ENDING 31 MARCH 2020

Total 2019/20 £'000		Note	Total 2020/21
45,247	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		6,535
(51,523)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	13	(61,079)
20,528	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13	19,610
14,252	Net cash flows from Operating Activities		(34,934)
11,934	Investing Activities	14	6,425
27,291	Financing Activities	15	10,012
53,477	Net (increase) or decrease in cash and cash equivalents		(18,497)
46,935	Cash and cash equivalents at the beginning of the reporting period	11	(6,541)
(6,541)	Cash and cash equivalents at the end of the reporting period	11	11,955

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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 whose remuneration is over £60,000 per annum is shown below.

	Total	
	31-Mar-20	31-Mar-21
£135,000 - £139,999	-	-
£120,000 - £124,999	-	-
£115,000 - £119,999	-	1
£110,000 - £114,999	-	-
£105,000 - £109,999	1	2
£100,000 - £104,999	2	1
£95,000 - £99,999	4	3
£90,000 - £94,999	2	2
£85,000 - £89,999	3	3
£80,000 - £84,999	7	5
£75,000 - £79,999	8	12
£70,000 - £74,999	15	11
£65,000 - £69,999	18	24
£60,000 - £64,999	27	17
Total	87	81

Further information regarding the remuneration of the employees of Newport Transport is contained within the company's 2020/21 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 36 to the single entity financial statements.

3 EXTERNAL AUDIT COSTS

In 2020/21 the following fees were paid by the council and its subsidiary in respect of audit and inspection.

	31-Mar-20	31-Mar-21
	£'000	£'000
Fees payable with regard to external audit of accounts	213	207
Fees payable in respect of local government measure	103	103
Fees payable for the certification of grant claims and returns for the year	61	57
Fees payable for other financial audit work	1	1
Total	378	368

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-20	31-Mar-21
	£'000	£'000
Not later than one year	1,096	1,875
Later than one year and not later than five years	2,884	5,716
Later than five years	2,133	12,109
	6,113	19,700

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-20	31-Mar-21
	£'000	£'000
Vehicle, Plant, Furniture and Equipment	207	766
	207	766

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-20	31-Mar-21
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	232	361
- non-current	80	81
Finance costs payable in future years	4	5
Minimum lease payments	316	447

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£'000	£'000	£'000	£'000
Not later than one year	236	366	232	361
Later than one year and not later than five years	80	81	80	81
	316	447	312	442

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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-20 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-20 £'000	Newport Transport 31-Mar-20 £'000	Local Government Pension Scheme Newport Council 31-Mar-21 £'000	Unfunded Teachers Discretionary Benefits Newport Council 31-Mar-21 £'000	Newport Transport 31-Mar-21 £'000
<u>Comprehensive Income and Expenditure Statement</u>						
Cost of Services:						
Current service cost	34,423	-	50	27,081	-	38
Past service cost (including curtailments)	1,953	-	-	75	-	-
Effect of settlements	-	-	-	-	-	-
Finance and Investment Income and Expenditure:						
Interest income on plan assets	(11,848)	-	325	(10,411)	-	263
Interest cost on defined benefit obligation	21,427	262	467	18,284	211	370
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	45,955	262	842	35,029	211	671
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Remeasurement of the net defined benefit liability comprising:						
Changes in Demographic Assumptions	(37,681)	(697)	(734)	14,016	134	180
Return on assets excluding amounts included in net interest	51,164	-	1,391	(128,078)	-	(3,244)
Changes in financial assumptions	(81,311)	(406)	(679)	227,824	817	2,005
Other experience	(13,326)	54	(1,345)	(8,107)	(46)	(216)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(81,154)	(1,049)	(1,367)	105,655	905	(1,275)

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	Funded liabilities: Local Government Pension Scheme - Newport Council 31-Mar-20 £'000	Unfunded liabilities: Teachers Discretionary Benefits Newport CC 31-Mar-20 £'000	Funded liabilities: Local Government Pension Scheme - Newport Transport 31-Mar-20 £'000	Funded liabilities: Local Government Pension Scheme - Newport Council 31-Mar-21 £'000	Unfunded liabilities: Teachers Discretionary Benefits Newport CC 31-Mar-21 £'000	Funded liabilities: Local Government Pension Scheme - Newport Transport 31-Mar-21 £'000
<u>Movement in Reserves Statement</u>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services post employment benefits in accordance with the Code	45,955	262	192	35,029	211	(145)
<u>Actual amount charged against the Council</u>						
<u>Fund Balance for pensions in the year</u>						
Employers' contributions payable to scheme	16,063	-	(41)	16,616	-	(41)
Contributions in respect of unfunded benefits	1,387	(960)	-	1,345	(916)	-
	17,450	(960)	(41)	17,961	(916)	(41)

Reconciliation of Scheme Assets

Assets and Liabilities in Relation to Retirement

Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Local Government Pension Scheme Newport Council	Unfunded Teachers Discretionary Benefits Newport Council	Newport Transport	Local Government Pension Scheme Newport Council	Unfunded Teachers Discretionary Benefits Newport Council	Newport Transport
	31-Mar-20	31-Mar-20	31-Mar-20	31-Mar-21	31-Mar-21	31-Mar-21
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	(882,246)	(11,393)	(19,914)	(790,374)	(9,646)	(16,622)
Current service cost	(34,423)	-	(50)	(27,081)	-	(38)
Interest cost on defined benefit obligation	(21,427)	(262)	(467)	(18,284)	(211)	(370)
Plan participants contributions	(4,522)	-	(7)	(4,800)	-	(7)
Actuarial gains and losses arising on changes in financial assumptions	81,311	406	679	(227,824)	(817)	(2,005)
Changes in Demographic Assumptions	37,681	697	734	(14,016)	(134)	(180)
Other experience	13,326	(54)	1,345	8,107	46	216
Benefits paid	21,879	960	1,058	21,657	916	1,061
Past service cost (including curtailments)	(1,953)	-	-	(75)	-	-
Effect of settlements	-	-	-	-	-	-
Closing balance at 31 March	(790,374)	(9,646)	(16,622)	(1,052,690)	(9,846)	(17,945)

Local Government Pension Scheme	Newport Council 31-Mar-20	Newport Transport 31-Mar-20	Newport Council 31-Mar-21	Newport Transport 31-Mar-21
Restated	£'000	£'000	£'000	£'000
Opening balance at 1 April	493,054	14,020	452,871	11,944
Interest income on plan assets	11,848	325	10,411	263
Return on assets excluding amounts included in net interest	(51,164)	(1,391)	128,078	3,244
Employer contributions	17,450	41	17,961	41
Contributions by scheme participants	4,522	7	4,800	7
Benefits paid	(22,839)	(1,058)	(22,573)	(1,061)
Settlements	-	-	-	-
Closing balance at 31 March	452,871	11,944	591,548	14,438

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits Pension Scheme		Newport City Transport Pension Scheme	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
Mortality assumptions:						
Longevity at 65 for current pensioners:						
- Men (years)	20.6	20.7	21.5	20.7	20.6	20.7
- Women (years)	22.9	23.4	23.9	23.4	22.9	23.4
Longevity at 65 for future pensioners:						
- Men (years)	21.6	22.1	23.6	22.1	21.6	22.1
- Women (years)	24.6	25.4	26.1	25.4	24.6	25.4
Other Assumptions:						
Rate of CPI Inflation	1.9%	2.9%	2.5%	2.5%	2.3%	2.0%
Rate of increase in salaries	2.2%	3.2%	N/A	N/A	2.8%	3.2%
Rate of increase in pensions	1.9%	2.9%	2.5%	2.5%	1.9%	2.9%
Rate for discounting scheme liabilities	2.3%	2.0%	2.4%	2.4%	2.3%	2.0%
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

2020/21	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 2020	373,180	53,037	228,473	179	2,636	1,792	659,297	72,880
Additions	9,291	6,580	6,045	31	-	2,092	24,039	1,196
Donations	-	-	127	-	-	-	127	-
Re-classification	(5,591)	154	(141)	-	-	2,356	(3,222)	-
Revaluations	(22,247)	-	65	-	-	-	(22,182)	-
Impairments	(1,125)	-	(513)	(31)	-	-	(1,669)	-
Disposals	-	(1,263)	-	-	-	-	(1,263)	-
At 31 March 2021	353,508	58,508	234,056	179	2,636	6,240	655,127	74,076
Accumulated Depreciation and Impairment								
At 1 April 2020	(35,898)	(38,653)	(79,444)	-	-	-	(153,995)	(23,867)
Depreciation Charge in Year	(12,256)	(4,095)	(7,015)	-	-	-	(23,366)	-
Re-classification	280	-	-	-	-	-	280	-
Revaluation Impact	38,472	-	-	-	-	-	38,472	-
Disposals	-	1,253	-	-	-	-	1,253	-
At 31 March 2021	(9,402)	(41,495)	(86,459)	-	-	-	(137,356)	(23,867)
Net Book Value								
At 1 April 2020	337,282	14,384	149,029	179	2,636	1,792	505,302	49,013
At 31 March 2021	344,106	17,013	147,597	179	2,636	6,240	517,771	50,209

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2019/20	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 2019	360,855	50,598	218,111	179	2,636	4,124	636,503	71,139
Additions	11,097	4,367	10,155	77	-	1,812	27,508	1,741
Donations	-	-	112	-	-	-	112	-
Re-classification	3,800	80	156	-	52	(4,121)	(33)	-
Revaluations	2,192	-	-	-	(52)	-	2,140	-
Impairments	(3,746)	(174)	(61)	(77)	-	(23)	(4,081)	-
Disposals	(1,018)	(1,834)	-	-	-	-	(2,852)	-
At 31 March 2020	373,180	53,037	228,473	179	2,636	1,792	659,297	72,880
Accumulated Depreciation and Impairment								
At 1 April 2019	(25,939)	(36,650)	(73,050)	-	-	-	(135,639)	(20,152)
Depreciation Charge in Year	(12,807)	(3,684)	(6,394)	-	-	-	(22,885)	(3,715)
Re-classification	230	-	-	-	-	-	230	-
Revaluation Impact	2,565	(147)	-	-	-	-	2,418	-
Disposals	53	1,828	-	-	-	-	1,881	-
At 31 March 2020	(35,898)	(38,653)	(79,444)	-	-	-	(153,995)	(23,867)
Net Book Value								
At 1 April 2019	334,916	13,948	145,061	179	2,636	4,124	500,864	50,987
At 31 March 2020	337,282	14,384	149,029	179	2,636	1,792	505,302	49,013

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-20	31-Mar-21
	£'000	£'000
Section 106 deposits	(6,182)	-
Other long term creditors	(8,454)	(18,521)
	<u>(14,636)</u>	<u>(18,521)</u>

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

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9 DEBTORS

	31-Mar-20			31-Mar-21		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	21,083	(3,763)	17,320	18,071	(4,168)	13,903
Council tax payers	7,081	(4,086)	2,995	9,272	(5,482)	3,790
NHS bodies	4,592	-	4,592	2,862	-	2,862
Central government bodies *	38,306	-	38,306	44,429	-	44,429
Other local authorities	1,270	-	1,270	5,715	-	5,715
	72,332	(7,849)	64,483	80,349	(9,650)	70,699

10 CREDITORS

	31-Mar-20	31-Mar-21
	£'000	£'000
General	(23,434)	(29,573)
Central government bodies	(7,577)	(13,433)
Prepayments of council tax	(1,304)	(1,397)
NHS bodies	(218)	(358)
Other local authorities	(6,769)	(9,069)
	(39,302)	(53,830)

11 CASH AND CASH EQUIVALENTS

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

	31-Mar-20	31-Mar-21
	£'000	£'000
Short-Term Investments classified as cash equivalent	-	-
Cash held by the authority	5,247	15,252
	5,247	15,252
Bank Current accounts	(11,788)	(3,297)
Total Cash and Cash Equivalents	(6,541)	11,955

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-20	31-Mar-21
	£'000	£'000
Interest received	(223)	(56)
Interest paid	13,537	9,668
Loss on disposal of tangible assets	2	(10)
Taxation	147	20
	13,463	9,622

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

	31-Mar-20	31-Mar-21
	£'000	£'000
Depreciation	(22,885)	(23,366)
Impairment and downward valuations	(1,973)	(18,493)
(Increase) / Decrease in creditors	(37)	(12,603)
Increase / (Decrease) in debtors	10,913	9,847
Increase / (Decrease) in stock	(63)	126
Pensions liability	(28,918)	(17,383)
Carrying amount of non-current assets sold	(1,108)	(158)
Other non cash adjustments	(7,453)	950
	(51,524)	(61,080)

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

	31-Mar-20	31-Mar-21
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	882	548
Any other items for which the cash effects are investing or financing cash flows	19,648	19,062
Net cash flows from Operating activities	20,530	19,610

14 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31-Mar-20	31-Mar-21
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	26,931	22,804
Purchase of short-term and long-term investments	2,450	3,040
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(880)	(548)
Other receipts from investing activities	(16,567)	(18,871)
Net cash flows from investing activities	11,934	6,425

15 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-20	31-Mar-21
	£'000	£'000
Cash receipts of short- and long-term borrowing	(38,279)	(28,016)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,245	1,739
Repayments of short- and long-term borrowing	65,668	40,035
Government Grant Income	(1,343)	(3,745)
Net cash flows from financing activities	27,291	10,013

16 TAXATION

Newport Transport Tax Liability is as follows:

	31-Mar-20	31-Mar-21
	£'000	£'000
Corporation tax		
Current tax on profits for the year	-	-
Total Current Tax	-	-
Deferred Tax		
Origination and reversal of timing differences	(28)	(20)
Changes to tax rates	(118)	-
Adjustment in respect of prior periods	-	-
Total deferred tax	(146)	(20)
Taxation on loss on ordinary activities	(146)	(20)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	31-Mar-20	31-Mar-21
	£'000	£'000
Loss on Ordinary Activities before Tax	(1,407)	120
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(267)	23
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2	12
Capital allowances for year in excess of depreciation	15	15
Changes in deferred tax rate	(118)	-
Adjustments to tax charge in respect of prior periods	-	-
Rate difference regarding other comprehensive income	-	-
Deferred tax not recognised	222	(70)
Other timing differences leading to an increase (decrease) in taxation	-	-
Changes in provisions leading to an increase (decrease) in the tax charge	-	-
Total tax charge for the year	(146)	(20)

17 Unusable Reserves

	31-Mar-20	31-Mar-21
	£'000	£'000
NT Profit and loss	2,465	1,292
Revaluation Reserve	(164,757)	(199,698)
Capital Adjustment Account	(96,232)	(81,525)
Financial Instruments Adjustment Account	3,816	1,150
Deferred Capital Receipt Reserve	(21)	(21)
Pensions Reserve	347,150	470,989
Accumulated Absence Account	4,354	2,832
	96,773	195,019

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 2020/21

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 2020/21

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 2020/21

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 a Council's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government and Housing Act 1989. Net debt is the Council's borrowings less cash and liquid resources.
- **Precept**
The amount levied by various Authorities that is collected by the Council on their behalf.
- **Premiums**
These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.
- **Prior Period Adjustments**
These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.
- **Private Finance Initiative (PFI)**
A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.
- **Public Works Loan Board (PWLB)**
An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities
- **Related Parties**
Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:
 - members of the close family, or the same household; and
 - partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Glossary of Accounting Related Terminology

Statement of Accounts 2020/21

Newport City Council

- **Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Council. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

- **Revaluation Reserve**

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

- **Service Reporting Code of Practice (SERCOP)**

Prepared and published by CIPFA, the Service Reporting Code of Practice (SERCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SERCOP establishes proper practices with regard to consistent financial reporting for services in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

- **Treasury Management**

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

- **Trust Funds**

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

- **Unsupported (Prudential) Borrowing**

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

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
ERV	Estimated Rental Value
FRS	Financial Reporting Standards
GAAP	Generally Accepted Accounting Practice
GAVO	Gwent Association of Voluntary Organisations
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LMS	Local Management of Schools
LOBO	Lender Option Borrower Option
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 Institute of Chartered Surveyors
RSG	Revenue Support Grant
SERCOP	Service Reporting Code of Practice
SEWREC	South East Wales Racial Equality Council
TTF	Treasury Task Force
WIP	Work In Progress
WRA	Welsh Revenue Authority

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.

Report

Governance and Audit Committee

Part 1

Date: 29 July 2021

Subject Draft Work Programme

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

Author Democratic & Services Officer

Ward General

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

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

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

Action by Governance and Audit Committee

Timetable Immediate

Background

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

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

30 September 2021
Progress Against Internal Audit Plan 2021/22 Quarter 1
Corporate Risk Register (Quarter 1 April to June)
Audit of Financial Statements Report 2020/21
Audit Enquiries Letter 2020/21
Referrals to Governance and Audit Committee

28 October 2021
Internal Audit Plan 2021/22– Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Corporate Risk Register (Quarter 2 July to Sept)
Treasury Management Report
Lessons Learned 2020/21

Comments of Chief Financial Officer

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

Comments of Monitoring Officer

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

Staffing Implications: Comments of Head of People and Business Change

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

Background Papers

None.

Appendix 1

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

30 September 2021
Progress Against Internal Audit Plan 2021/22 Quarter 1
Corporate Risk Register (Quarter 1 April to June)
Audit of Financial Statements Report 2020/21
Audit Enquiries Letter 2020/21
Referrals to Governance and Audit Committee

28 October 2021
Internal Audit Plan 2021/22– Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Corporate Risk Register (Quarter 2 July to Sept)
Treasury Management Report
Lessons Learned 2020/21

27 January 2022
Internal Audit Plan – Progress (Quarter 3)
Financial Memorandum on the 2020-21 Financial Audit
Treasury Management Report
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Referrals to Audit Committee

31 March 2022
Corporate Risk Register (Quarter 3) & Risk Appetite Statement
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)
WAO Annual Report on Grants Works 2021-22
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

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